ANNUAL REPORTS 2009

Consolidated annual report
Gruppo Banca Sella

Banca Sella Holding S.p.A.
Parent company of Gruppo Banca Sella.
Head office: 13900 Biella (Italia), via Italia, 2 – Share capital and reserves € 469.632.431
Member of the Deposi scheme – Registered on the Banks and Banking Groups Roll
TAX and VAT number 01709430027 – Tel. 015.35011 – Telefax 015.351767 – Swift SELB IT 22
Web site www.gruppobancasella.it

This volume has been priented on ecological recycled paper

Centre insert: Fondazione Sella archive photographs

Vittorio Sella, *Mount Koshtantau, Dichtau, Shkara, valley of Adyl, etc. from oriental cone of Elbruz, 5000m* 19 August 1889

Vittorio Sella, *Mount Ushba e Shkara, Betsho hill from peak of Ciat – Bashil, 3500m ca.* 22 August 1889

Vittorio Sella, *Peak of Dongusorun nearby the homonymous hill, 3000m ca., northern side* 1889

Vittorio Sella, *Mount Ushba, above Ezeri village (Soanezia)* 1889

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CONSOLIDATED ANNUAL REPORT GRUPPO BANCA SELLA

Main corporate boards and committees of the parent company Banca Sella Holding S.p.A.

BOARD OF DIRECTORS
in office up to the approval of the 2009 financial statements

Chairman	Maurizio Sella
Deputy chairman	Franco Sella
Deputy chairman	Lodovico Sella
Chief Executive Officer and General Manager	Pietro Sella
Co-General Manager	Attilio Viola
Director	Mario Cattaneo
"	Mario Renzo Deaglio
"	Fitoussi Jean Paul
"	Pier Vittorio Magnani
"	Giovanni Rosso
"	Federico Sella
"	Sebastiano Sella
"	Vittorio Sella
"	Marco Weigmann
"	Giovanni Zanetti

BOARD OF STATUTORY AUDITORS
in office up to the approval of the 2011 financial statements

Auditor - Chairman	Alessandro Rayneri
"	Paolo Piccatti
"	Alberto Rizzo
Alternate Auditor	Riccardo Foglia Taverna
" "	Mario Pia

AUDIT COMMITTEE

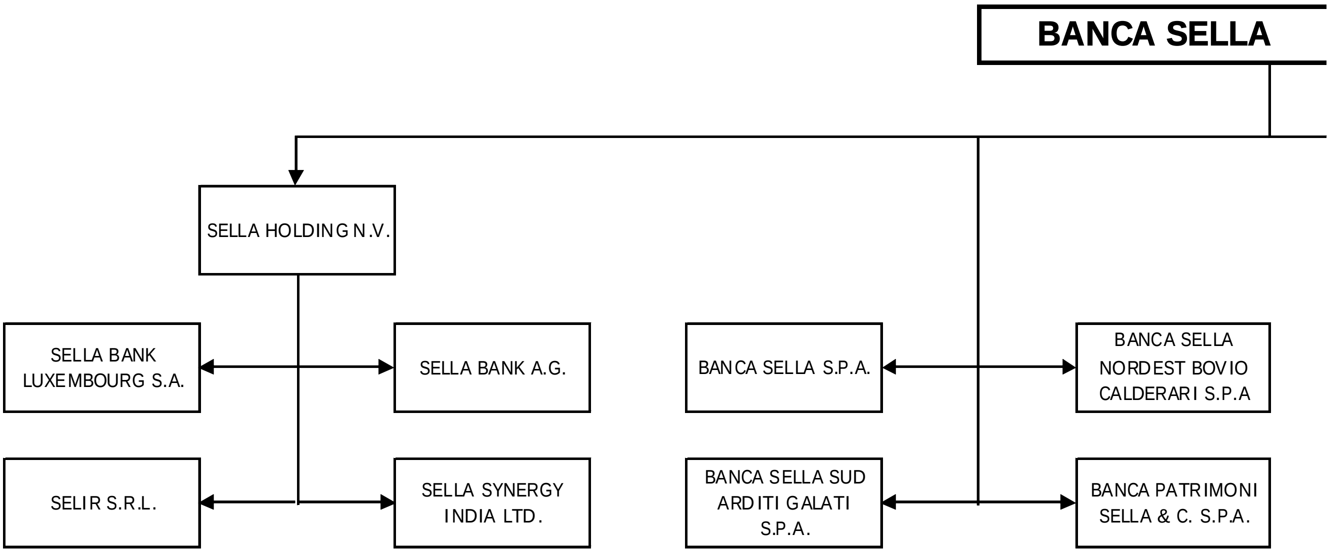
Chairman	Marco Weigmann
	Mario Cattaneo
	Giovanni Zanetti

INDEPENDENT AUDITORS

Independent auditors	Deloitte & Touche S.p.A.

Map of the Banca Sella Group

At 31 December 2009



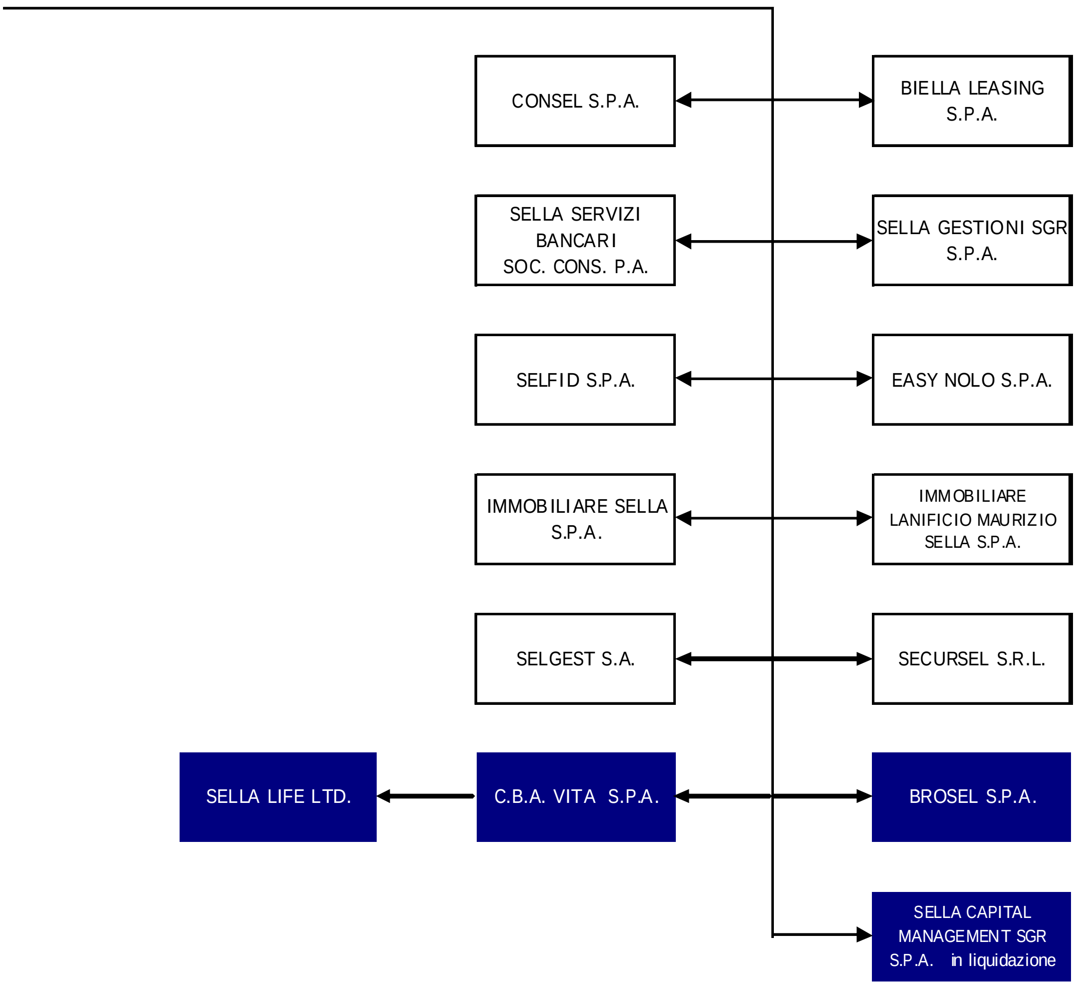
Controlled companies but not included in the Group's perimeter

Other Me-by-line consolidated companies: MARS 2600 S.r.l. (società veicolo di operazioni di cartolarizzazione del Gruppo).

Net equity method consolidated companies:

MARTIN MAUREL SELLA BANQUE PRIVEE MONACO S.A.M.
BANCA MONTE PARMA S.p.A.
HI-MTF SIM S.p.A.
INCHIARO ASSICURAZIONI S.P.A.
S.C.P. VDP 1
AGATA S.p.A.
RETAIL ITALIA S.R.L.

HOLDING S.P.A.


CONSEL S.P.A.
BIELLA LEASING S.P.A.
SELLA SERVIZI BANCARI SOC. CONS. P.A.
SELLA GESTIONI SGR S.P.A.
SELFID S.P.A.
EASY NOLO S.P.A.
IMMOBILIARE SELLA S.P.A.
IMMOBILIARE LANIFICIO MAURIZIO SELLA S.P.A.
SELGEST S.A.
SECURSEL S.R.L.
SELLA LIFE LTD.
C.B.A. VITA S.P.A.
BROSEL S.P.A.
SELLA CAPITAL MANAGEMENT SGR S.P.A. in liquidazione

Territorial organisation of the Banca Sella Group
(April 2010)

Banca Sella Holding S.p.A.
Sede e Direzione Generale
13900 BIELLA, Via Italia 2
Tel. 015 35011 - Fax 015 351767
Sito internet: www.gruppobancasella.it

ITALIAN DISTRIBUTION NETWORK

Regione Piemonte

BIELLA - SEDE	VIA ITALIA 2	015/ 35011

FOREIGN DISTRIBUTION NETWORK

Venezuela

CARACAS	Ufficio di rappresentanza presso Studio Backer&McKenzie	

BANKS OF THE GROUP

Banca Sella S.p.A.
Head office
13900 BIELLA, Via Italia 2
Tel. 015 35011 - Fax 015 2433900
Web site: www.sella.it

Regione Piemonte

ACQUI TERME	VIA MARCONI 15/17/19	0144/325077
ALBA	PIAZZA CRISTO RE 12	0173/ 284244
ALESSANDRIA	VIA MIGLIARA 5	0131/68154
ALPIGNANO	VIA MAZZINI 33	011/ 9664431
ANDORNO MICCA	VIA CAVALIERI DI VITTORIO VENETO 77	015/ 2475211
ASTI	VIA ALBERTO BRUNO 9	0141/390411
AVIGLIANA	CORSO TORINO 37/39/43	011/ 9312925
BANCHETTE	VIA CASTELLAMONTE 3	0125/ 612766
BEINASCO	STRADA TORINO 104	011/3499873
BIELLA - BORSINO	VIA ITALIA 2	015/23291
BIELLA - SEDE 20	VIA ITALIA 2	015/ 35011
BIELLA 1 - VERNATO	VIA LAMARMORA 18	015/ 28669-0
BIELLA 2 - PIAZZA MARTIRI	PIAZZA MARTIRI DELLA LIBERTA' 8	015/ 355459-0
BIELLA 3 - PIAZZA ADUA	PIAZZA ADUA 12	015/ 8408192
BIELLA 4 - CHIAVAZZA	VIA MILANO 53	015/ 355237
BIELLA 5 - VIA ROSSELLI	VIA FRATELLI ROSSELLI 108	015/ 8408205
BIELLA 6 - PAVIGNANO	VIA PETTINENGO 22	015/ 562676
BIELLA 7 - VIA TORINO	VIA TORINO 53	015/ 406287

BIELLA 8 - VIA TRIPOLI	VIA TRIPOLI 33 ANG.VIA GALIMBERTI	015/ 403149
BIELLA 9 – GLI ORSI	VIA DOMENICO MODUGNO 1/H – C/O “GLI ORSI”	015/2535162
BIELLA SEDE - VIA ITALIA 2	VIA ITALIA 2	015/ 35011
BORGARO TORINESE	VIA GRAMSCI 2	011/4500276
BORGO SAN DALMAZZO	VIA BOVES 17/D	0171/261947
BORGOMANERO	CORSO GARIBALDI 106	0322/835920
BORGOSESIA	P.ZZA CAVOUR 13	0163/ 200379
BRA	VIA VERDI 15	0172/432158
BRUSNENGO	PIAZZA UBERTALLI 12	015/ 985476
BUSSOLENO	VIA TORINO 29	0122/ 640476
CALUSO	VIA BETTOIA 61	011/ 9831684
CANDELO	PIAZZA CASTELLO 17/18	015/ 2536815
CARIGNANO	VIA UMBERTO I 27	011/9697115
CARMAGNOLA	CORSO MATTEOTTI 6/8 ANG.VIA CHIFFI	011/9713077
CASALE MONFERRATO	VIA SAFFI 33	0142/ 454133
CASTELLAMONTE	VIA P. EDUC 48	0124/ 513185
CASTIGLIONE TORINESE	PIAZZA VITTORIO VENETO 1	011/9818393
CAVGLIA'	VIA RONDOLINO 1	0161/ 96397
CHIAVERANO	CORSO CENTRALE 67	0125/ 54375
CHIERI	VIA VITTORIO EMANUELE 44	011/ 9412210
CHIUSA DI SAN MICHELE	VIA GENERAL CANTORE 2	011/ 9643332
CHIVASSO	VIA ITALIA 2	011/ 9172939
CIGLIANO	VIA UMBERTO I ANGOLO VIA GRAMSCI	0161/423046
CIRIE' - VIA D'ORIA	VIA ANDREA D'ORIA 14/10	011/ 9211265
COLLEGNO	VIA PRIMO LEVI 1	011/4151680
COSSATO - PIAZZA CAVOUR	PIAZZA CAVOUR 8	015/ 980165
COSSATO 1 - VIA M.LIBERTA'	VIA MARTIRI DELLA LIBERTA' 177	015/ 983259
COSSATO 2 - VIA MARCONI	VIA MARCONI 76	015/9840067
CRESCENTINO	CORSO ROMA 66/68	0161/834560
CUNEO	VIA XXVIII APRILE 15/17	0171/ 697780
CUORGNE'	VIA TORINO 3	0124/ 650434
FAVRIA	VIA CAPORAL CATTANEO 2	0124/ 348885
FOSSANO	PIAZZA DEI BATTUTI ROSSI 1	0172/633042
GAGLIANICO	VIA GRAMSCI 75	015/ 2543541
GATTINARA	VIALE MARCONI 60	0163/834464
GIAVENO	VIA ROMA 15	011/ 9364122
GRUGLIASCO	VIA SPANNA 3	011/ 784697
IVREA - CORSO NIGRA	CORSO NIGRA 1	0125/ 45847
IVREA 1 - C.SO VERCELLI	CORSO VERCELLI 124	0125/ 616821
LANZO TORINESE	VIA XI SETTEMBRE 4	0123/324100
LESSONA	PIAZZA GAUDENZIO SELLA 1	015/ 981949
MONCALIERI	PIAZZA CADUTI DELLA LIBERTA' E DELL'INDIPENDENZA 6	011/ 6406892
MONGRANDO	VIA ROMA 20	015/ 666261
MONTANARO	VIA MATTEOTTI 8	011/ 9193093
NICHELINO	PIAZZA CAMANDONA 25/27	011/6274438
NONE	PIAZZA VIGO 1/A	011/ 9904045
NOVARA	CORSO TORINO 35/37	0321/ 466611
OCCHIEPPO INFERIORE	VIA MARTIRI DELLA LIBERTA' 18/A	015/ 2593686
ORBASSANO	VIA ROMA 27	011/ 9031751
OULX	CORSO TORINO 5	0122/830846
OVADA	PIAZZA GARIBALDI 8	0143/ 833128
PIANEZZA	VIA GIOLITTI 7	011/ 9663741
PINEROLO	CORSO TORINO 63/B	0121/ 321787
POCAPAGLIA	STRADA MACELLAI 53	0172/ 423669
POLLONE	VIA CADUTI PER LA PATRIA 35	015/ 61591
PONDERANO	PIAZZA GARIBALDI 1	015/ 2544330
PONT CANAVESE	VIA ROSCIO 5	0124/860025
PONZONE	TRIVERO FRAZ. PONZONE N. 137/A	015/ 777046

RESIDENTI ESTERO	VIA ITALIA 2	015/3501553
RIVAROLO CANAVESE	CORSO TORINO 54/56	0124/ 29919
RIVOLI	PIAZZA MARTIRI DELLA LIBERTA' 2	011/ 9580608
RIVOLI - CASCINE VICA	CORSO FRANCIA 201/B	011/ 9574364
ROMANO CANAVESE	VIALE MARCONI 34	0125/ 712341
ROSTA	VIA RIVOLI 63	011/ 9541241
SALUSSOLA	VIA MARTIRI DELLA LIBERTA' 45	0161/ 997243
SAN CARLO CANAVESE	STRADA CIRIE' 73	011/ 9214820
SAN FRANCESCO AL CAMPO	VIA TORINO 9/2	011/ 9276848
SAN GERMANO CHISONE	PIAZZETTA DELL'ORSO 4	0121/ 58577
SAN MAURO TORINESE	PIAZZA MOCHINO 12	011/8222136
SANDIGLIANO	VIA MAROINO 7	015/ 2493200
SANGANO	VIA BERT 11	011/ 9085858
SANTHIA'	VIA SANT IGNAZIO 2	0161/ 930445
SAVIGLIANO	PIAZZA DEL POPOLO 25	0172/ 33961
SETTIMO TORINESE	VIA ITALIA 18/B	011/ 8978181
SETTIMO TORINESE 1 - VIA REGIO PARCO	VIA REGIO PARCO 2	011/8952119
SUCC.LE TELEMATICA CL.ORDINARIA	VIALE MATTEOTTI 5	015/84617211
SUSA	CORSO INGHILTERRA 46	0122/ 629690
TOLLEGNO	VIA XX SETTEMBRE 6/8	015/ 421523
TORINO 1 - C.SO FRANCIA	CORSO FRANCIA 185	011/ 752646
TORINO 10 - C.SO V.EMANUELE	CORSO VITTORIO EMANUELE II 12	011/ 885039
TORINO 11 - C.SO S.MAURIZIO	CORSO SAN MAURIZIO 47	011/ 888156
TORINO 12 - P.ZZA CARDUCCI	PIAZZA GIOSUE' CARDUCCI 122/C	011/6631636
TORINO 13 - C.SO TRAIANO	CORSO TRAIANO 82/A	011/610128
TORINO 14 - C.SO RACCONIGI	CORSO RACCONIGI 16	011/745726
TORINO 15 - C.SO STATI UNITI	CORSO STATI UNITI 5	011/5612213
TORINO 16 - VIA ANDREA DORIA	VIA ANDREA DORIA 8	011/5611467
TORINO 17 - VIA NICOMEDE BIANCHI	VIA NICOMEDE BIANCHI 42/E	011/7410975
TORINO 18 - PIAZZA ADRIANO	PIAZZA ADRIANO 5/H	011/4330233
TORINO 19 - CORSO VERCELLI	CORSO VERCELLI 168	011/2051735
TORINO 2 - C.SO DE GASPERI	CORSO ALCIDE DE GASPERI 46	011/ 597533
TORINO 21 - (PRIVATE) P.ZA CARIGNANO	PIAZZA CARIGNANO 2/4	011/5778411
TORINO 22 - CORSO BELGIO	CORSO BELGIO 107	011/8980265
TORINO 3 - VIA SAN DONATO	VIA SAN DONATO 34/36	011/ 4373471
TORINO 4 - C.SO G.CESARE	CORSO GIULIO CESARE 56 BIS	011/ 2487848
TORINO 5 - C.SO MONTE CUCCO	CORSO MONTE CUCCO 59	011/ 3850305
TORINO 6 - VIA BOLOGNA	VIA BOLOGNA 242	011/ 2424063
TORINO 7 - C.SO SOMMEILLER	CORSO SOMMEILLER 25	011/ 593983
TORINO 8 - C.SO ORBASSANO	CORSO ORBASSANO 193	011/ 352108
TORINO 9 - C.SO MATTEOTTI	CORSO MATTEOTTI 47	011/ 5612608
TORINO SEDE - P.ZZA CASTELLO	PIAZZA CASTELLO 127	011/ 5620738
TORRAZZA PIEMONTE	VIA MAZZINI 23	011/ 9180028
TORTONA	CORSO MONTEBELLO 19/C	0131/813944
TRINO VERCELLESE	CORSO CAVOUR 34/38	0161/828031
TROFARELLO	VIA TORINO 84	011/6490924
VALDENGO	VIA QUINTINO SELLA 28	015/ 882165
VALLEMOSSO	VIA BARTOLOMEO SELLA 1	015/ 702935
VENARIA REALE	VIALE BURIDANI 6 ANG.CORSO MARCONI	011/4593789
VERCELLI	PIAZZA RISORGIMENTO 23	0161/ 255600
VERCELLI 1 - VIA PAGGI	VIA PAGGI 29	0161/211585
VERCELLI 2 - VIA CASTELNUOVO	VIA CASTELNUOVO DELLE LANZE 2/4	0161/211397
VERGNASCO	VIA PAPA GIOVANNI XXIII 50	015/ 2583012
VERRONE	VIA ZUMAGLINI 15	015/ 2558286
VIGLIANO BIELLESE	VIA MILANO 163	015/ 811954
VIVERONE	VIA PROVINCIALE 32	0161/ 987392
VOLPIANO	VIA UMBERTO I 11/13	011/ 9951480
WEB SELLA.IT	VIALE MATTEOTTI 5	015/35008195

Regione Valle d'Aosta

PONT SAINT MARTIN	VIA CIRCONVALLAZIONE 15/A	0125/ 806121
AOSTA	VIA FESTAZ 3	0165/ 235465
VERRES	VIA CADUTI DELLA LIBERTA' 13	0125/ 929079
CHATILLON	LOCALITA' SOLEIL 8	0166/ 563086
AOSTA 1 - VIA MONTE GRIVOLA	VIA MONTE GRIVOLA 37	0165/553431

Regione Lombardia

BRESCIA	VIA FRATELLI UGONI 20	030/280268
CARUGATE	VIA ALBERTI 37	02/92151773
GALLARATE	VIA MAGENTA 12	0331/777707
MILANO - VIA PARMIGIANINO	VIA PARMIGIANINO 13/15	02/ 4815348
MILANO 1 - VIA BERGOGNONE	VIA BERGOGNONE 27	02/ 58107132
MILANO 2 - VIA MONTI	VIA VINCENZO MONTI 33	02/4691540
MILANO 3 - VIA GONZAGA	VIA GONZAGA 3	02/72003420
MILANO 4 - VIA MONTE NERO	VIA MONTE NERO 71	02/5517360
MILANO 5 - VIALE PIAVE	VIALE PIAVE 4	02/76017137
MILANO 7 - PIAZZALE LORETO	PIAZZALE LORETO 1 ANGOLO V. A. DORIA	02/67020286
MONZA	VIA BORGAZZI 13	039/326337
PAVIA	VIALE MATTEOTTI 14	0382/304944
RHO	VIA DEI MARTIRI 23	02/9307604
SARONNO	VIA MANZONI 35 ANG. VIA PARINI	02/96280192
SESTO SAN GIOVANNI	VIA FALK 5 – INGRESSO VIA DANTE 171	02/2409386
VIGEVANO	VIA ROMA 4	0381/70129
VOGHERA	PIAZZA BOVO 27	0383/369085

Regione Liguria

CHIAVARI	PIAZZA MAZZINI 10	0185/303027
GENOVA	SALITA SANTA CATERINA 4	010/5957514
SAN REMO	VIA ESCOFFIER 11	0184/544612
GENOVA 1 - BOLZANETO	VIA P.PASTORINO 70	010/7411093
IMPERIA	PIAZZA ROSSINI 10	0183/767701
BORDIGHERA	CORSO ITALIA 48	0184/260433
GENOVA 2 - VIA FIESCHI	VIA FIESCHI 21R	010/5956324
ALBENGA	PIAZZA DEL POPOLO 7/8	0182/544199

Regione Emilia Romagna

BOLOGNA	VIA CLAVATURE 9 E/F	051/264705
BOLOGNA 1 - VIA ROLLI	VIA ROLLI 4/A	051/323965
BOLOGNA 2 - VIA MASSARENTI	VIA MASSARENTI 416	051/6014226
CARPI	VIALE CARDUCCI 31	059/8070745
CASALECCHIO DI RENO	VIA BAZZANESE 51/3	051/6133359
CASTELFRANCO EMILIA	VIA CIRCONDARIA SUD 87/93	059/958149
CAVEZZO	PIAZZA MARTIRI DELLA LIBERTA' 4	0535/58297
FERRARA	VIA BALUARDI 29	0532/760538
FORMIGINE	VIA MAZZINI 88	059/574762
MODENA	VIA GIARDINI 436	059/340498
MODENA 1 - VIA EMILIA EST	VIA EMILIA EST 121	059/238558
MODENA 2 - STRADA MORANE	STRADA MORANE 298	059/444188
MODENA 3 - STRADA NAZ.PER CARPI	STRADA NAZIONALE PER CARPI 126	059/330920
SASSUOLO	VIA REGINA PACIS	0536/800847
SERRAMAZZONI	VIA ROMA 146	0536/957162
VIGNOLA	VIA DELLA RESISTENZA 170	059/760181

Regione Toscana

ABBADIA SAN SALVATORE	VIA MENTANA 35/37/39	0577/778095
AREZZO	VIA XXV APRILE 14/A	0575/302913
CASTEL DEL PIANO	VIA DEI MILLE 4 A/B	0564/973263
FIRENZE	VIA CAVOUR 74/R	055/291074
FIRENZE 1 - VIALE REDI	VIALE REDI 59/61	055/3245118
FIRENZE 2 - VIALE DEI MILLE	VIALE DEI MILLE 7/9	055/5535105
GROSSETO	VIALE EUROPA 10	0564/457105
GROSSETO 1	PIAZZA GIOBERTI	0564/407419
MONTECATINI TERME	VIA MANIN ANG. VIA COSIMINI	0572/72217
MONTEVARCHI	VIA DIAZ 142/144/146/148	055/9850470
SIENA	VIA DELLE PROVINCE ANG. VIA FIORENTINA	0577/51752

Regione Abruzzo

ALBA ADRIATICA	VIA MAZZINI ANG. VIA LA PIRA	0861/751671

Regione Marche

ASCOLI PICENO	VIA NAPOLI 114/A	0736/45688
CIVITANOVA MARCHE	PIAZZA SAN DOMENICO SAVIO 6	0733/784470
MACERATA	VIA CLUENTINA 12	0733/288013
PAGLIARE DEL TRONTO	VIA SALARIA 20	0736/890112
SAN BENEDETTO DEL TRONTO	PIAZZA ENZO TORTORA 7	0735/84639

Regione Lazio

LATINA	VIA CARTURAN 40	0773/660756
ROMA 1 - VIA ZAMBONI	VIA ZAMBONI 22-24-26-28	06/ 55382059
ROMA 10 - VIA BERTOLONI -	VIA BERTOLONI 9/11	06/8073838
ROMA 11 - VIA TIBURTINA	VIA TIBURTINA 447/449	06/4394793
ROMA 12 - PIAZZA SANT'EMERENZIANA	PIAZZA SANT'EMERENZIANA 13/14/15	06/8605085
ROMA 13 - VIA GRACCHI	VIA DEI GRACCHI 142/144	06/3214534
ROMA 14 - EUR	VIA BALDOVINETTI 132	06/5191612
ROMA 2 - VIA PEREIRA	VIA ROMEO RODRIGUEZ PEREIRA 194	06/ 35496149
ROMA 3 - VIA EMO	VIA ANGELO EMO 91	06/39732180
ROMA 4 - VIA DI VIGNA STELLUTI	VIA DI VIGNA STELLUTI 22/26	06/3297514
ROMA 5 - P.ZA S.GIOVANNI DI DIO	PIAZZA SAN GIOVANNI DI DIO 14 A/B 15 16 17	06/5373935
ROMA 6 - VIA GALLIA	VIA GALLIA 83	06/7001539
ROMA 7 - VIALE JONIO	VIALE JONIO 334/340	06/8183631
ROMA 8 - VIA LATINA	VIA LATINA ANGOLO VIA NUMANZIA 23	06/7807036
ROMA 9 - OSTIA LIDO	PIAZZA DELLA STAZIONE VECCHIA 5	06/56305106
ROMA SEDE - P.ZZA POLI	PIAZZA POLI 38/41	06/ 69942140

Regione Sardegna

CAGLIARI	VIALE BONARIA 27	070/667931
OLBIA	VIA ALDO MORO 251	0789/598260
SASSARI	VIA ROMA 11/A	079/232383

Banca Sella Sud Arditi Galati S.p.A.
Head office
73100 Lecce, Viale G. Marconi 45
Tel. 0832 698111 - Fax 0832 698267
Web site: www.sellasud-bag.it

Regione Campania

GIFFONI VALLE PIANA	PIAZZA UMBERTO I, 31/33	089 868309
MONTECORVINO PUGLIANO	SS. 18 - BIVIO PRATOLE	0828 51031
SALERNO	VIA G. CUOMO, 9	089 253590
CAVA DE' TIRRENI	CORSO MAZZINI, 227	089 468550
AVELLINO	CORSO EUROPA, 8/G	0825 784220
BATTIPAGLIA	VIA PAOLO BARATTA, 26	0828/305260
GROTTAMINARDA	VIA A. MANZONI, 63	0825/429193
NAPOLI	VIA DEI MILLE 34-36-38	081/410349
NAPOLI	VIA ALVINO 63	081/3721375
SORRENTO	PIAZZA ANGELINA LAURO 35	081/8773847
SAN MARCO EVANGELISTA	S.S. 265-KM26.200	082/3408999
BENEVENTO	VIALE MELLUSI 125	082/4312043
NOCERA INFERIORE	VIA BARBARULO 110	081/5176612
SALERNO	VIALE G.VERDI 1	089/3867848
NOLA	PIAZZA POLLIO CLEMENZIANO	081/8214709
PONTECAGNANO	VIA PICENTIA	089-381573

Regione Molise

CAMPOBASSO	VIA IV NOVEMBRE, 135	0874 60655

Regione Puglia

PRESICCE	VIA ROMA, 68	0833 726004
ANDRANO	VIA MICHELANGELO, 42	0836 926094
CASTRIGNANO DEL CAPO	VIA GRASSI, 7	0833 751008
NOCIGLIA	VIA OBERDAN, 35	0836 936014
SALVE	VIA ROMA, 192	0833 741001
SPONGANO	VIA SANT'ANGELO, 7	0836 945026
TRICASE	VIA LEONE XIII°, 12	0833 545026
CASTRI' DI LECCE	VIA C. BATTISTI, 13	0832 826309
LECCE	VIALE MARCONI, 45	0832 6981
MANDURIA	VIALE MANCINI, 21	099 9738744
BRINDISI	VIA OSANNA, 1	0831 516227
MAGLIE	VIA V. EMANUELE, 124/B	0836 428008
BARI	VIA CALEFATI, 131	080 5234545

PUTIGNANO	VIA N. BIXIO, 10/12	080 4059120
TRANI	VIA A. MORO, 60/62	0883 480531
TARANTO	VIA SOLITO, 32	099 7302463
LECCE	VIA LUPIAE, 29 ANG. VIA FORNARI, 1	0832 312471
BARLETTA	VIA DE NITTIS 43	0883 518000
SAN MICHELE SALENTINO	VIA VITTORIO VENETO, 6	0831 966962
FASANO	PIAZZA KENNEDY, 3	080 4425778
OSTUNI	VIA FOGAZZARO ,74	0831/336656
BARI 2	VIA TOMMASO FIORE, 106	080/5722890
MARTINA FRANCA	VIA LEONE XIII, 2/B	080 4838617
MOLFETTA	PIAZZA GARIBALDI, 7	080 3976420
GALLIPOLI	CORSO ROMA, 123	0833 263785
LECCE 3	VIALE DE PIETRO, 61	0832 277727
ANDRIA	VIALE VENEZIA GIULIA, 3	0883 596111
LECCE 4	VIA SAN CESAREO, 106	0832/228989
FOGGIA	PIAZZA PAVONCELLI 2	0881/587843

Regione Sicilia

MONREALE	VIA UMBERTO I, 14	091-6402593
BOCCADIFALCO	VIA BOCCADIFALCO, 22	091-6683760
ROCCAMENA	VIA VINCI, 6	091-8465544
SAN GIUSEPPE JATO	VIA UMBERTO I, 208	091-8576833
FALSOMIELE	VIA DEL CIGNO, 62	091-446514
MEZZOMONREALE	CORSO CALATAFIMI, 981/C	091-6681624
BORGONUOVO	VIA CASTELLANA 108/A	091-6733720
LAZIO	VIA LAZIO, 37	091-6701017
VILLAREALE	VIA MARIANO STABILE, 190	091- 6118977
DEGASPERI	VIA A. DE GASPERI, 26/A	091-525594
DALLA CHIESA	VIA C.A.DALLA CHIESA 3/B	091-7301777
TRAPANI	CORSO PIERSANTI MATTERELLA 37/39	0923-541061
DA VINCI	VIA L.DO DA VINCI, 33	091-6827811
CATANIA	VIA XX SETTEMBRE, 41/A	095-7169353
CAMASTRA	CORSO VITT. VENETO, 45	0922-950247
LICATA	RETTIFILO GARIBALDI, 76	0922-801640
NARO	VIA SPECCHI, 35	0922-956044
AGRIGENTO	VIALE VIAREGGIO, 45	0922-413533
RAGUSA	PIAZZA VIRGILIO, 13	0932-682239
SIRACUSA	VIA SAN SIMEONE 16	0931-445062
CATANIA 2	VIA VITTORIO VENETO 229	095-507916

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Regione Friuli Venezia Giulia

UDINE	VIA DELLA VITTORIA 15	0432 508599

Regione Trentino Alto Adige

TRENTO SEDE	VIA OSS MAZZURANA, 63	0461 888111
ROVERETO	C.SO ROSMINI ANG. VIA PAOLI	0464 430030
BOLZANO	VIA DUCA D'AOSTA, 49	0471 285544
TRENTO - TOP CENTER	VIA BRENNERO, 306	0461 825800
RAVINA	VIA DELLE MASERE, 37	0461 922022
BOLZANO 1	VIA LEONARDO DA VINCI, 4	0471 324354
CLES	VIA TRENTO, 22	0463 424388
BOLZANO 2	VIA MILANO, 63	0471 204999
LAVIS	P.ZZA CESARE BATTISTI, 2	0461 242300
TRENTO - VIA PERINI	VIA PERINI, 18	0461 931914
BORGO VALSUGANA	LARGO DORDI, 1	0461 751233
MERANO	VIA PORTICI, 228	0473 239070
DIMARO	VIA CAMPIGLIO, 138	0463 970104
COGOLO DI PEIO	VIA ROMA, 18	0463 746061
BOLZANO CENTRUM	VIA GALVANI, 3	0471 539408
VIGO DI FASSA	STRADA NEVA, 24	0462 764487

Regione Veneto

FELTRE	LARGO P. CASTALDI, 7	0439 842211
SOVRAMONTE	LOC. SERVO	0439 98444
SOSPIROLO	LOC. PONTE MAS	0437 847032
AGORDO	VIA IV NOVEMBRE, 9	0437 62077
TRICHIANA	VIA CAVASSICO INFERIORE	0437 555333
BELLUNO	VIA VITTORIO VENETO, 90	0437 930133
MONTEBELLUNA	VIA MONTEGRAPPA, 72	0423 615171
FELTRE - FARRA	VIALE PEDAVENA, 10	0439 310100
COVOLO DI PEDEROBBA	VIA SEGUSINI, 25	0423 648244
TREVISO	VIA MONTEGRAPPA, 4	0422 23636
BASSANO DEL GRAPPA	VIA BASTION, 49	0424 220881
LEGNAGO	CORSO DELLA VITTORIA, 31	0442 600162

VERONA BORGO TRENTO	VIA CÀ DI COZZI, 10/B	045 8350653
PADOVA	VIA SAN MARCO, 11/C - NET CENTER	049 7808478
ZEVIO	VIA MONSIGNOR G. CALZA, 1/A	045 6051090
TREVISO CENTRO	VIA SANTA MARGHERITA, 32-34	0422 582189
VICENZA	VIALE VERONA 12	0444 966026
VERONA	CORSO PORTA NUOVA, 32/A	045 595189
AURONZO DI CADORE	VIA ROMA, 16	0435 400660
LONGARONE	P.ZZA UMBERTO I, 8	0437 573423
PIEVE DI CADORE	P.ZZA DEL MUNICIPIO, 11	0435 31647
SAPPADA	BORGATA PALÙ, 10	0435 469740
BOVOLONE	VIA DUOMO, 9	045 6901294
SAN MARTINO BUON ALBERGO	VIA XX SETTEMBRE, 81	045 8780220

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Regione Piemonte

BIELLA	VIALE MATTEOTTI 2	015 2525340
TORINO	P.ZA CARLO EMANUELE II 13	011 8153003
TORINO	P.ZA C.L.N. 255	011 5607170

Regione Lombardia

MILANO	VIA GIULINI 2	02 80640686

Regione Liguria

GENOVA	P.ZA DE FERRARI 24 R	010 25476208
VENTIMIGLIA	VIA CAVOUR 35/R	018 4236711

Regione Emilia Romagna

BOLOGNA	VIA FARINI 11	051 2917323

Regione Veneto

TREVISO	VIA FEDERICI 2	0422 218911

Regione Piemonte

ROMA	P.ZA CAVOUR 10	06 68100124

Regione Campania

NAPOLI	VIA DEI MILLE, 40	081 4297822

Regione Sicilia

PALERMO	VIA DEI MILLE, 40	091 7798600

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GINEVRA	RUE DE LA CROIX D'OR 19	0041 (0) 223178800
LUGANO	CORSO ELVEZIA 9	0041 (0) 919102800
ZURIGO Sede	TALTRASSE 70	0041 (0) 432103100

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BIELLA	Via Monte Grappa 18	015 252881
VERCELLI	Via Solaroli 9	0161 294094
TORINO	C.so Re Umberto 129	011 3040242
MILANO	Galleria Unione 1	02 72004556
TREVISO	Viale della Repubblica 220/e	0422 292453
TRENTO	Via Oss Mazzurana 63	0461 260253
MODENA	Viale Moreali 3	059 239380
FIRENZE	Via Arno 108 - Sesto Fiorentino	055 3289734
ROMA	Via Bertoloni 9/11	06 8088843
LECCE	Via Marconi 45	0832 698226

Consel S.p.A.

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Head office and Administrative office: TORINO - Via Bellini, 2
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TORINO 1	Via Bellini 2	011/5061111
TORINO 2	Via Issiglio 111/2	800179001
GENOVA	Via Marconi 8/r	800179001
MILANO 1	Piazzale Susa 4	800179001
MILANO 2	Via Raffaello Sanzio 16	800179001
VARESE	Via dei Carantani 1	800179001
COMO	Via Briantea 21	800179001
BERGAMO	Via Borgo Palazzo 9	800179001
PADOVA	Via Falloppio 67	800179001
VERONA	Via Centro 22A	800179001
MESTRE	Via C.Colombo 28	800179001
MODENA	Via Vignolese 555	800179001
BOLOGNA	Via V. Veneto 25	800179001
LUCCA	Via Barbantini 92	800179001
FIRENZE	Via Cavour 170/r	800179001
PISA	Via Gello 17	800179001
ROMA 1	Via Latina 65	800179001
ROMA 2	Via Pereira 190/r	800179001
LATINA	Viale Corbusier snc	800179001
VITERBO	Viale Trento 18/C	800179001
PERUGIA	Via Martiri del Lager 94/B	800179001
NAPOLI	Piazza Piedigrotta 3-8	800179001
SALERNO	Via Freccia 62	800179001
BARI	Via Cairoli 121/123	800179001
PALERMO	Via Sciuti 87/c	800179001
CATANIA	Viale XX settembre 58/60	800179001
TRAPANI	Via Virgilio 101	0923/951133
SASSARI	Corso Regina Margherita 7	800179001
CAGLIARI	Via Dante 34/c	800179001

Punti Consel

SESTRI PONENTE	Via C. Menotti 71/R	010 6522242
ROMA	Agenzia Fistema - Cinecittà	06 71546376
CASERTA	C.so Giannone 190	0823 363218
LAMEZIA TERME	Via Umberto Boccioni 17	0968 411149
MARSALA	Via Mazzini 49	0923 714202

AGRIGENTO	Via Imera 223/E	0922 403527
RAGUSA	C.so Italia 343	0932 1871628

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Correspondent Banks of Banca Sella Holding

Given below is a list of the correspondent banks of Banca Sella Holding.

Pleae note that Banca Sella Holding provides access to the financial markets (along with other centralised services) for the entire Group, therefore all payments related to financial market activity should be made through Banca Sella Holding (Swift Code SELB IT 22).

CURRENCY	BANK	SWIFT CODE
AUD	NATIONAL AUSTRALIA BANK LIMITED	NATAAU33033
CAD	CANADIAN IMPERIAL BANK OF COMMERCE	CIBCCATT
CHF	SELLA BANK ZURIGO	SLBACHZZ
CZK	CESKOSLOVENSKA OBCHODNI BANKA, A.S.	CEKOCZPP
DKK	DANSKE BANK A/S	DABADKKK
GBP	HSBC BANK PLC	MIDLGB22
HKD	HSBC HONGKONG	HSBCHKHH
HUF	MKB BANK ZRT (FORMERLY MAGYAR KULKE	MKKBHUHB
JPY	BANK OF TOKYO-MITSUBISHI UFJ, LTD.	BOTKJPJT
NOK	DANSKE BANK GROUP	DABANO22
NZD	ANZ NATIONAL BANK LIMITED	ANZBNZ22
PLN	BANK HANDLOWY W WARSZAWIE SA	CITIPLPX
SEK	DANSKE BANK AS STOCKHOLM	DABASESX
SGD	THE HONGKONG AND SHANGHAI BANKING	HSBCSGSG
SKK	UNICREDIT BANK SLOVAKIA A. S.	UNCRSKBX
USD	HSBC BANK USA, N.A.	MRMDUS33
USD	UBS AG	UBSWUS33
ZAR	STANDARD BANK OF SOUTH AFRICA LIMIT	SBZAZAJJ
EUR	MIDLAND EUROPAY (Mastercard)	MIDLGB22

GRUPPO BANCA SELLA

CONSOLIDATED ANNUAL REPORT

2009

Drawn up by the Parent Company

BANCA SELLA HOLDING S.p.A.

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

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

REPORT ON OPERATIONS

Gruppo Banca Sella
Main figures and indicators

BANCA SELLA GROUP SUMMARY DATA *(euro millions)*				
Item	**31/12/2009**	**31/12/2008**	**Variation**	
			absolute	**%**
BALANCE SHEET				
Total assets	13.424,1	13.597,9	(173,8)	-1,3%
Cash loans[1]	8.499,2	8.216,2	283,0	3,4%
Guarantees given	355,1	351,1	4,0	1,1%
Financial assets	3.128,3	2.018,1	1.110,2	55,0%
Equity investments	26,1	31,7	(5,6)	-17,7%
Tangible and intangible fixed assets	290,4	277,0	13,4	4,8%
Direct deposit (excluding repurchase agreements)	10.593,5	10.423,9	169,7	1,6%
Repurchase agreements	56,9	539,9	(483,0)	-89,5%
Indirect deposit [2]	15.034,5	13.929,0	1.105,5	7,9%
Total deposit	25.685,0	24.892,8	792,2	3,2%
Regulatory capital	990,2	878,5	111,7	12,7%
INCOME STATEMENT[3]				
Net interest income [4]	290,3	311,3	(21,0)	-6,7%
Net income from services	237,2	187,4	49,8	26,6%
Net banking income	11,7	9,7	2,0	20,3%
Net banking and insurance income	539,2	508,4	30,8	6,1%
Operating costs	407,1	394,7	12,5	3,2%
Operating profit	132,1	113,7	18,3	16,1%
Net value adjustments for impairment losses	83,8	45,9	37,8	82,4%
Income tax	20,6	27,9	(7,4)	-26,4%
Profit for the year (net) pertaining to the Parent Company	26,8	10,3	16,5	159,6%

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

(2) The aggregate, wich does not include the item "cash" component (included under "direct deposit"), represents the sum of the following items of the "Other information" section of the Notes to the Statements - Balance Sheet: "Asset management", "Third party securities held in deposit connected with the role of Depositary Bank", "Other third party securities held in deposit (net of securities issued by companies included in the consolidation)".

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

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

STAFF AND BRANCHES *(year end)*	**2009**	**2008**	**2007**	**2006**	**2005**
Employees of banking group	4.383	4.412	4.327	4.027	3.765
Employees of group under civil law[5]	4.429	4.456	4.370	4.065	3.800
Branches in Italy and abroad	334	332	332	313	296
Financial promoters	291	299	351	390	457

(5) Employees of the banking group plus employees of the insurance group

ALTERNATIVE PERFORMANCE INDICATORS BANCA SELLA GROUP		
Item	**31/12/2009**	**31/12/2008**
PROFITABILITY RATIOS *(%)*		
R.O.E. (return on equity) [6]	4,4%	2,1%
R.O.A.A. (return on average assets) [7]	0,22%	0,18%
Net interest income / Net banking and insurance income	53,8%	61,2%
Net income from service [8] / Net banking and insurance income [8]	44,0%	36,9%
Net income from insurance activity [8] / Net banking and insurance income [8]	2,2%	1,9%
Cost to income [9]	73,3%	75,3%
PRODUCTIVITY RATIOS *(in euro thousand)*		
Net banking and insurance income [8] / Average number of employees	121,4	115,2
Gross operating profit [8] / Average number of employees	29,7	25,8
Cash loans / Number of employees at year end	1.919,0	1.843,9
Direct deposit / Number of employees at year end	2.391,9	2.339,3
Total deposit / Number of employees at year end	5.799,3	5.586,4
BALANCE SHEET RATIOS *(%)*		
Cash loans / Direct deposit	80,2%	78,8%
Cash loans / Total assets	63,3%	60,4%
Direct deposit / Total assets	78,9%	76,7%
CREDIT RISK RATIOS *(%)*		
Impaired assets / Cash loans	4,1%	3,0%
Net value adjustments to loans / Cash loans	1,0%	0,6%
SOLVENCY RATIOS *(%)*		
Tier 1 capital ratio	6,84%	6,79%
Total Capital Ratio	11,67%	11,09%

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

Rating

In March 2010 the usual annual meeting with Moody's was held, in which the Group's performance during 2009 was analyzed. The results of the meeting are not yet available. The ratings shown in the table refer therefore to the latest Credit Opinion, published in October 2009, which changed the ratings awarded previously.

RATING		
Long Term Global local currency deposit rating	**A2**	unvaried
Short term	**P–1**	unvaried
Bank Financial Strength Rating	**C–**	unvaried
Outlook	**Negative**	changed

Macroeconomic reference scenario

World context

The first part of 2009 was characterized by the renewed exceptional commitment of political and economic international authorities to support the financial system and real economy. This allowed reducing the strain of financial markets and remarkably improving economic growth figures in the second half of the year. The reduction of critical factors is laying the foundations for implementing the strategies aimed at leaving the exceptional measures adopted by policy makers.

In the United States, the restocking, the greater strength of fixed investments and stable levels of consumption supported the economy, making it possible to get out from the recession of the third quarter of 2009. The European area also reached the lowest point of the present economic cycle in the second quarter of 2009, and then benefited from an upturn of foreign demand. Japan, after a very negative beginning of the year, showed an improvement in manufacturing activities and export, particularly as to direct sales in the Asian area. Emerging countries, for their part, were affected by the international crisis reporting sharply decreasing growth rates compared to the levels achieved in the past years. In the second half of the year, however, there has been a general turnaround, concentrated in the Asian area, especially in China.

Analysing in detail the macroeconomies at the global level, it emerges that:

- the **economy of the USA** closed 2009 with a negative average gross domestic product rate of change, which worsened compared to the positive 2008 figure. In the first months of the year, the stimulus package was approved for an amount of 789 billion dollars, divided between tax allowances and public expenditure, especially in infrastructures. The public support to family income through various tax policies, allowed reaching higher levels of consumption over the second half of 2008, despite the significant weakness of the employment market, the drop in wealth and the persistence of adverse conditions for the supply of loans. Real estate, after affecting GDP growth negatively for fourteen quarters running, reported important signs of stabilisation in the second half of 2009. Companies' investments, severely affected by the crisis, recorded a positive rate of change in the fourth quarter for the first time after the second quarter of 2008. The signs of demand recovery lead companies to reduce de-stocking intensity, whose contribution to growth became positive in the third quarter. Net exports considerably supported GDP growth in the first half of 2009. Public expenditure turned out to significantly support growth. The reduction in inflationary pressures caused a drop in consumption prices, which recorded negative trend rates of change, beginning from March until the October survey. Federal Reserve left unchanged the reference range of the official rate - 0%-0,25% - and pursued the policy of supporting the financial system through important provisions of liquidity, with the purpose of guaranteeing the correct operation of international financial markets. In the final part of the year, the first measures for a gradual and extremely accommodating return from the monetary policy were implemented.
- the **Eurozone** recorded a more negative trend vasriation in the gross domestic product compared to the United States. National accounting data highlight an improvement in growth dynamics in the second half of the year, proving the recovery of exports and stocks despite the continuing weakness of internal demand. Confidence indicators keep signalling an important improvement in the sentiment of businesses. The European Central Bank, after reducing the official rate from 2,5% at the end of 2008 to 1% in June 2009 and adopting important non-conventional measures for providing liquidity to the system, on the last few days of the year started a process of gradual return from its extremely accommodating line. At the end of the year financial markets also focused on the problem of the public accounts of some Eurozone countries.

  Even Italy, in the second half of 2009, proved to pick up growth, due to the restocking process, the improvement of exports and a considerably stable level of consumption.

- **Japanese economy**, after an extremely weak first quarter, showed some signs of improvement: the GDP quarterly growth rate became positive from the second quarter. The upturn of Japanese economy was especially supported by the recovery of foreign demand, fiscal stimulus actions from the Government and, in the second half of the year, the restocking process. Inflation remained negative, justifying the expansionistic position of the Central Bank.
- **China** and **India** saw a continuous improvement of growth figures in 2009, despite the weak beginning of the year. In China, the fiscal stimulus programme launched at the end of 2008 provided an important support to the economy and allowed internal demand to make up for the drop in exports.
- **Brazil** experienced a severe slow-down of its growth in 2009: nevertheless, in the second half of the year, the country saw important signs of recovery, confirming the progress shown by Brazilian economy in the past few years.

The financial markets

Long-term interest market rates highlighted an upturn in the first half of the year, justified by the fear for an acceleration of inflation as a consequence of the extremely expansionary monetary policy and the concerns for the deterioration of public accounts. In the second half of 2009, periods of downturn alternated with upturns, in a context characterised by timing and economic recovery uncertainties. The summary of these factors is an average USA ten-year rate value at 3,24% for 2009 (falling from the 3,64% average of 2008) and the ten-year Eurozone rate at 3,27% in 2009 (falling from 4% in 2008).
In 2009 stock markets saw an increase of about 31,5% (MSCI World), following the decrease in the risk aversion and the improvement of the macroeconomic reference framework.

Italian banking system

The international financial crisis had its worst effects in the last quarter of 2008 and in the first quarter of 2009, determining a drastic fall in the national product for the whole 2009. The impact of real economy on the financial crisis has not fully occurred yet: unemployment, which is worsening, will affect the banking system for the whole 2010 causing higher appetite for debt and bad credit quality. Public measures and the new regulatory framework are the elements which mainly contributed to restore confidence in the banking system at international level.

Within the Eurozone it has been necessary to implement measured supporting banks to a considerably greater extent than those adopted in Italy and, with respect to stronger government measures, there has been an average contraction in the loans granted compared to the end of 2008.

The domestic banking system highlights relatively positive signs compared with other industrialised countries, both as to bank solidity and loan offer.

In December the loans from Italian banks to the local private sector stood at 1.552 billion euro recording a year-on-year change of +1,7%, lower than the growth of 4,9% at the end of 2008. Such increase was mainly due to the family sector, for which loans grew by 5,9% on a trend basis over 0,9% at the end of 2008. As for non-financial companies, loans growth was at 6,8% at the end of 2008, and has gradually decreased until becoming negative in September, and reaching –2,4% at the end of 2009. For both sectors, there was a clear shift in the composition of debt towards longer terms. The percentage composition of loans to the private sector was as follows:

- non-financial companies with 55%;
- families with 32%;
- other financial institutions with 13%.

As regards the family sector, the upturn in credit demand mainly involved mortgage loans, whose annual variation increased from –0,5% at the end of 2008 to +6,1%. The decrease in interest rates favoured the renegotiation of mortgage loans and the purchase of houses for investment purposes.

As regards companies, the drop in production and sales lead to greater caution on investment plans and consequently affected the demand for credit. In March 2009 the company confidence index detected by the ISAE[1] reached the all-time minimum, but has been constantly improving since April, similarly to what is happening in the rest of Europe. Loans to non-financial companies recorded an annual contraction of 8,5% for maturities up to one year, a contraction of 6,8% for maturities ranging between one and five years, and a growth of 5,5% for maturities longer than 5 years. Debt restructuring transactions are contributing to the development of medium and long-term loans.

As far as credit quality is concerned, the default rate of cash loans has further increased by 0,534% in the third quarter of 2009, the highest figure since December 2003. The volume of gross non-performing loans reached 59 billion euro in 2009, growing by 42,8% over 2008, and by 65,9% if we consider non-performing loans net of adjustments. As for loans to other residents[2] net non-performing loans increased from 1,24% at the end of 2008 to 2,02% at the end of 2009.

Direct deposits within Italian banks reached 1.982 billion euro in December 2009, growing by 9,3% on an annual basis: bonds have especially grown, although less than 2008, with a year-on-year change of 11,2%; the volume of deposits increased by 8,0%, in line with the growth of the previous year.

During the year the credit supporting policy adopted by the Board of Directors of the European Central Bank caused a reduction in the main refinancing rates from 2,5% at the end of 2008 to 1%, and later turned into a series of long-term refinancing operations aimed at providing liquidity.

A good amount of these deposits were then transferred to Central Bank deposits, improving the stability of credit institutions. Italy joined these transactions to a smaller extent, having a higher stable deposit base compared to other Eurozone countries.

The lower cost of money for Eurozone banks was gradually transmitted to interbank rates, rates on loans and residents' deposits. Against a three-month fall in the Euribor rate, from the average level of 3,38% of December 2008 to the average value of 0,69% at December 2009, the rate on loans to families and companies has fallen from 6,09% to 3,76%, while the deposit rate from families and companies has fallen from 3,00% to 1,56%, causing a contraction of about 80 base points in the yield spread.

Within the support plan to families and companies, the plan for suspending SME debts launched in 2009 recorded significant results, as almost all requests were accepted by the banks. In addition, the *piano famiglie* (family plan) was launched in February 2010, an agreement for suspending the depreciation of mortgage loans and aimed at improving the implementation of public and private initiatives in the area in order to support families. According to the latest surveys on bank credit, in the last quarter of 2009 the criteria for granting loans to companies and families were generally less restricted.

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[1] Non-governmental public research organisation connected with the Ministry of the Treasury.

[2] "Other Residents" and "Other Public Entities" sectors make up the money-holding sector, which differs from the money-issuing sector (Financial and Monetary Institutions or IFM) and Central Public Entities. "Other Residents" include: other financial institutions, insurance and retirement funds, non-financial companies, families, non-profit institutions for families.

Strategic issues

During the financial year the structural evolution of the Group provided in the Strategic Plan was pursued. This plan was inspired to the following strategic Guidelines:

- strong focus on customer relations;
- fair return on equity and attention to risk management (prudence);
- focus, realize, streamline and simplify (evolution of internal governance, improved execution ability, greater efficiency and operating cost reduction);
- see to the growth of human resources, their involvement and motivation;
- introduce innovations rapidly: create the bank of the future today.

This evolution was characterized by reinforcement of the risk management systems and of the effectiveness of audits, as well as by the consolidation of a number of processes and organizational arrangements. In particular, the Group's solid capital asset situation, together with a more than adequate level of liquidity (which has always been considered a strongpoint of prudent corporate management), and cautious governance of risks, proved to be more important than ever in the difficult external scenario which characterized the economy of the financial year and the previous year.

As regards the organisational model, with a view of improving the services offered by the Group to its customers, as well as achieving more effective control and co-ordination, the financial year that has just ended saw a reorganisation of the structure and the role of the Parent company, due to the creation of Sella Servizi Bancari S.C.p.A., as illustrated in the paragraph "Company operations" below.

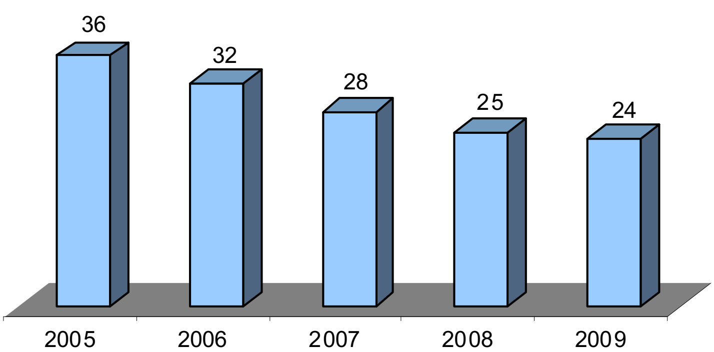
The Guidelines of the Strategic Plan set out above were followed in:

- the completion of the company structure optimisation, through a further reduction in the number of companies and important company operations;
- simplifying and innovating business processes;
- a high and constant investment in training and growth of human resources;
- constant fine-tuning of the governance rules for optimum delegation and assignment of responsibilities.

Group structure

In 2009 the Group continued to review and optimise its corporate structure. This policy led over the last few years to a gradual reduction in the number of companies from 43 in 2009 to 24 (one of which in liquidation) at the end of 2009. All this, besides simplifying the structure, has also improved the selection of services and products on offer.

Evolution of the number of companies of the Group in the last 5 years



Corporate transactions

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

MERGER BETWEEN BANCA SELLA HOLDING AND FINANZIARIA 2007

The merger between Banca Sella Holding and Finanziaria 2007 had legal effect as from 1° April 2009. Prior to this transaction, Banca Sella Holding had purchased 100% of Finanziaria 2007.

Due to the merger, the Holding company became direct shareholder of Banca Sella Nordest Bovio Calderari with a controlling interest of 56,756%. For further information please see the section “”Changes in the framework of the Group and equity investments”.

CREATION OF SELLA SERVIZI BANCARI

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

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

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

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

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

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

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

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

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

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

TRANSFER OF BUSINESS OPERATIONS FROM SELLA GESTIONI SGR TO BANCA PATRIMONI SELLA & C.

The transfer of business operations from Sella Gestioni to Banca Patrimoni Sella & C. (both of them companies of the Group) became fully effective on 23 November 2009. Said business operations concern the individual asset management operations existing within the Asset Managing Company of the Group, or supervised by this company on the basis of management delegations assigned by other intermediaries.

On the one hand, this operation - in line with the guidelines followed by the Banca Sella Group in the last few years in the asset management sector - allows Banca Patrimoni Sella & C. to further focus on individual portfolio management and cope with the need of managing all Group customers; on the other, it allows Sella Gestioni to specialise in the core business of collective schemes in order to offer customers a wider and performing range of mutual funds.

Expansion

The expansion envisaged by the Strategic Plan was implemented through:

- the opening of 2 branches, bringing the total number of the Group's branches from 332 units at the end of 2008 to 334 at the end of the financial year;
- the growth of 4,8% in the number of customers of the Group;
- the innovation of services offered to customers.

Commercial policies

Based as always the general strategy of a polyfunctional Group, in 2009 the commercial policies again followed the tactic of offering a “full circle” of customer services and products, thanks also to the advantages of multichannelling and to the presence of specialised professional figures through which to build a personalised relationship “made to measure” for the customer.

The results obtained were achieved by drawing, as always, on the Group’s distinctive factors:

- trust
- personal relationships
- quality
- innovation

and also:

- strong links with the community;
- transparency, professionalism and experience in customer relationships;
- constant commitment and dedication to the values of confidentiality and correctness in dealings with customers.

In accordance with the distinctive factors and features listed above, the main commercial initiatives undertaken by the Group were:

- the development of new customers by constantly optimising and expanding the distribution network and improving the computer channel (internet and mobile);
- the launch of a new Internet Banking platform, created with the contribution of customers’ remarks, in order to allow better surfability and usability;
- an increase in business with existing customers by improving cross selling, also through centralised actions (direct marketing campaigns);
- the launch of the new graphic interface and the new Customer Relationship Management (CRM) functions in order to improve customer relations by storing a memory of all contacts. The new instrument allows network operators to constantly monitor the requests of existing and potential customers. Among the new functions, it is worth mentioning the new contact submission system on the distribution network and the reduction of the maximum time frame within which the information request sent by the customer reaches the office/branch concerned;
- a widening of the range of online products and services, both to increase customer transactions and in support of the traditional channels.
- the completion of the *InChiaro Assicurazioni* (InChiaro insurance) range which, compared with 2008, now includes *Casa InChiaro*, *Famiglia InChiaro*, *Persona InChiaro* and *Incendio* products;
- the restyling of all Group websites with web 2.0 technology, with the purpose to provide customers with innovative instruments and advanced means of interaction, collaborating with them much more actively (e.g. with the shared creation of products and services, or surveys to welcome suggestions and opinions on the services supplied) also thanks to the creation of a community. The new Chat, RSS Feed and Contact Tracking services and the analysis and research community (podcasting and videos) are based on this concept;
- the expansion of the mobile banking range; the Group invested on this service in 2009 as well, providing its customers with new functions, like the “*Portafoglio in tasca*” (wallet in your pocket).

The commercial initiatives also include sponsorship of the basketball team of Biella, which plays in the A1 league, and participation in the online trading fairs “Internet Trading Forum” in Rimini and “Tol Expo” in Milan.

During the year the Group also received some important awards: Banca Sella ranked among the first positions of the 2009 "Best Bank for mortgages" list drawn up by the online economics newspaper *Osservatorio Finanziario*, thanks to the votes of its readers: the *Zaffiro Giovani* mortgage for young people offered by Banca Sella ranked 3rd best in the general list and 1st in the category dedicated to blended rate loans. *Mutuo Ambra Bce* ranked 3rd position in the "Best ECB variable rate mortgage" section, just like *Trasloca il tuo mutuo* in the "portability" category.

Again according to a list drawn up by *Osservatorio Finanziario* with the votes of its readers, Banca Sella and Websella were voted “best 2009 website”.

As regards retirement funds, Sella Gestioni SGR saw 3 of its divisions topping the Bluerating list:

- Eurorisparmio Azioni Europa;
- Eurorisparmio Azioni Internazionali among shares;
- Eurorisparmio Bilanciato among balanced funds.

Transparency of transactions and banking services

In 2009 the Banca Sella Group strengthened the organisation of Transparency activities with the purpose of increasing the level of its own coverage and cope with the important changes brought about by the new provisions issued by the Bank of Italy on 29 July 2009 on the matter: “Transparency of transactions and banking and financial services and fairness of relations between intermediaries and customers”.

The purposes of the new provision are:

- simplifying product and service information documents;
- making the products of the various banks more easily comparable;
- strengthening customer protection;
- aligning with regulatory innovations (e.g.: e-commerce, distance sales, ius variandi, mortgage loans …) and the two EU provisions relative to Payment services and Credit to consumers.

The new organisational structure of the Group on this matter introduced the Transparency manager, included among the Group Commercial Management services. This person has the task to guarantee that relations with customers are established and maintained over time, marked by fairness and transparency principles, as provided by internal and external regulations in force, in order to ensure customer trust and satisfaction.

For achieving this purpose, the Transparency manager of the Parent company adopts the necessary initiatives so that the provisions in this matter are fully, formally and substantially observed by the companies of the Group. He coordinates and actively collaborates with the transparency managers of each company within the Group: the continuous interaction and discussion allow performing a systematic control, aimed at ensuring the validity of the organisational, regulatory and auditing structure of each company. Such collaboration has the purpose of creating a specialist culture and realize a shared and well-structured approach within the Banca Sella Group.

Within the Parent company, transparency management is assisted by three departments which, due to their specialist tasks, are fundamental for managing the company itself: the Legal, Compliance and Marketing departments.. These departments also carry out specific preventive control activities to protect important processes, such as the creation of new products and services and the change of economic and contractual conditions relative to the products and services supplied.

The main adjustments made by the Group companies to align with the provisions issued in the new regulations mentioned above, concerned the following processes:

- Creation of new products and services;
- Sales process;
- Complaint processing.

For the creation of new products, new controls have been introduced with the purpose of verifying that said products are clear for customers as to their structure and features, as well as complying with the standards in force.

The offer process of products and services was also improved, in order to make sure that the various offer stages and modes comply with the new regulations. In this connection, the pre-contractual (the document Main Rights of Customers, the new versions of Information Sheets, Guidelines, etc.) and contractual documents contemplated in the regulations were drawn up and made available . In particular, contractual documents were updated and simplified to make them clearer to customers.

Some instruments supporting the sales network and customers were also provided for the Group banks:

- the new Product Catalogue (only repository of Transparency documents, available to employees on the Corporate Intranet and to Financial Advisors and customers on the internet);
- instruments to assist the choice of products and services from wide ranges;
- cost simulators for credit lines and overdrafts.

Additionally, sales forces were provided with training courses about the new regulations and the changes in operational procedures with the relevant technical standards. In 2010 these training courses will be completed with an in-depth analysis of commercial aspects.

Finally, complaint processing procedures were integrated in order to observe maximum response times and modes. In this connection, a special process was mapped to illustrate the stages provided for managing the complaints sent by customers to the Italian Financial Dispute Resolution Network for out-of-court dispute resolution.

Distribution policies

The Distribution Model of the Banca Sella Group is made up of:

- network banks: a network of efficient and lean local banks, rooted in the community;
- integrated multichannelling: represented by the traditional branches, private banking offices, enterprise centres, the internet channel, telephone banking, ATMs, mobile banking;
- specialist account managers: figures in support of businesses and private customers, who operate in synergy with the branches;
- financial promoters and agents;
- the Web Sella channel: devoted to customers who intend to operate exclusively through the internet;
- branches and head offices of other Group companies specialized in consumer credit, leasing, managed savings and insurance broking.

In financial year 2009, the Group's distribution network, which is structured in accordance with the principle of integration of channels, was again constantly engaged in catering with effictiveness and in a customized way to the needs of customers.

As described earlier, during the financial year the Group network banks, in view of the coming into effect of the new regulations on transparency, which introduced new rules for greater customer protection and laid down a code of conduct that the banks must adopt in relation to them, carried out, as from May 2009, all the appropriate organizational, control and training operations on the network. All information sheets were updated according to the new rules, and the new product catalogue was prepared.

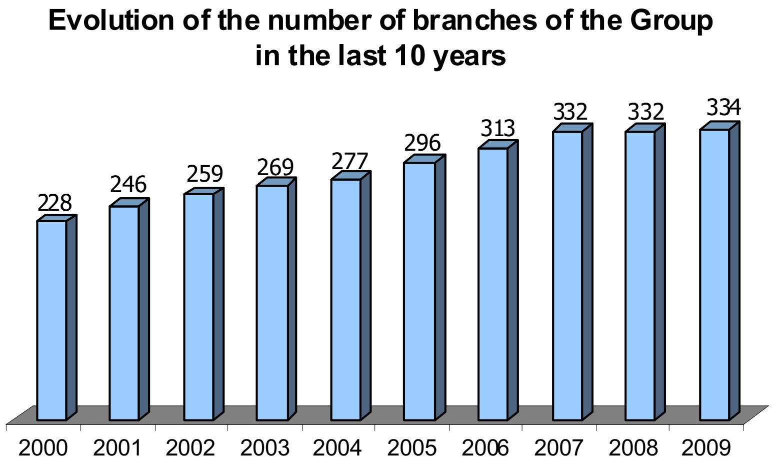
Banks themselves have continued to develop the Banca Assicurazione project, even through appropriate training and the specific activity of cross sellers. Banks continued to increase the number of operations performed by customers autonomously, monitoring carefully requests for information and/or for the activation of new services and products received via remote banking channels. In addition, they circulated information on the advantages of the use of banking services through channels complementary to branches, namely Internet Banking, Mobile Banking and Telephone Services.

Finally, some branches installed advanced ATMs, which allow to pay-in cash and cheques, thus increasing business operations with existing customers and improving and expanding the service offered to them.

Bank branches

During 2009 the number of Group bank branches has been increased by 2 units, passing from 332 to 334.

The diagram below shows the evolution in the number of Group branches in the last 10 financial years. It can be seen that in this time frame they have increased by 46,5%, from 228 in 2000 to 334 in 2009, witnessing the constant growth of the distribution network in the last few years.



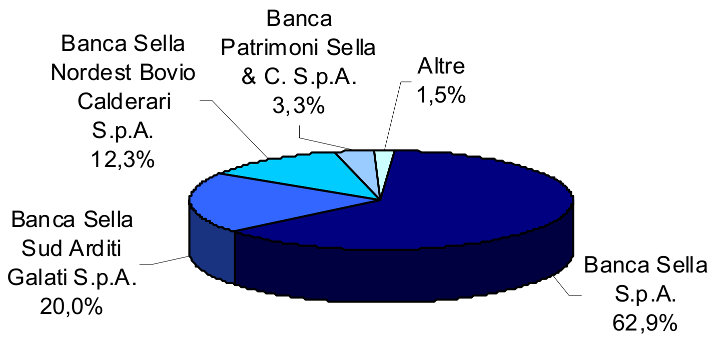
The increase in the number of branches over last financial year is due to the opening of two new branches by Banca Sella, of which the first started to work on 23 February in Pagliare del Tronto, in the province of Ascoli Piceno, while the second was opened on 6 April in Carpi, in the province of Modena. Due to these two new openings, Banca Sella brought the total number of its branches to 210.

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

GROUP BANK BRANCHES

Company	Branches at 31/12/2009	Proportion (%) of total 2009	Branches at 31/12/2008	Proportion (%) of total 2008
Banks in Italy				
Banca Sella Sud Arditi Galati S.p.A.	67	20,0%	67	20,2%
Banca Patrimoni Sella & C. S.p.A.	11	3,3%	11	3,3%
Banca Sella S.p.A.	210	62,9%	208	62,7%
Banca Sella Nordest Bovio Calderari S.p.A.	41	12,3%	41	12,3%
Banca Sella Holding S.p.A.	1	0,3%	1	0,3%
Total branches in Italy	**330**	**98,8%**	**328**	**98,8%**
Foreign banks				
Sella Bank A.G. - Switzerland	3	0,9%	3	0,9%
Sella Bank Luxembourg S.A. - Luxembourg	1	0,3%	1	0,3%
Total branches abroad	**4**	**1,2%**	**4**	**1,2%**
Total Group branches	**334**	**100,0%**	**332**	**100,0%**
Geographical distribution of branches				
North West (Piedmont, Aosta Valley, Lombardy, Liguria)	166	49,7%	166	50,0%
North East (Veneto, Trentino, Emilia Romagna)	59	17,6%	58	17,5%
Centre (Tuscany, Lazio, Molise, Abruzzo, Marche)	35	10,5%	34	10,2%
South and Islands (Campania, Apulia, Sicily, Sardinia)	70	21,0%	70	21,1%
Abroad (Luxembourg, Switzerland)	4	1,2%	4	1,2%
Total branches	**334**	**100,0%**	**332**	**100,0%**

Percentage breakdown by company of the Group Bank branches



As shown in the table and chart above, the distribution network of the Group consists mainly (62,9%) of Banca Sella branches, while the second-largest Group entity, as regards the number of branches, is Banca Sella Sud Arditi Galati (with 20% of the total). Follow Banca Sella Nordest Bovio Calderari (12,3%) and Banca Patrimoni Sella & C. (3,3%). The remaining 1,5% is made up of the branches of the Group's foreign banks, Sella Bank (in Switzerland) and Sella Bank Luxembourg (in Luxembourg), and of the head office of the Parent Company Banca Sella Holding.

Financial advisors

The commercial network of the Banca Sella Group also includes 291 financial advisors who have agency agreements with Banca Patrimoni Sella & C. and work in synergy with other distribution channels of the Group, with special reference to the placement of products and services on its network banks (Banca Sella, Banca Sella Nordest Bovio Calderari, Banca Sella Sud Arditi Galati).

As can be seen from an analysis of the table below, at 31 December 2009 the number of financial advisors working for the Group had fallen by 8, going down from 299 in the previous year to 291. The drop is mainly due to the termination of contracts of advisors with low turnover, in keeping with the qualitative strategic policy of the Banca Sella Group.

Advisors who worked for Sella Gestioni at 31 December 2008 passed to Banca Patrimoni Sella & C. due to the contribution of business operations previously described in the section "Strategic issues".

Financial advisors carry on their business at 11 branches and 25 financial advisory offices (at 31 December 2008 there were 33) distributed all over the country.

FINANCIAL ADVISORS OF THE GROUP

Company	Financial advisors at 31/12/2009	Proportion (%) of total 2009	Financial advisors at 31/12/2008	Proportion (%) of total 2008
Banca Patrimoni Sella & C. S.p.A.	291	100,0%	297	99,3%
Sella Gestioni SGR S.p.A.	-	-	2	0,7%
Total financial advisors of the Group	**291**	**100%**	**299**	**100%**

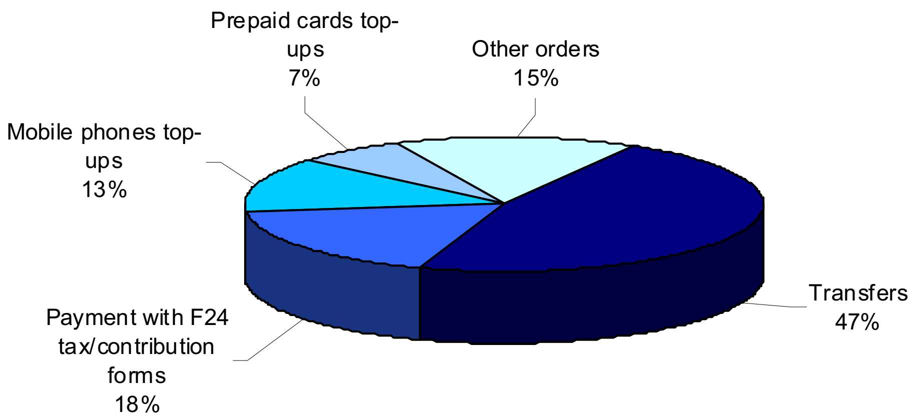
Remote banking channels

INTERNET AND MOBILE BANKING

In 2009 the Internet Banking business grew at a healthy rate, in terms of both the number of customers, and of the number of online orders imparted by them.

In particular, during the year, the volume of orders made was more than 3,4 million transactions (an increase over the previous year of 15%) of which about 47% were transfers, 18% payments of contributions with F24 forms, 13% mobile phone top-ups and 7% prepaid card top-ups.

Internet banking: breakdown of orders made during the period



The average monthly number of performing customers (customers who performed at least one order) has grown by approximately 12%, increasing from 57.500 in 2008 to 64.300 in 2009; as regards operative customers (customers who performed at least one order or one information operation per month), their growth stood at approximately 11%. Information operations increased by 16% (21,5 million compared with 18,6 million in 2008).

The stock of customers with an active Internet code grew by 10%, going up from 193.000 to about 212.000.

In 2009 the volume of informative SMSs sent to customers of the Group banks grew by 25%, to more than 6 million SMSs (of these more than 75% from Memo Shop, the service which enable customers to receive notification of transactions performed with their credit cards directly on their mobile phones). The number of customers registered for at least one SMS service grew by 21% compared 2008, reaching approximately 153.000.

In 2009 customers migrated from the old to the new Internet Banking platform, which was deeply restyled as to underlying technology, user experience and interaction with final customers.

Among the new services launched in 2009 in the Internet and Banking segment we can note:

- the inclusion, within the Internet Banking platform, of innovative service customer systems, such as Skype and the "Stella" virtual assistant;
- the possibility to top-up prepaid cards of other customers;
- the new SMS investment assistance service, including policy expiry notices, bond security expiry notices, coupon detachment, valuation of security/fund/policy portfolios, change in security/fund/policy risk indicators;
- the enhancement of the Sella Box service, which allows viewing the messages sent by the Bank to customers online, by accessing the Sella Box section. Credit cards and prepaid cards can be registered online in order to view savings deposits, loans and portfolio management schemes, besides current

accounts.

The Mobile Banking area now includes new functions concerning Mobile WebSite and the iPhone specific application downloadable from the Apple Store, such as:

- mobile phone top-up;
- prepaid card top-up;
- prepaid card balance and movements;
- bank account number search;
- bank transfer index.

In this area, the *Portafoglio in Tasca* service was also implemented to allow viewing the composition and details of customers' accounts and, in particular, it allows customers to control their investments directly from the display of their mobile phones. With *Portafoglio in tasca* it is in fact possible to view the complete portfolio position, as well as the summary countervalue of investments and the account balance of liquidity, the details of existing financial instruments and some features of financial instruments (e.g. countervalue, number of shares and price).

TELEPHONE BANKING

As from 1st April 2009, due to the structural reorganisation of Banca Sella Holding deriving from the creation and start-up of Sella Servizi Bancari, the Telephone Banking service, until then carried out by the Parent company, has become a part of Banca Sella.

In 2009 the volumes of calls received by the Telephone Banking service decreased by approximately 19% over the previous year, while the percentage of calls for orders rose from 78% in the previous year to 81%; the percentage of trading orders among said calls for orders increased from 68% in 2008 to 71% in 2009.

The situation of financial markets caused an increase in orders concerning the trading of equity instruments and bonds (considered as less risky), recording an increase of 12% in trading revenues.

In an attempt to automate low added value contacts, a Telephone Banking automatic answering machine (IVR) was introduced as of 12 October, through the "prepaid card top-up"; the purpose is to provide Customers with an automatic channel alternative to telephone operators.

The results achieved were very positive: the percentage of card top-ups made by IVR was 77%, with respect to 55% of calls received by the IVR.

Other information

INDUSTRY WIDE INITIATIVES

During the year, the Banca Sella Group continued to support the economy and activity of families and small and medium-sized enterprises, in which it is deeply rooted.

In addition to the growth of loans, the Group also joined industry wide initiatives aimed at tackling the economic crisis, such as the "respite" of SME and family debts and the agreement with Abi, Cassa Depositi e Prestiti and Sace to support the Italian economy. The Group also signed agreements with Sace (to support SMEs wanting invest in international markets), Bei (to finance the projects and investments of SMEs) and the Industrial Union of Biella (to pay salaries and contributions of partner companies' employees).

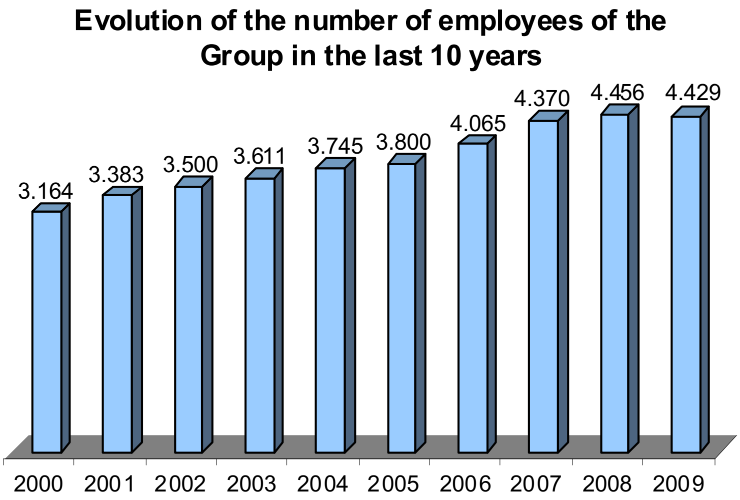
OTHER CHANNELS

The Group's commercial business is carried on also through 32 branches of Consel, a company specialising in consumer credit, and 11 branches of Biella Leasing, which provides financial leasing services (both figures are unchanged from last year). The Group also operates through its companies working in the fields of asset management, IT services and insurance brokerage.

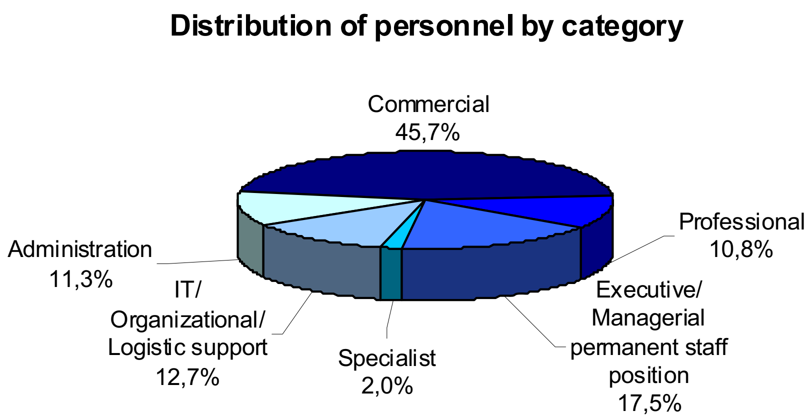
Human resources

MANAGEMENT AND DEVELOPMENT OF HUMAN RESOURCES

At 31 December 2009 the staff of the civil-law companies of the Banca Sella Group (that is to say, including also companies in the insurance sector) stood at 4.429 employees, a decrease of 27 compared with the figure at the end of 2008. As regards the banking group alone, at the end of the year the employees numbered 4.383, a decrease over 2008 of 29.



At the end of the period the average age of employees of the civil-law group was approximately 36,8 years. In the same period women accounted for about 48,2% of the total work force, an increase over the previous year, in which the figure was 48%. The chart below provides a detailed breakdown of staff by professional category.



The following table, instead, contains a breakdown of staff by company, with the corresponding percentage of the total workforce. Some of the variances in the number of employees of companies compared with last financial year are partly due to the transactions described in the section “Strategic issues”, with special reference to:

- the contribution of business operations relative to the facilities supplying auxiliary services from Banca

Sella Holding to Sella Servizi Bancari, which involved 796 employees;

- the transfer of Telephone Banking service personnel from Banca Sella Holding to Banca Sella, which involved 21 employees;
- the transfer of business operations relative to individual portfolio management both direct and by proxy, from Sella Gestioni SGR to Banca Patrimoni Sella & C., which involved 8 employees.

Analysing this data we can see that, also as a consequence of the transactions mentioned above, the companies with the highest proportion of the total number of staff are Banca Sella, the main network bank of the Group (with 34,7% of the total), and the consortium Company Sella Servizi bancari (18,7% of the total). The third force, as to number of staff, is Banca Sella Sud Arditi Galati with 9,1% of the total.

The foreign companies of the Group (Selir in Romania, Sella Bank in Switzerland, Sella Bank Luxembourg and Selgest in Luxembourg, Sella Life in Ireland and Sella Synergy India in India) together account for 10,7% of the total.

GROUP STAFF STRUCTURE

Company	Employees at 31/12/2009	Proportion (%) of total 2009	Employees at 31/12/2008	Proportion (%) of total 2008	Change	
					absolute	%
Parent company						
Banca Sella Holding S.p.A.[(1)] [(2)]	343	7,7%	1.161	26,1%	-818	-70,5%
Banca Sella Group banking group						
Banca Sella Sud Arditi Galati S.p.A.	402	9,1%	415	9,3%	-13	-3,1%
Banca Patrimoni Sella & C. S.p.A. [(3)]	186	4,2%	178	4,0%	8	4,5%
Banca Sella S.p.A. [(2)]	1.536	34,7%	1.516	34,0%	20	1,3%
Banca Sella Nordest Bovio Calderari S.p.A.	224	5,1%	243	5,5%	-19	-7,8%
Biella Leasing S.p.A.	59	1,3%	61	1,4%	-2	-3,3%
Consel S.p.A.	261	5,9%	255	5,7%	6	2,4%
Easy Nolo S.p.A.	5	0,1%	6	0,1%	-1	-16,7%
Selir S.r.l.	227	5,1%	235	5,3%	-8	-3,4%
Sella Bank A.G.	34	0,8%	35	0,8%	-1	-2,9%
Sella Bank Luxembourg S.A.	37	0,8%	46	1,0%	-9	-19,6%
Sella Gestioni SGR S.p.A. [(3)]	68	1,5%	92	2,1%	-24	-26,1%
Sella Servizi Bancari S.C.p.A.[(1)]	829	18,7%	-	0,0%	829	-
Sella Synergy India Ltd	168	3,8%	166	3,7%	2	1,2%
Selgest S.A.	4	0,1%	3	0,1%	1	33,3%
Total Banca Sella Group banking group	**4.383**	**99,0%**	**4.412**	**99,0%**	**-29**	**-0,7%**
Average total Banca Sella Group banking group	**4.398**		**4.370**		**28**	**0,6%**
Brosel S.p.A.	17	0,4%	17	0,4%	-	-
CBA Vita S.p.A.	23	0,5%	22	0,5%	1	4,5%
Sella Life Ltd	6	0,1%	5	0,1%	1	20,0%
Total Banca Sella Group civil-law group	**4.429**	**100,0%**	**4.456**	**100,0%**	**-27**	**-0,6%**
Average total Banca Sella Group civil-law group	**4.443**		**4.413**		**30**	**0,7%**

(1) The workforce of Banca Sella Holding and Sella Servizi Bancari was involved in the contribution to the consortium company of business operations relative to the facilities supplying auxiliary services.

(2) The workforce of Banca Sella Holding and Banca Sella was involved in the transfer of the staff in charge of the telephone banking service.

(3) The workforce of Banca Patrimoni Sella & C. and Sella Gestioni SGR was involved in the transfer to the bank of Turin of individual portfolio management operations both direct and delegated.

TRAINING

Even in 2009 the role of training work was crucial. In fact, the current and prospective macroeconomic scenario and the dynamism of the Banca Sella Group confirm the importance of objectives such as the attraction and retention of talents, the motivation of personnel, the continual improvement of the skills of human resources, the diffusion and acceptance of the values and culture of the Group.

In this context during 2009 the “Corporate University” was launched, with the aim of creating a structure devoted to training in order to:

- disseminate corporate values and culture;
- develop managerial and specialist skills;
- support research and innovation;
- collaborate with national and international universities and training centres.

At the same time, structural work continued on the seat of the University, located in the former Maurizio Sella woollen mill in Biella, with the goal of creating new modern and technologically advanced classrooms, designed to increase the effectiveness of training actions and to make possible distance learning and participation.

As regards the content of training activities, alongside the traditional subject areas (legislation, operations, conduct, and technical and commercial aspects) in 2009, in particular, a number of specific projects continued for the development of leadership, organizational skills, and a project was launched for the development of commercial skills involving 50% of employees in the Italian commercial network.

Overall, in the Group as a whole about 188.000 hours of training were provided, of which about 67.250 in the form of e-learning. The total number of hours is aligned with the previous year, and can be broken down as follows:

- courses in the company: 75.817 hours;
- external courses: 112.183 hours.

The training work involved about 95% of the personnel (with an increase of about 12% over the last year) at a cost of 1,3 million euro.

At the end of the year 1.770 members of staff were qualified as insurance brokers (+17% over the last year), 13% of whom were employees trained and certified during the year, while the remaining 87% consisted of staff trained for the annual renewal of certification awarded in previous years.

As regards e-learning instruments, in 2009 virtual rooms were introduced, combining the advantages of synchronous learning with the organisational advantages of e-learning, meeting the need for reconciling work and family.

OTHER INFORMATION

For more information on relations with human resources, on equal opportunities, on agreements and initiatives for employees, on their involvement and on events organized for them, see the report on social responsibility.

Operational structure

Research and development

A.B.I. ASSOCIETED WORKING PARTIES

In the course of the year the Group companies took part in the work of the technical commissions and the associated working parties set up by the A.B.I. (Italian Banking Association).

Among these it is worth noting:

- within the ABILAB (Centre for Research and Development of Technologies for Banks, established in 2002 following an initiative of the Italian Banks Associations – ABI - with the purpose of creating a meeting point between banks and ICT Partners and to carry out research and development on innovative technologies for the management of processes, channels and bank security), the work Groups: "Technologies for the branch of the future", "Electronic document processing", "Alarm register against IT attacks" and Observatories: "TLC Observatory", "IT Architecture Observatory", "Bank Call Center Observatory", "Business Continuity Observatory";
- the "Pillar 2" work group and the relevant subgroups "Concentration Risk by geo-area Laboratory" and "Stress test Laboratory ";
- the work groups within the Credit sector: "Land credit and Mortgages", "Microcredit and loans to local enterprises", "Consumer Credit";
- the work groups within the Payment System sector: "Cheques", "Commercial collections", "Payments", "Payment cards";
- the work groups within the tax sector: "IAS - Accounting Standards", "Corporate income tax", "Financial activities tax";
- the work group "Internal communication";
- the "Social security" work group.

INFORMATION TECHNOLOGY

During the year the Information Technology work carried out by Sella Servizi Bancari as the consortium Company of the Group continued the development of applications, with constant attention to increasing the skills of the personnel, the availability of resources for analysis and planning, and the flexibility of the information technology system architecture.

The most significant activities carried out during the year include:

- continuation of activities aimed at keeping up with changes in the Information System, with special regard to MiFID, PSD, SME debt Respite, Anti-crisis Decree, Anti-money laundering and New Bank Transparency;
- continuation of updating activities envisaged in the *Patti Chiari* initiative, which involved several product portability initiatives;
- adoption of an infrastructural solution for the service-oriented architecture (SOA) of the corporate information system, which allows dividing procedural systems and the final interface layer; this solution is behind the complete revision of Mobile Banking and Home Banking solutions carried out during the year;
- ongoing migration of IT system procedures to the new "open" technology based on the three-level architecture that constitutes implementation of the concept of a "system of reusable services" generating operational efficiency; forms regarding Loans, Wages and Tranches, Bank drafts, Standing orders, Statements of account and other minor forms were issued during the year;
- continuation of procedure optimisation, aimed at improving processes, which was done alongside the use of the analysis, architecture and code quality audits envisaged in the Development Process to improve governance of the Group software portfolio;

- launch of a new integrated Security Platform (Smit2) including all trading, security administration, Asset allocation for Asset Management and fiscal and legal obligation functions;
- introduction of "Unified Communication" systems adopted on a wide segment of staff, aimed at simplifying communication with a reduction in employees' travel costs for operational co-ordination meetings and the achievement of greater efficacy in conducting them;
- adoption of frame work solutions for the development of applications aimed at increasing production; this action allowed reducing the presence of advisors in this sector by approximately 40% during the year;
- updating of the Data Center by renovating the technology of central processing units, with the purpose of keeping them up to date and making them suitable for supporting the growth in volumes, also allowing a reduction in energy consumption with Green IT solutions;
- progressive adoption of open source software on production solutions (such as Apache on the web servers and Linux);
- progressive introduction of "virtualisation" techniques into central systems with the purpose of better using processing power and saving energy with Green IT solutions;
- complete review of the Group Data Network infrastructure, which was completed during the year, and following adoption, currently under way, of VOIP solutions for the Group telephone system, thus saving operational costs;
- expansion of infrastructures devoted to optimising controls and audits on production systems.

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, as described in the following section.

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

Internal controls

Continuing with a strategy that attributes a crucial role to the management of audits, again in 2009 the Banca Sella Group invested in reinforcing the "Internal Audit System" in terms of efficiency and effectiveness, with the aim of qualitative improvement and quantitative expansion of the units responsible for auditing work and ensuring at the same time that the system is continually updated to take account of changes in the relevant standards. This orientation is reflected, in particular, in a detailed plan of action which was launched back in the middle of 2005 and which has been constantly updated further to take into account the experience acquired and the existing best practices in the System.

The four guiding principles on which the Group is continuing to work, from the very formulation of the action plan, 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.

It is also worth remembering that these actions are part of ongoing work to adjust the structural and organizational framework of the Group, involving the adoption of single procedural platforms within the Group, the centralisation of control functions, the adoption of uniform rules and agreements to define the seriousness and types of anomalies (all this facilitates orientation towards action priorities, better governance of information flows, and an improvement in the effectiveness of follow-up activities) and the implementation of the Internal Capital Adequacy Assessment Process (ICAAP).

A brief description follows of the main activities carried out in this area:

a) Control of the rules and processes

The Group's organisational framework is the basis of its stability, efficiency and profitability. In particular a complex organization, such as the Banca Sella Group is today, requires the processes at the heart of this organizational framework to be well structured, subject to appropriate audits and based on clear and efficient rules. For this reason during 2009 the Group continued the work of mapping the new corporate processes and updating/modifying existing ones, with the intention of reinforcing the organisational framework and expanding the scope and effectiveness of the internal auditing system. Mapping of the processes makes it possible, in fact, to carry out a complete survey of their quality and their consequent exposure to risk.

In the context of the mapping and validation of the business processes, particular attention is paid to the correspondence between the operational map and the underlying reality of the process and to the presence of audits within these processes, assessing, each time, the mitigating effect that they have on risks. The mapping of processes and their constant and systematic maintenance and validation makes it possible:

- to develop an objective 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);
- to plan corrective action, giving priority to situations of greater exposure to risk not effectively mitigated and consequently to intervene to better mitigate the remaining situations;
- to monitor over time the exposure to risk of the Group's organisational frameworks.

b) Continuous monitoring of adequacy of the rules

The organisational and internal regulatory framework requires continuous evolution over time to adapt to legislative changes and to progress in technology, products and risks themselves, as well as in the light of the experience accrued.

In this area, the structure and activities connected with the Compliance unit, which pursued its purposes of monitoring the risk of non-conformity with norms, were also strengthened.

In the work on identifying and mitigating risks and eliminating the causes of the possible events, an internal process, known as the "Audit Cycle", which regulates the treatment of anomalies and the removal of the effects and causes which generated them, continues to be adopted with excellent results for the whole Group. This process is coordinated by the Parent Company's Risk Management and Audit Service, which, through the use of a specific software procedure, presides over the work of surveying, monitoring and managing all the anomalous events that occur in all the Group companies, so as to facilitate the consequent follow-up activities.

The inputs of the "Audit Cycle" process are anomalous events detected in the previously mentioned software procedure. These anomalous events include: findings of audits and inspections, poor service and malfunctions, claims, lawsuits brought against the Group, operating losses, warnings generated by the alarm-bell procedures, vulnerabilities of a process and exposure to risk following non-compliance with internal and external regulations.

The anomalous event gives rise to:

- immediate assessment of the corresponding degree of seriousness: each anomaly is classified on the basis of a scale divided into discrete classes of growing risk from 1 to 5;
- an immediate solution (so-called "left cycle"), the aim of which is to neutralise immediately the effects of the anomaly, implementing, at the same time, continuous and/or extraordinary supervision until the root causes of the anomalous event have been definitively dealt with;
- the definitive solution (so-called "right cycle"), the aim of which is to remove the causes of the event definitively to prevent it from occurring again in the future. As a result of this it may become necessary to make some changes to the organization of processes or IT systems, to audits and/or to internal rules.

Since its adoption, the "Audit Cycle" has therefore made it possible to:

- improve the culture of risks, management of anomalies and excellence;
- identify, survey and analyse anomalies to create a statistical base that is also useful for assessing the vulnerability of the single processes and the exposure to risk of single sectors, activities, businesses and companies;
- rigorously track the responsibilities for and progress in eliminating anomalies;
- render the process of following up anomalies more effective and controlled;
- govern and supervise implementation of follow-up actions;
- continue to progressively reduce operational losses;
- lay the foundations for the new Information Flow Rules of the Group.

In order to control the effects of technological, process, business and product innovations, before such innovations are released, quality controls and tests are performed by second-level auditing agencies.

Finally, as regards Internal Controls we highlight the contribution of the following "corporate mechanisms":

- Control Committee, established in 2005, in order to constantly and effectively monitor the main risks connected with the Group's operations. By analysing the internal control system and examining the main anomalous events that occur, the Committee aims at refining the control system and improving it over time, proposing solutions to strengthen its efficiency and ensure strict and effective supervision for mitigating the risks the Group is most exposed to;
- Operational Risk Committee (CO.R.O.), established in 2008, in charge of the examination, assessment and authorisation of operations, organisational models, launch of new products and activities, and any other initiative generating significant operational, reputational, strategic, legal and compliance risks.

c) Controls and inspection of the compliance with rules

During financial year 2009 the Group was engaged in achieving further constant qualitative and quantitative reinforcement of the services responsible for second and third level audits, and continual refinement of the organization of activities and the division of tasks, without neglecting the adoption of modern automatisms and instruments in support of the activity itself.

Due to the corporate transaction described in the section "Strategic issues" above, since April 2009 the Holding company has been supported by the consortium company (Sella Servizi Bancari) for executing direction, co-ordination and control activities, maintaining decision-making and responsibility centres. Second and third level control units (Risk Management and Control, Compliance, Internal Audit) remain within the Holding company, in order to maintain a high degree of independence and authority, indispensable for guaranteeing effective control and ensure, as its ultimate aim, the Group's stability with respect for sound and prudent management principles. The consortium company has the same structure of the control system used by the Group. However, while the line control structure operates within the individual services of Sella Servizi Bancari, it does not have third and second level control structures; its activities, due to the strategic and functional importance of the consortium company in the Group, were directly controlled by the structures of the Holding company.

As for the Group's foreign Banks, they operate under a control system entailing, on the one hand, the internal control system active in the structures of the same entity (which, although within the overall plan adopted by the Group, adapt to local governing regulations) on the other, the control activities carried out at the central structures of Banca Sella Holding and the consortium company Sella Servizi Bancari.

In order to properly align on-site units and units operating within the Holding company structures, the Internal Audit and Value Control areas of the Holding company regularly arrange co-ordination meetings fostering discussion and exchanges of views among the heads of the relevant control activities in the various entities.

d) Growth of professional competencies and control culture

The growth of professional competencies and control culture is pursued by paying special attention to the resources working in both control and operational units.

In particular, the resources working in second and third level control units achieved constant professional growth thanks to external training activities and continuous professional and regulatory updates, and also by joining interbank work groups. The resources working in units that were not directly involved in control activities, for their part, joined continuous professional training courses aimed at disseminating control culture at all operation levels.

The diffusion of the control culture, pursued in 2009 through targeted meetings with managers and employees, made it possible to:

- ensure a clearer division of existing tasks and responsibilities;
- raise the cultural level of the Group's employees in the area of audits and risk management;
- reinforce the effectiveness of the audit system and of the follow-up activities.

In the light of the statements above, the organisational framework of the "Internal Control System" is structured over three levels, in accordance with the provisions of the Supervisory Authority.

FIRST LEVEL CONTROLS

First level controls aim at ensuring the correct performance of operations and are carried out by the same operational units or included within computer support procedures.

As regards first-level or line controls the work focused on:

- automating manual controls;
- introducing new controls deriving from the aforementioned comprehensive analysis of processes and risks;
- reinforcing central monitoring of the outcome of peripheral controls;
- verifying the adequacy of existing audits carried out by the Internal Audit Unit, in relation to the Group's own independent inspections and audits;
- eliminating points of risk requiring audit right from the start, by changing the processes.

SECOND LEVEL CONTROLS

In the field of second-level or risk audits (which are carried out by structures other than production units), the main guideline was followed to enable maximum coverage of central monitoring in real time, constantly improving the quantitative and qualitative instruments for measuring exposure to risk and expanding the professional skills of the designated structures through appropriate internal and external training.

The main activities and achievements of second-level control units (Risk Management and Control services of Banca Sella Holding and Operational Controls of Sella Servizi Bancari), include:

- constant improvement of the aforementioned "Audit Cycle" organizational process;
- continuous, proactive and effective monitoring to prevent external IT attacks (phishing);
- improvement of Risk Self Assessment activities, (coordinated by the Risk Management and Controls with the involvement of all the departments of the Parent Company and the Group Companies), ensuring more detailed study of the mapping of processes through a quantification, in terms of both financial impact and frequency of occurrence, of possible risk events, and therefore of losses, identified in the business processes;
- continuing to centralise second-level controls for all Italian banks of the Group, with special reference to all warning bells;
- evolutionary maintenance of credit risk measurement processes and procedures, including:
  - rating system for determining the credit quality of corporate and large corporate segments;
  - scoring system for determining the credit quality of private customers and companies internally defined as Small Business and Small and Medium Businesses;
  - IT procedure for identifying legal and economic bonds existing among customers;
  - monitoring of risk-adjusted return;
  - processes and procedures to check the admissibility requirements of credit-risk mitigation techniques;
- improvements in the management and control of Second Pillar risks identified in the Basel II standards (concentration, residual, interest rate on the banking book, liquidity, from securitisation, strategic, reputational, real estate) and subject to measurement/assessment in the context of the ICAAP process;
- formalisation of risk management and control by preparing relevant policies, particularly for managing liquidity risk and interest rate risk on bank portfolio (risks included in the second Pillar of Basel 2).

During 2009 the Banca Sella Group was also engaged in carrying out an independent assessment of its current and prospective capital adequacy, in relation to risks which have been and can be assumed and to corporate strategies.

The entire process is fully governed by the corporate bodies of the Parent Company, which, in accordance with the Supervisory Regulations, "oversee the implementation and updating of the ICAAP, in order to ensure that it continues to respond to the operational characteristics and context in which the Group works".

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

Finally, the Banca Sella Group drew up and published on its website the so-called "Basel 2, Third Pillar: Disclosure", in accordance with the provisions of the "New regulations for the prudential Supervision of Banks".

The Banca Sella Group will continue to pay special attention to risk prevention and management in 2010, focusing its actions on three main aspects:

- strengthening follow-up operations by centralising them under one unit for significant anomalies found during the "Control Cycle";

- improvement of corporate process mapping, aimed at improving the Group's ability to detect weakness symptoms in advance (to this end, the processes that were already mapped will be classified into macro-processes belonging to macro-classes, in order to immediately identify the areas that are most exposed to risks and therefore require action priority);
- continuous improvement of the effectiveness of information flows between second and third-level control units.

The compliance unit is responsible for monitoring the risk of non-conformity with norms (compliance risk) and therefore has a duty to verify that internal procedures are in keeping with the objective of preventing the infringement of both external rules (laws and regulations) and internal rules (codes of conduct, ethical codes).

The compliance unit controls risks by:

- encouraging all employees to be responsible;
- identifying clearly and formalising the division of roles and responsibilities at the different levels of the organization;
- appointing Compliance Managers and/or contact people, in each Group company, who are responsible for the management of compliance risk;
- special internal regulations providing for responsibilities, tasks, operational methods and information flows between the Compliance unit and bodies or other corporate units.

In Banca Sella Holding the BSH Compliance service was set up; this is the compliance process owner and is responsible for coordinating the various stages of the process. The service, which is part of the staff of the Chief Executive Officer, has the following responsibilities:

- it proposes the guidelines at the Group level as regards the management of compliance risk;
- it presents the report on the work done to corporate bodies showing the audits carried out and the results obtained, the measures adopted to make up for possible faults, and the activities planned. The report also includes the overall situation of complaints received;
- it draws up regular reports on the instances of non-compliance detected;
- it continually identifies the regulations applicable to Banca Sella Holding and measures/assesses their impact on corporate processes and procedures;
- it identifies and analyses any internal and external regulations issued that have an impact on the Banca Sella Holding processes and procedures;
- it assesses the compliance risk of any organizational and procedural changes proposed by the process owner;
- it provides advisory assessment to the Top Management on the regulatory compliance of innovative projects and on the prevention and management of the conflicts of interest of Banca Sella Holding;
- it checks the consistency of the bonus system with the targets of compliance with regulations;
- it ensures the promotion and diffusion of a culture of legality, compliance and constant attention to observance of the rules;
- it develops with the Human Resources Department training courses and seminars on the subject of compliance;
- with regard to investment services, it provides advice and assistance to significant subjects appointed to perform services, in order ensure fulfilment of the obligations laid down in the legislation transposing the MiFID and the associated measures for implementation.

THIRD LEVEL CONTROLS

In the area of third-level controls, or internal audit, it is important to note that the Group Internal Audit Department is made up of five services: General and Foreign Inspectorate, Insurance Inspectorate, SIM Inspectorate, Edp Auditing (these four were included, until April 2009, under the Group Inspectorate) and Internal Audit, which operate with the purpose to identify anomalous trends, violation of procedures and external and internal regulations, and to assess the functionality and appropriateness of the whole internal control system and report any potential risks identified during inspections. The Internal Audit Department reports to the Board of Directors of the Parent Company and, when the Board is not in session, it is under its Chairman; the services of which it is made up carry on their work, in accordance with their respective responsibilities, in close collaboration and under the guidance of the Internal Audit Manager, who, in turn, assists the Audit Committee[3], to which he or she reports.

The Internal Audit Department carries on its work in relation to both the departments and services of the Parent Company, and the other Group companies, in the context of the role played by the Parent Company. The Internal Audit Department also performs a task of co-ordination with the inspection/audit services present in the Group companies, with the goal of making the overall supervision and monitoring of the risk areas more efficient and effective.

In 2009 it worked to:

- ensure adequate planning and implementation of the work, in keeping with the different needs: external - legislative/regulatory, or resulting from requests made by the Supervisory Authorities – and internal, already planned and arising during the year;
- strengthen the workforce quality standard and improve and expand the range of professional competencies available within its services with the purpose of meeting all internal and external action demands related to the various business segments of the Group;
- ensure the effectiveness and warning capacity of the information flows in relation to the shortcomings detected, which had already been consolidated with the classification by "level of seriousness", on a scale similar to the one adopted in the Group for all types of emerging abnormal events, and with the use of the "Audit Cycle" platform;
- reinforce monitoring, if necessary also through new on-site actions, of the implementation of corrective actions on the part of the entities inspected (follow up);

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[3] *The Audit Committee consists of three independent directors. It was set up by the Board of Directors of the parent company to assist the directors in monitoring the audit system.* Operational since the second quarter of 2005, during 2009, calling on the internal audit and staff structures of the Parent Company to report to it, it dealt mainly with the following subjects:

- *action plans and periodical reports of the Internal Audit Unit indicating the greatest shortcomings that had emerged and the stage of progress of the follow-up;*
- *updating by the Risk Management and Audit Service of operational risks, indicating the main critical issues that had emerged and updating the stage of progress of the follow-up;*
- *examination of interim and annual consolidated financial statement drafts, focusing on the main items and the process by which they were compiled;*
- *situation of the risk for the Group companies arising from legal disputes and the relevant provisions;*
- *complaints received by the Group companies.*

Over the year the Committee also studied in detail and requested updates on various specific topics.

- reinforce the actions of coordination of the inspection and audit units of the other Group entities, by examining together the end-of-year results and the annual auditing activity plans. The regular routine meetings with the managers of the inspection and audit units of the other Group companies were also held; they are an important occasion for the exchange of information on the outcome of the audits and on the anomalies that have emerged, and for discussing and agreeing on methods of work and updating;
- make its measurement system consistent with that of other first and second-level control units; this action will be completed in 2010.

With the establishment of Sella Servizi Bancari and the transfer of important units and activities that were previously under the Parent company to it, the relevant control activities of the Internal Audit Department mainly focused on the consortium company with planned and unplanned inspections and audits, and with the subsequent follow-up of corrective actions.

Particularly, the inspections performed by the Internal Audit Department during the year had the purpose of:
- checking the compliance with internal regulations, supervisory regulations and laws (from both a formal and a substantial point of view), the effects on capital and income and the risks associated with the business;
- performing process analyses to evaluate risk areas, the efficiency and effectiveness of audits, the operation and adequacy of organisational processes, their efficiency and suitability for the type of business of the structure/company;
- ensuring that line and risk controls are carried out in an optimal and thorough manner;
- highlighting the existence of “residual” risks”, reporting on their “level of seriousness”, and formulating requests and suggestions for corrective actions to resolve of mitigate the shortcomings detected.

From an exclusively quantitative and statistical point of view, considering a workforce of 28 units in 2007, 27 in 2008 and 26 in 2009, the audits carried out by the Internal Audit Department on site and remotely can be summarised as follows:

INTERNAL AUDIT ACTIVITY

Audits of: :	2009	2008	2007
- Areas/Services/Processed of the Parent company Banca Sella Holding S.p.A.	40	58	58
- Areas/Services/Processes of Sella Servizi Bancari S.C.p.A.	24	-	-
- Other Group companies and/or their Central Services/Processes	15	21	21
- Banca Sella S.p.A. peripheral business units (with outsourcing contracts)	23	31	24
Total	**102**	**110**	**103**

SUPERVISION AND AUDIT COMMITTEE Lgs. Degree 231/01

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

The “Models” were accurately updated in order to keep them constantly compliant with legislative changes, as well as changes in the corporate organisational framework. Particularly, these updates include those connected with the entry into force of law provisions which, in 2009, integrated the range of offences provided under Legislative Decree 8 June 2001, no. 231. In particular:

- Law no. 94 of 15 July 2009 on public safety, which included under Lgs. Dec. 231/01 the new section 24-ter, indexed as "Organized crimes";
- Law no. 99 of 23 July 2009 on corporate development and internationalisation, which integrated section 25-bis of Lgs. Dec. 231/01 widening the company's liability for forgery, alteration or use of intellectual property, and added new sections 25-bis.1 (Crimes against industry and trade) and 25-novies (Copyright infringements);
- Law no. 116 of 3 August 2009, Approval and implementation of the United Nations Convention against corruption, which introduced section 25-decies into Lgs. Dec. 231/01, indexed as "Incitement not to make statements or make false statements to the judicial authority".

Other updates were made to better describe the tasks and liabilities of the various persons mentioned in the regulations on the protection of health and safety in the workplace (Lgs. Dec. 81/08) and to sum up the organisational adaptations and controls introduced following the circular letters issued by the Parent company and sent to all Group companies, whose subject-matter was the "anti-laundering" law - as concerns the appropriate inspection process for trust companies – and the Policy on the management of personal transactions ordered by "Relevant persons".

As regards the supervisory tasks assigned to the Committee, it performed various inspections at the central offices of the Parent company, and at the offices of the consortium company Sella Servizi Bancari for the services it provided in outsourcing.

Said inspections aimed at ascertaining the degree of applications of the rules established within internal regulations, such as: the correct preparation of papers for receiving staff training contributions, capital gain tax management, the procedures to be followed for employing personnel and receive tax benefits and tax relief on contributions, the application of regulations against laundering, the collection of notes for paying taxes and subsequent transfer to the Tax Office or its various Concessionaires.

In addition, some audits were performed on the training activity carried out by the Bank, in particular as regards market abuse, provided to relevant persons and the staff in charge of commercial units.

These inspections did not report any significant anomalies, although some cases provided suggestions for making additions to internal regulations or to the line control manual.

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

Service level monitoring

The Risk Management and Controls area, within the new Value Control Department of the Parent company Banca Sella Holding, is responsible for the monitoring of service levels in all operational units of the Group.

The *Cruscotto dei Livelli di Servizio* (Service Level Dashboard) is an appraisal instrument to assess service levels, to allow grouping indicators according to the organisation chart of the Banca Sella Group. The dashboard also provides an overview of the impact on the service levels of the critical anomalies which occurred in a certain department/company.

The service level monitoring process is closely connected to the anomaly and follow-up management processes. In fact, within the Group Control Cycle process, an analysis of the impact on service levels is requested for each anomaly detected in the "Anomaly Reporting" platform.

The 2009 dashboard was adapted to the new organisation chart that became effective in April following the creation of the new consortium company Sella Servizi Bancari and, in the last part of the year, a review was initiated for reorganising the existing outsourcing dashboard, a custom-built instrument for monitoring the services supplied to the individual Customer of the consortium company.

The Service Level Dashboard commented on during the meeting of the Board of Directors of the Parent company, is published every month on the corporate Intranet and is available to all users for consultation.

At 31 December 2009 the Group Dashboard recorded a total annual average service level of 99,884%, an improvement of 0,123% compared with the result for 2008 (99,762%).

Changes in the framework of the Group and equity investments

CHANGES IN THE CONSOLIDATION AREA

The structure of the Banca Sella Group at 31 December 2009, together with an indication of the main equity relationships, is shown in the Group chart provided at the beginning of this annual report. No significant events entailing changes in the consolidation area occurred in 2009.

It should be noted that:

- the merger between Banca Sella Holding and Finanziaria 2007 took legal effect on 1st April 2009. Prior to the operation, Banca Sella Holding had purchased 100% of the shares of Finanziaria 2007. Due to the merger, the Parent company became direct shareholder of Banca Sella Nordest Bovio Calderari with a controlling interest of 56,756%. Such interest, amounting to 57.161.689,37 euro, is made up of two parts: the 43.506.303,05 euro shares and the merger difference of 13.655.386,32 euro which, as reported under section 2504 – bis Italian civil code "Effetti della Fusione" (effects of the merger), must be ascribed to assets following the merger. In this case, the amount was ascribed to the only asset following the merger, that is the equity interest itself;
- following the whole subscription to the capital increase in Selgest S.A., Banca Sella Holding's equity stake in the company rose from 1,000% to 96,226%.

See the section "Strategic issues" for information on the transfer of business operations among Group companies, which involved Banca Sella Holding and Sella Servizi Bancari, Sella Gestioni and Banca Patrimoni Sella & C..

During the year the following changes also occurred in the Group's equity stakes:

CHANGES IN EQUITY INTERESTS

Company	From	To	Operation
Banca Patrimoni Sella & C.	71,44%	71,51%	Purchases
Sella Gestioni SGR	86,27%	86,35%	Purchases
Sella Capital Management SGR	98,47%	98,53%	Purchases
Brosel	71,00%	71,50%	Purchases
Biella Leasing	76,91%	76,99%	Purchases
Consel	53,66%	51,98%	Combined provisions of purchase and completion of the third tranche of the agreement with Toro Assicurazioni S.p.A.

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

It is also important to note the sale, by the parent company Banca Sella Holding, of 151.288 shares in Banca Monte Parma S.p.A., representing 5,403% of the company's capital, consolidated with the equity method. 84.000 of these shares, representing 3,000% of the capital share of the company, were recognised on the financial statements 2008 under Financial assets available for sale.

Results for the year
Income data

RECLASSIFIED INCOME STATEMENT *(euro million)*			
Item	**31/12/2009**	**31/12/2008**	**% change over 2008**
10 Interest and similar income [1]	467,7	659,2	-29,1%
20 Interest and similar expenses [1]	(179,4)	(360,9)	-50,3%
70 Dividends and similar income	2,0	12,9	-84,8%
NET INTEREST INCOME AND DIVIDENDS	**290,3**	**311,3**	**-6,7%**
40 Fee income [1]	281,6	251,2	12,1%
50 Fee expenses [1]	(76,8)	(79,3)	-3,2%
80 Net gains/(losses) on trading activities [1]	33,5	13,9	141,6%
90 Net gains/(losses) on hedging activities	(1,1)	1,7	-161,5%
Net income from service	**237,2**	**187,4**	**26,6%**
150 Net premiums	235,4	126,5	86,1%
Other costs/income pertaining to insurance activities [1]	33,0	25,1	31,7%
110 Net gains/(losses) on financial assets and liabilities at fair value through profit or loss	15,2	(53,6)	-128,4%
160 Balance of other income/expenses from insurance operations	(271,9)	(88,2)	208,2%
Net income from insurance activities	**11,7**	**9,7**	**20,3%**
NET BANKING AND INSURANCE INCOME	**539,2**	**508,4**	**6,1%**
180 Administrative expenses:			
a) Personnel expenses	(243,9)	(243,6)	0,1%
IRAP on personnel and seconded personnel expenses [2]	(7,8)	(8,0)	-2,6%
b) Other administrative expenses	(159,3)	(160,9)	-1,0%
Recovery of stamp duty and other taxes [3]	23,7	25,3	-6,3%
200 Value adjustments on tangible assets	(19,9)	(21,0)	-5,4%
210 Value adjustments on intangible assets	(14,3)	(11,3)	26,3%
220 Other operating expense/income (after deducting "Recovery of stamp duty and other taxes")	14,2	24,8	-42,6%
Operating costs	**(407,1)**	**(394,7)**	**3,2%**
OPERATING PROFIT/(LOSS)	**132,1**	**113,7**	**16,1%**
190 Net provisions for risks and charges	(6,6)	(2,8)	134,0%
130 Net value adjustments for impairment on:			
- loans and receivables	(83,8)	(45,9)	82,4%
- financial assets available for sale	(1,8)	(28,0)	-93,4%
- other financial transactions	(0,6)	(0,7)	-21,3%
100 Gains/(losses) on sale or repurchase of:			
- loans and receivables	0,7	(0,4)	-274,4%
- financial assets available for sale	11,1	0,8	1228,2%
- financial liabilities	1,4	1,7	-17,9%
240 Gains/(losses) on equity investments	(1,5)	(1,1)	36,1%
260 Impairment of goodwill	(1,4)	(0,0)	3769,4%
270 Gain/(loss) on disposal of investments	0,1	3,9	-98,4%
PROFIT FROM CONTINUING OPERATIONS BEFORE TAXES	**49,7**	**41,2**	**20,6%**
290 Income taxes for the period on continuing operations (after deducting "IRAP on personnel and seconded personnel expenses")	(20,6)	(27,9)	-26,4%
PROFIT FROM CONTINUING OPERATIONS AFTER TAXES	**29,1**	**13,2**	**119,7%**
310 Profit/(losses) on asset disposal groups held for sale after tax	-	-	-
PROFIT/(LOSS) FOR THE YEAR	**29,1**	**13,2**	**119,6%**
330 Profit/(loss) for the period pertaining to Parent Company	**26,8**	**10,3**	**159,6%**
340 Profit/(loss) for the period pertaining to minority interests	**2,2**	**2,9**	**-22,8%**
Other comprehensive income (net of tax)	4,7	(4,6)	-202,8%
TOTAL CONSOLIDATED COMPREHENSIVE INCOME	**33,8**	**8,6**	**291,2%**
Total consolidated comprehensive income pertaining to minority interests	2,9	2,1	37,1%
Total consolidated comprehensive income pertaining to the Parent Company	**30,9**	**6,5**	**373,1%**

[1] *The insurance sector items have been separated from the Income Statement items and brought together in a specific item "Other income pertaining to insurance activities".*

[2] *Separeted from the item "Income taxes for the period on continuing operations".*

[3] *Separated from the item "Other operating expense/income"*

As described in the previous sections, 2009 was characterised by the persistence of the financial crisis that begun in 2007, despite some weak signs of improvement. In this difficult situation, the Banca Sella Group closed the 2009 financial year with an income of 29,1 million euro, of which 26,8 pertaining to the Parent company. The comparison with last financial year, when the profit pertaining to the Parent company was 10,3 million euro, shows a marked increase but is of little significance as the 2008 result was affected by the loss of value of the equity interest held by the Group in London Stock Exchange Group Plc, for which it was decided to recognise an impairment loss on the basis of the share price and the Euro/Sterling exchange at 31 December 2008. This decision had a negative impact, before taxes and including the minority component, of 27,9 million euro on the item "Net adjustments for impairment of financial assets available for sale". Another extraordinary event associated with the equity interest in London Stock Exchange Group Plc that affected the financial statements at 31 December 2008 is the sale, in January 2008, of the remaining shares held by Sella Gestioni, which generated a Gain on disposal of financial assets available for sale of 0,6 million euro.

The main factors which determined the performance in financial year 2009 (set out in the analysis of the Reclassified Income Statement) were:

- an increase of 6,1% in net interest and other banking income, thanks to the positive trend of net income from services and despite the drop in the net interest income;
- total costs, as the sum of administrative expenses and value adjustments on assets, tangible and intangible, substantially in line with last financial year (+0,4%);
- a significant increase (+82,4%) in value adjustments for impairment losses, mainly due to the difficult external economic scenario;
- the disposal of some minority interests, which generated gains on disposal of financial assets available for sale for 11,1 million euro.

A short description of the performance of the main companies of the Group follows. For a more detailed analysis of the results of the single companies, see the specific section of this report entitled "Group Companies".

The parent company Banca Sella Holding recorded good results, particularly due to the performances of the finance sector. The contribution of the Group banks operating in Italy mainly in the retail sector (Banca Sella, Banca Sella Sud Arditi Galati and Banca Sella Nordest Bovio Calderari) to consolidated profits was affected by the difficult external context which characterised the financial year, proving lower than that of the previous years.

As far as the foreign banks are concerned, the Swiss Sella Bank AG confirmed its ability to make profits, improving the performance of last financial year, while Sella Bank Luxembourg, after completing its corporate restructuring in 2008, closed the balance with a positive result for the first time in many years.

Biella Leasing S.p.A., a company working in the leasing business, proved to be one of the main sources of income for the Group with higher profits compared with last financial year.

Consel, a company specialised in consumer credit, despite the difficulties in the sector, achieved better results compared with the previous financial year. Among other things, 2009 was the first full year of the collaboration that began in 2008 between the companies and the Toro group's agencies.

Banca Patrimoni Sella & C., a company that was affected in 2008 by the impact of the aforementioned impairment of the equity interest in London Stock Exchange Group, recorded a clearly improving result compared with last financial year. Even Sella Gestioni recorded growing profits compared with last financial year, also due to the achievement of net performance fees on the products managed. It is important to note that during the financial year these two companies were involved in the transfer of business operations relative to individual management described in the "Strategic issues" section.

In the insurance sector, C.B.A. Vita, a company specialised in the sector of life assurance policies, ended the year with a clear improvement over 2008.

The following table shows the Return on Equity (R.O.E.) of the main Group companies, except for investment holdings, real-estate companies and companies in liquidation; the aggregates considered for the calculation are those determined by applying the accounting standards used in drafting the individual financial statements:

R.O.E.[1]

Company	31/12/2009	31/12/2008
Banca Patrimoni Sella & C. S.p.A.	1,9%	-7,6%
Banca Sella S.p.A.	2,4%	12,1%
Banca Sella Nordest Bovio Calderari S.p.A.	-11,6%	-5,2%
Banca Sella Sud Arditi Galati S.p.A.	4,9%	16,9%
Biella Leasing S.p.A.	11,4%	9,3%
Brosel S.p.A.	21,2%	21,4%
CBA Vita S.p.A.	6,1%	-5,8%
Consel S.p.A.	2,4%	2,2%
Easy Nolo S.p.A.	22,8%	23,5%
Selfid S.p.A.	16,1%	12,2%
Selgest S.A.	-77,0%	-27,4%
Selir S.r.l.	31,3%	1,7%
Sella Bank AG	10,5%	7,3%
Sella Bank Luxembourg S.A.	0,5%	-26,7%
Sella Servizi Bancari S.C.p.A.[2]	-1,1%	4,0%
Sella Gestioni SGR S.p.A.	7,4%	0,5%
Sella Life Ltd.	-9,4%	-14,2%
Sella Synergy India Ltd.	242,7%	46,5%

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

[2] At 31 december 2008 Sella Corporate Finance S.p.A..

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

Net interest income and dividends

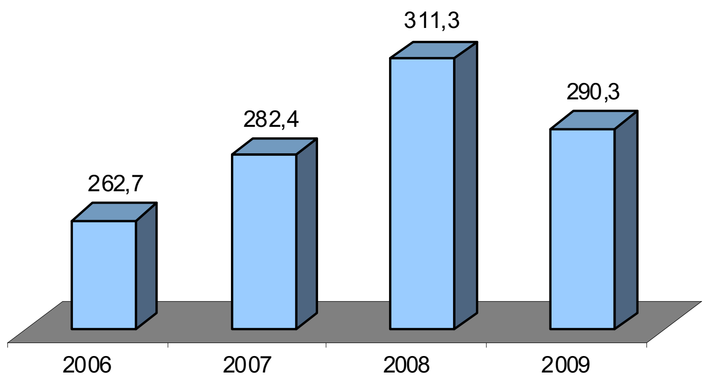
Net interest income amounted at 31 December 2009 to 290,3 million euro: comparison on an annual basis reveals a decrease of 6,7% over the previous year.

This result is due to:

- the positive growth in turnover with customers
- a financial scenario characterised by an all-time low market interest rate level, which limited the adaptation of deposit remuneration rates, given the objective uncontainability under certain levels, causing a significant worsening of the spread;
- the lower contribution provided by dividend components.

The chart below shows that net interest income, although recording a downturn over last financial year, remained on good levels compared to the years before 2008.

Trend in net interest income in the last few years



The details of the items contributing to net interest income shown in the table below highlight how transactions with customers produced net interest totalling 330,0 million euro, an increase of 6,7%. Even so, total net interests stood at 288,3 million euro, decreasing by 3,4% over last financial year due to the reasons above.

The item Dividends and other income amounted to 2,0 million euro, a decrease of 84,8% over 31 December 2008, when was 12,9 million. It is important to note that the 2008 figure included an extraordinary dividend received from Visa of 6,7 million euro.

Net interests on insurance activity gave a good performance, standing at 28,3 million euro, with a growth of 15,7% over last financial year.

However, the total net interest income of 318,6 million euro showed a downturn over the 335,8 million of 2008.

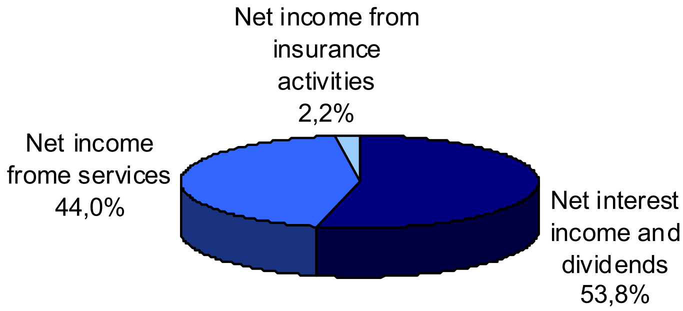
NET INTEREST INCOME AND DIVIDENDS *(euro millions)*				
Item	**31/12/2009**	**31/12/2008**	**Change**	
			absolute	**%**
Net interest with customers	330,0	309,2	20,9	6,7%
- interest income	397,7	502,2	(104,6)	-20,8%
- interest expenses	(67,7)	(193,1)	125,4	-64,9%
Interest income on financial assets	38,2	57,8	(19,6)	-33,9%
Interest expenses on securities	(53,8)	(113,7)	59,9	-52,7%
Net interbank interest	12,0	44,9	(32,9)	-73,3%
- interest income	16,2	84,4	(68,1)	-80,7%
- interest expenses	(4,2)	(39,4)	35,2	-89,2%
Hedging differences	(38,4)	(1,1)	(37,3)	3450,0%
Other net interest	0,3	1,3	(0,9)	-73,0%
Total net interest	**288,3**	**298,3**	**(10,0)**	**-3,4%**
Dividends and other income	2,0	12,9	(11,0)	-84,8%
Net interest income and dividends of banking group	**290,3**	**311,3**	**(21,0)**	**-6,7%**
Net interest on insurance activity	28,3	24,5	3,8	15,7%
Total net interest income	**318,6**	**335,8**	**(17,1)**	**-5,1%**

At the end of 2009 net interest income was 53,8% of net banking and insurance income, compared to 61,2% the previous year.

Net banking and insurance income

Consolidated net banking and insurance income amounted, in 2009, to 539,2 million euro, increased by 6,1% compared with the previous year, in which it was 508,4 million euro, owing above all to the excellent performance of net revenues from services and, secondly, thanks to the increase in net income from insurance activities. These two components more than offset the decrease in net interest income described in the previous section.

Breakdown of the net banking and insurance income



NET INCOME FROM SERVICES

Total aggregate net income from services amounting to 237,2 million euro, resulted in growth by 26,6% from the previous year, in which it was 187,4 million euro. This result is mainly connected with the good performance of the Finance area and the management of own securities.

As shown in the table below, net fees reported a balance of 204,8 million euro, up by 19,2% over the 171,8 million euro of 2008, mainly due to the positive results recorded among collection and payment services and management, broking and advisory services. Please note that considering the portion of insurance companies, such increase is 18,5%, slightly lower than the figure pertaining to the bank group, but however significant in absolute terms.

NET FEES *(euro millions)*

Item	31/12/2009	Proportion (%) of total	31/12/2008	Proportion (%) of total	Change	
					absolute	%
Banking and commercial business	53,3	25,7%	49,0	28,0%	4,3	8,8%
- guarantees	3,2	1,5%	3,0	1,7%	0,2	6,7%
- collection and payment services	50,0	24,1%	46,1	26,4%	3,9	8,5%
Asset management, broking and advisory services	84,7	40,9%	81,3	46,5%	3,4	4,2%
- indirect deposit by customers (asset management, custody and administration of securities, advice, broking and placement of securities)	67,1	32,4%	60,1	34,4%	7,0	11,6%
- currency trading	0,9	0,4%	1,2	0,7%	(0,3)	-25,0%
- custodian bank	3,2	1,5%	4,0	2,3%	(0,8)	-20,0%
- other fees on asset management, broking and advisory services	13,4	6,5%	16,0	9,2%	(2,6)	-16,3%
Other net fees	66,9	32,3%	41,5	23,7%	25,4	61,2%
Total net fees pertaining to banking group	**204,8**	**98,9%**	**171,8**	**98,3%**	**33,0**	**19,2%**
Net fees on insurance activities	2,3	1,1%	2,9	1,7%	(0,6)	-20,7%
TOTAL NET FEES	**207,1**	**100,0%**	**174,8**	**100,0%**	**32,3**	**18,5%**

The other component of net income from services, trading activities, recorded an excellent net result, standing at 33,5 million euro, compared with 13,9 million of last financial year.

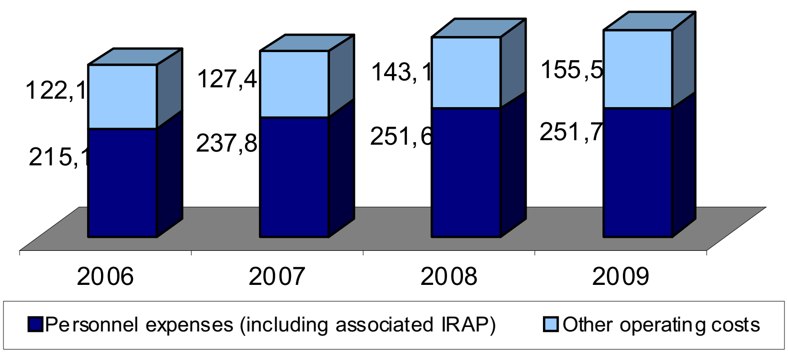
NET INCOME FROM INSURANCE ACTIVITIES

The total aggregate reached 11,7 million euro, an increase of 20,3% compared with the 9,7 million euro of the previous year.

Operating costs

Total operating costs amounted to 407,1 million euro, highlighting an increase of 3,2% compared with the previous year.

The operating costs in last few years



The trend of operating expenses is mainly connected with the lower contribution of the item Other operating expenses/income, which, net of tax credit, recorded revenues of 14,2 million euro, over 24,8 million euro in 2008. Such decrease is due to the reclassification of account fees on current accounts under fee income in 2009, which were included under other operating income in 2008.

Net of this component, total costs was substantially in line with last financial year (+0,4%). Within the aggregate, adjustments to tangible and intangible assets, amounting to 34,2 million euro, are up by 5,7% compared with last financial year, in which they recorded a balance of 32,3 million euro, while administrative expenses (net of recovery of stamp duties and other taxes and including IRAP on net personnel and seconded personnel expenses) were in line with last financial year.

In this connection, as it can be seen in the table below, the "Personnel expenses" component, amounting to 243,9 million euro shows an increase of 0,1% over 2008. This is basically due to the decrease in the Group's workforce by 27 people, which has substantially offset the salary increases arising from the renewal of the labour contract, promotions and seniority increments.

PERSONNEL EXPENSES *(euro millions)*

Item	31/12/2009	Proportion (%) of total	31/12/2008	Proportion (%) of total	Change absolute	Change %
Employees	235,8	93,7%	237,3	94,3%	(1,5)	-0,6%
Directors	4,8	1,9%	4,0	1,6%	0,9	21,8%
Statuory auditors	1,1	0,4%	1,0	0,4%	0,1	8,0%
Other	2,2	0,9%	1,3	0,5%	0,9	66,9%
TOTAL PERSONNEL EXPENSES	**243,9**	**96,9%**	**243,6**	**96,8%**	**0,3**	**0,1%**
IRAP on net personnel and seconded personnel expenses	7,8	3,1%	8,0	3,2%	(0,2)	-2,6%
PERSONNEL EXPENSES INCLUDING ASSOCIATED IRAP	**251,7**	**100,0%**	**251,6**	**100,0%**	**0,1**	**0,0%**

The item "Other administrative expenses" (excluding the recovery of indirect taxes) amounted to 135,5 million euro, without particular deviations compared with last year's 135,6 million euro.

Provisions, value adjustments net of writebacks, gains on the sale/repurchase of financial assets/liabilities

NET PROVISIONS FOR RISKS AND CHARGES

New provisions for risks and charges amounted to 6,6 million euro, compared with the figure of 2,8 million euro of the previous year. In this connection, an agreement was signed on 4 December 2009 with trade unions, at the Group level, for the access to the extraordinary services provided by the Solidarity Allowance of the sector. In the light of the aforesaid agreement, the Group's employees were given the chance to submit applications to access exit plans within 18 December 2009. Therefore, a properly discounted provision was approved at the end of the financial year to cope with the use of future economic resources.

Nevertheless, the comparison between the two figures is of little significance, as the result of last financial year was affected by discounting the provision set aside for disputes involving the Sella Bank Luxembourg company, the due dates for the liabilities of which were postponed to three years.

NET VALUE ADJUSTMENTS FOR IMPAIRMENT

Net value adjustments on loans amounted to 83,8 million euro, compared to the 45,9 million euro in the previous year, an increase of 82,4%. The deterioration of the macroeconomic scenario affected the quality of the loan portfolio, with the subsequent need for greater provisions.

As a result of this, the ratio between net value adjustments and total cash loans improved from 0,6% of financial year 2008 to 1,0%, in line with the general trend of the banking system.

Net adjustments to financial assets available for sale, amounting to 1,8 million euro, show the impact of the impairment on some minority interests. In particular, the financial year saw the impairment of investments in Intesa Sanpaolo (for an amount of 1,3 million euro) and Cartalis (for 0,5 million euro). For further information, see the section on financial assets available for sale below. As mentioned previously, the amount of last financial year was wholly attributable to the decision to book an impairment loss to the equity investment held by the Group in London Stock Exchange Group Plc..

GAINS ON DISPOSAL OF ASSETS AVAILABLE FOR SALE

The item Gains on disposal of financial assets available for sale stood at 11,1 million euro due to the partial sale of some minority interests and the total disposal of other investments. The figure is markedly improving compared with last financial year, when it amounted to 0,8 million euro.

IMPAIRMENT OF GOODWILL

The item, amounting to 1,4 million euro, includes the effects of the writedown of the stake in Banca Monte Parma S.p.A.. For further information on impairment tests on goodwill, please refer to the Notes to the Accounts, part B – Information on the Balance Sheet – Assets.

Income taxes

Income taxes (net of IRAP on staff costs, which increased this item) amounted to 20,6 million euro compared to 27,9 million euro in the previous year, a decrease of 26,4%, against an increase in profit from continuing operations of 20,6%.

The tax rate, net of the IRAP component on personnel expenses, thus went down from 67,8% in the previous year to 41,4% in financial year 2009. This trend was mostly due to the different tax treatment of the extraordinary components that characterized the two years.

Results for the year
Balance sheet data

RECLASSIFIED BALANCE SHEET *(euro millions)*			
ASSETS	**31/12/2009**	**31/12/2008**	**% change over 2008**
Financial assets [1]	3.128,3	2.018,1	55,0%
Due from banks	933,0	2.461,5	-62,1%
Cash loans [2]	8.499,2	8.216,2	3,4%
Equity investments	26,1	31,7	-17,5%
Reinsurers' share of technical reserves	4,8	4,9	-2,8%
Tangible and intangible fixed assets [3]	290,4	277,0	4,8%
Tax assets	170,3	189,3	-10,0%
Non current assets and asset groups held for sale	-	0,2	-100,0%
Other assets [4]	372,0	399,0	-6,8%
TOTAL ASSETS	**13.424,1**	**13.597,9**	**-1,3%**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Due to banks	266,3	314,5	-15,3%
Direct deposit [5]	10.650,4	10.963,8	-2,9%
Financial liabilities [6]	531,2	536,4	-1,0%
Tax liabilities	62,1	65,3	-5,0%
Other liabilities [7]	451,3	497,7	-9,3%
Provisions for specific purposes [8]	94,3	95,5	-1,3%
Technical reserves	675,8	465,8	45,1%
Shareholders' equity [9]	692,6	658,9	5,1%
- pertaining to the Group	561,2	531,8	5,5%
- pertaining to minority interests	131,5	127,1	3,4%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**13.424,1**	**13.597,9**	**-1,3%**

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

(2) Given by the 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: 120 "Tangible assets" e 130 "Intangible assets".

(4) Given by the sum of the following balance sheet asset items: 10 "Cash and cash equivalents", 80 "Hedging derivatives", e 160 "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: 40 "Financial liabilities held for trading" and 50 "Financial liabilities at fair value through profit or loss".

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

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

(9) Given by the sum of the following balance sheet liabilities items: 140 "Valuation reserves"; 170 "Reserves", 180 "Share premiums", 190 "Share capital", 210 "Equity pertaining to minority interest" and 220 "Profit for the year".

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

In 2009 total assets decreased by 1,3%, reaching 13.424,1 million euro, compared with 13.597,9 million recorded at the end of 2008.

The banking business with customers saw a sharp rise in loans by 3,4% (8.499,2 million euro, compared with 8.216,2 million in the previous year) against a growth of 3,2% in total deposits over 2008, among which the direct component (10.650,4 million euro) and the indirect component (15.034,5 million euro) show opposite trends (the former decreased by 2,9%, while the latter grew by 7,9%). Please note that the trend in direct deposits is wholly attributable to repurchase agreements, without which the aggregate would have increased by 1,6%. The ratio between cash loans and direct deposits (net of repos) went from 78,8% in 2008 to 80,2% in 2009.

The analysis of balance sheet items highlights the adoption of a different liquidity portfolio management policy, compared with the previous financial year, which led to an increase in financial assets (+55,0%) and a drop in amounts due from banks (-62,1%).

Particularly, the item Amounts due from central banks at 31 December 2008 had shown a remarkable growth compared with the previous financial year, due to the decision of holding a stock of cash in the European Central Bank, as, following the deep changes in the economic and financial context, it was the most reliable entity for investments. In 2009, as the macroeconomic situation was improving, this stock of cash was converted into securities. As a result, on the one hand, amounts due from banks relatively decreased and, on the other, financial assets increased.

As concerns business on the interbank market, net interbank position – the difference between amounts due from and to banks – showed in fact total receivables from the banking system of 666,7 million euro, compared with 2.147,1 million recorded in the previous year.

At 31 December 2009 financial assets amounted to 3.128,3 million euro, up by 55,0% compared with the previous year, in which the total was 2.018,1 million euro; an increase which becomes slightly more marked (75,3%) taking into account the aggregate net of financial liabilities (2.597,1 million euro at 31 December 2009, compared with 1.481,7 million euro recorded in 2008).

Shareholder's equity, finally, amounted to 692,6 million euro (131,5 of which pertaining to minority interests), an increase of 5,1% over the previous year, in which it was 658,9 million.

The banking business with customers

The banking business with customers saw a rise both in loans and in total deposit. As mentioned previously, the ratio between loans and direct deposits (net of repos) came out at 80,2%, compared with 78,8% in the previous year.

Good results were also achieved in connection with "tax amnesty" operations for a total amount of 1,4 billion euro, among repatriated and regularised capital.

FUNDING

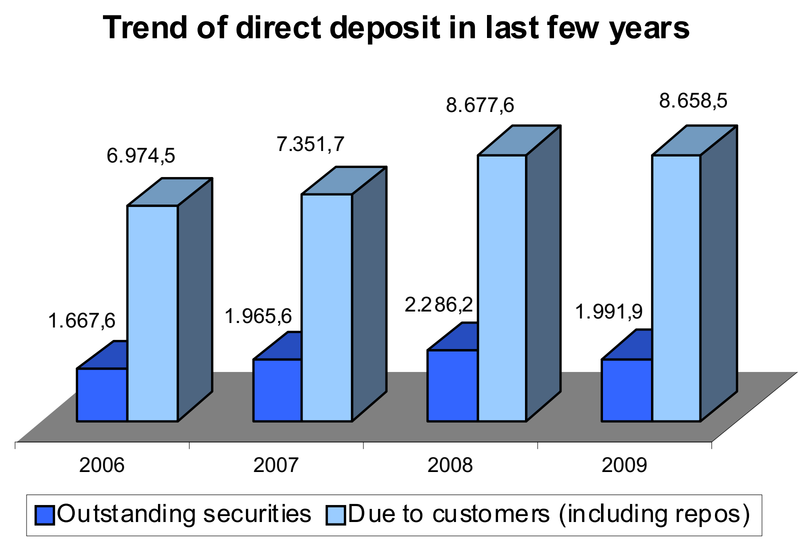
At the end of 2009 total deposits – consisting of all the assets administered on behalf of customers – amounted to 25.685,0 million euro, an increase of 3,2% compared with the previous year. As can be seen in the following table, the trend in indirect deposits (+1.105.5 million euro over 2008) and direct deposits (+169.7 million euro over 2008) offset the downturn in the component of repurchase agreements (-483,0 million euro).

TOTAL DEPOSITS *(euro millions)*						
Item	**31/12/2009**	**Proportion (%) of total**	**31/12/2008**	**Proportion (%) of total**	**Change**	
					absolute	**%**
Direct deposit (excluding repurchase agreements)	10.593,5	41,2%	10.423,9	41,9%	169,7	1,6%
Repurchase agreements	56,9	0,2%	539,9	2,2%	(483,0)	-89,5%
Indirect deposit	15.034,5	58,5%	13.929,0	56,0%	1.105,5	7,9%
Total deposits	**25.685,0**	**100,0%**	**24.892,8**	**100,0%**	**792,2**	**3,2%**

Direct deposit

At the end of 2009 direct deposits from customers amounted to 10.593,5 million euro, an increase of 1,6% compared to the previous year. Considering the figure inclusive of repurchase agreements, direct deposits reported a reduction of 2,9%.

In the chart below is shown the trend of the aggregate in last few years, divided by due to customers and outstanding securities.



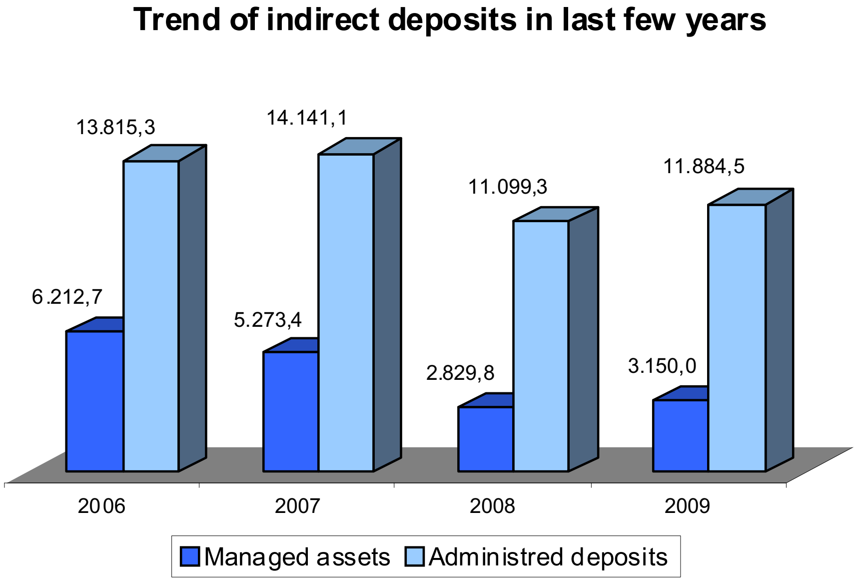
Analysing the components of direct deposits, it can be noted that amounts due to customers (mainly represented by current accounts and deposits and excluding repurchase agreements), which stood at 8.601,6 million euro, recorded an increase of 5,7% over 2008, when they amounted to 8.137,7 million euro. As can be seen in the table below, the most significant item within the aggregate is that of current accounts, which showed an increase of 7,8% compared with the previous year. Term deposits recorded a fall of 8,7% over 2008, while the drop in loans was 9,4%.

As regards other components of direct deposits, outstanding securities, amounting to 1.991,9 million euro, showed a decrease compared with the 2.286,2 million euro of 2008, while repurchase agreements, standing at 56,9 million euro, saw a fall of 483 million euro compared with the previous financial year.

DIRECT DEPOSIT *(euro millions)*						
Item	**31/12/2009**	**Proportion (%) of total**	**31/12/2008**	**Proportion (%) of total**	**Change**	
					absolute	**%**
Due to customers (excluding repos)	8.601,6	80,8%	8.137,7	74,2%	463,9	5,7%
- Current accounts and demand deposits	7.582,8	71,2%	7.034,4	64,2%	548,4	7,8%
- Term deposits	454,1	4,3%	497,1	4,5%	(43,0)	-8,7%
- Other loans and advances	455,1	4,3%	502,1	4,6%	(47,0)	-9,4%
- Other items	109,7	1,0%	104,2	1,0%	5,5	5,3%
Outstanding securities	1.991,9	18,7%	2.286,2	20,9%	(294,3)	-12,9%
TOTAL DIRECT DEPOSIT	**10.593,5**	**99,5%**	**10.423,9**	**95,1%**	**169,6**	**1,6%**
Repurchase agreements	56,9	0,5%	539,9	4,9%	(483,0)	-89,5%
TOTAL DIRECT DEPOSIT (INCLUDING REPURCHASE AGREEMENTS)	**10.650,4**	**100,0%**	**10.963,8**	**100,0%**	**(313,4)**	**-2,9%**

Indirect deposit

The total stock of indirect deposits, instead, at 31 December 2009, was 15.034,5 million euro with a rise of 7,9% on an annual basis. The chart below and the following table show that in 2009 the components of indirect deposits, assets managed and administered deposits, recorded an increase over 2008, while both were decreasing compared with the previous year.



In detail, managed savings, amounting to 3.150,0 million euro, were up by 11,3% compared with the previous year. Administered deposits showed a slight increase, too (+7,1%), standing at 11.884,5 million euro compared with the 11.099,3 million of the previous year.

INDIRECT DEPOSITS *(euro millions)*						
Item	**31/12/2009**	**Proportion (%) of total**	**31/12/2008**	**Proportion (%) of total**	**Change**	
					absolute	**%**
Managed portfolios	3.150,0	21,0%	2.829,8	20,3%	320,3	11,3%
Administered deposits	11.884,5	79,0%	11.099,3	79,7%	785,2	7,1%
Total indirect deposits	**15.034,5**	**100,0%**	**13.929,0**	**100,0%**	**1.105,5**	**7,9%**

"Tax amnesty"

In order to seize the opportunities offered by the implementation of the extraordinary tax on financial and capital assets (a.k.a. "third tax amnesty") and professionally satisfy customers' requests, the bank has set up, since August 2009, a group work coordinated by the Private Banking area of Banca Sella Holding, which involves various professionals, including those working in the following services: Tax Services, Family Business, Anti-money laundering, Compliance, Legal services, Network organisation, and Financial Instrument Administration Co-ordination, as well as the Group's trust company, Selfid.

At organisational level, within Banca Sella, Banca Sella Nordest Bovio Calderari and Banca Sella Sud Arditi Galati, the competence centre dedicated to this initiative is represented by private banking units, both as regards distribution network operators and customers. In addition, the centre for the solution of particularly complex problems is the Family Business unit, for the benefit of all customers, including those of Banca Patrimoni Sella & C.. These operations were carried out in collaboration with the members of the work group mentioned above, which met every week until the end of December 2009.

The result of the so-called third Tax Amnesty was 1,4 billion euro, of which approximately 735 million euro as Physical Repatriation, 636 million euro as Legal Repatriation and 29 million euro as Regularisation. With regard to Legal Repatriation, we highlight a transaction of 86 million euro from another bank and some transactions of approximately 500 million euro held in deposit in other banks promoted, in the form of Legal repatriation, by the Family Business unit through Selfid.

Bancassurance

The Bancassurance sector saw in 2009 the placing of various non-life insurance products of InChiaro Assicurazioni, among which the placing of products combined with loans produced particularly positive results.

In addition, during the financial year, new revaluable life products continued to be sold. Two life products with specific links to assets were also placed in February and March and an index linked product with return of capital at maturity was placed in June.

In the last part of the year, CBA Vita created a specific product for the banks of the Group combined with current account and revaluable bonus, with minimum return guarantee

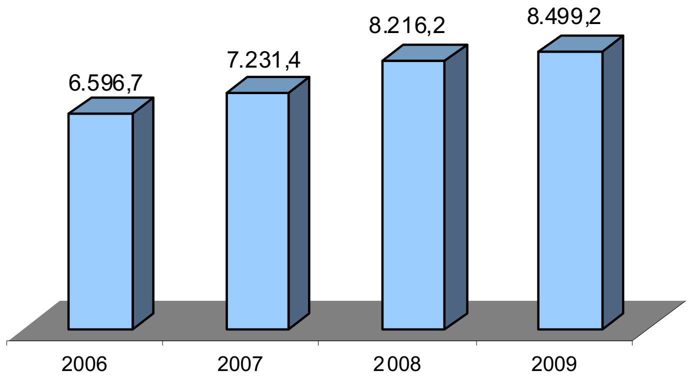
In the second half of the year Sella Life, Irish insurance company of the Group, saw a significant development of the product Sella Personal Life, reserved for private customers and accounts connected with "tax amnesty" transactions.

LOANS

During financial year 2009 loans and advances to customers continued to achieve good growth rates totalling 8.499,2 million euro, an increase of 3,4% over 2008. As can be seen from the chart below, in the last few years the unfavourable economic scenario did not prevent development, which involved above all the local economic fabric, made up mostly of small and medium enterprises and families.

As for loans, during financial year 2009, a model based on macro fair value hedge was used for hedging the interest rate risk of fixed-rate loans. As a result, the change in loan portfolio fair value was recognised in item 90 "Change in value of financial assets subject to macrohedging" for an amount of 76,8 million euro. At 31 December 2008 the corresponding component (for an amount of 72,5 million euro) was included as micro-hedging under the item amounts due from customers.A

Trend in amounts of due from customers in the last few years



By analysing the breakdown of amounts due from customers (see the table below) it can be noted that mortgages continued their positive trend (+2,6% over the previous financial year). Credit cards, personal loans and salary-backed loans also showed a good trend, with an increase of 4,8% over the previous year. On the other hand, current accounts went down from 1.362,2 million euro in the previous financial year to 1.019,3 million in 2009.

The company that contributed most to the aggregate was Banca Sella, the main network bank of the Group, which accounts for 53,3% of cash advances. Also significant were the contributions of Banca Sella Sud Arditi Galati and Biella Leasing, which account respectively for 13,9% and 12,5% of the aggregate.

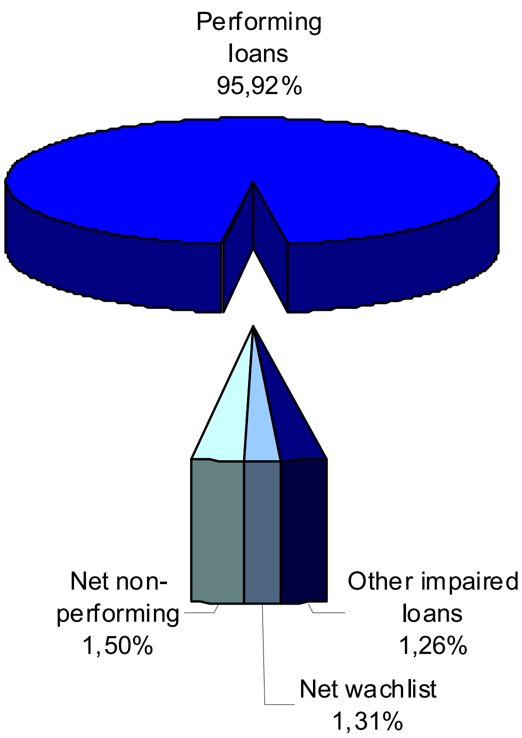
CASH LOANS *(euro millions)*						
Item	**31/12/2009**	**Proportion (%) of total**	**31/12/2008**	**Proportion (%) of total**	**Change**	
					absolute	**%**
Total due from customers	**8.422,4**	**99,1%**	**8.216,2**	**100,0%**	**206,2**	**2,5%**
Performing cash loans	8.079,0	95,1%	7.969,0	97,0%	110,0	1,4%
- Current accounts	1.019,3	12,0%	1.361,7	16,6%	(342,4)	-25,1%
- Repurchase agreements	7,2	0,1%	-	0,0%	7,2	-
- Mortgage loans	3.337,1	39,3%	3.251,3	39,6%	85,8	2,6%
- Credit cards, personal loans, salary-backed loans	1.105,6	13,0%	1.054,5	12,8%	51,1	4,8%
- Financial leasing	1.092,9	12,9%	1.147,5	14,0%	(54,6)	-4,8%
- Other operations	1.501,2	17,7%	1.122,0	13,7%	379,3	33,8%
- Debt securities	15,6	0,2%	32,1	0,4%	(16,5)	-51,3%
Impaired assets	343,4	4,0%	247,2	3,0%	96,2	38,9%
Change in value of financial assets subject to macro-hedging	**76,8**	**0,9%**	**-**	**0,0%**	**76,8**	**-**
Positive change	76,8	0,9%	-	0,0%	76,8	-
Negative change	-	0,0%	-	0,0%	-	-
TOTAL CASH LOANS	**8.499,2**	**100,0%**	**8.216,2**	**100,0%**	**283,0**	**3,4%**
Details for Group companies						
Banca Patrimoni Sella & C. S.p.A.	86,6	1,0%	53,1	0,6%	33,5	63,1%
Banca Sella S.p.A.	4.533,1	53,3%	4.365,6	53,1%	167,6	3,8%
Banca Sella Holding S.p.A.	122,0	1,4%	143,2	1,7%	(21,3)	-14,8%
Banca Sella Nordest Bovio Calderari S.p.A.	622,8	7,3%	634,0	7,7%	(11,1)	-1,8%
Banca Sella Sud Arditi Galati S.p.A.	1.185,4	13,9%	1.107,4	13,5%	78,0	7,0%
Biella Leasing S.p.A.	1.061,4	12,5%	1.078,1	13,1%	(16,8)	-1,6%
Consel S.p.A.	842,0	9,9%	803,6	9,8%	38,4	4,8%
Sella Bank A.G.	12,3	0,1%	9,2	0,1%	3,1	33,5%
Sella Bank Luxembourg S.A.	26,7	0,3%	21,8	0,3%	4,9	22,7%
Other Group companies	6,8	0,1%	0,2	0,0%	6,6	4340,8%
Total for Group companies	**8.499,1**	**100,0%**	**8.216,2**	**100,0%**	**282,9**	**3,4%**

CREDIT QUALITY

At 31 December 2009 net non-performing loans amounted to 126,7 million euro, up from the 92,1 million euro of 2008. Watchlist loans at 31 December 2009 totalled 110,3 million euro, an increase of 13,5% over 2008. Adding to non-performing and watchlist loans rescheduled loans and past-due exposures, at 31 December 2009 the total of impaired loans came to 343,4 million euro

The Group companies implemented the provisions of Bank of Italy Circular no.272 of 30 July 2008 concerning supervisory reporting rules about so-called "incagli oggettivi" (watchlist exposures) since the preparation of the 2009 half-yearly report. This rule provides stricter criteria, so that positions that were normally classified among past-due or performing loans are now recognised as watchlist exposures. Failing to implement the provision implied the need to apply IAS 8, principle concerning the correction of errors, to the balance closed at 31 December 2008, when the positions classified among "*incagli oggettivi*" amounted to 42,3 million euro with a doubtful result of 5,3 million euro. At 31 December 2009, the watchlist entry "incagli oggettivi" amounted to 54,1 million euro with a doubtful result of 7,9 million euro.

Percentage of impaired loans



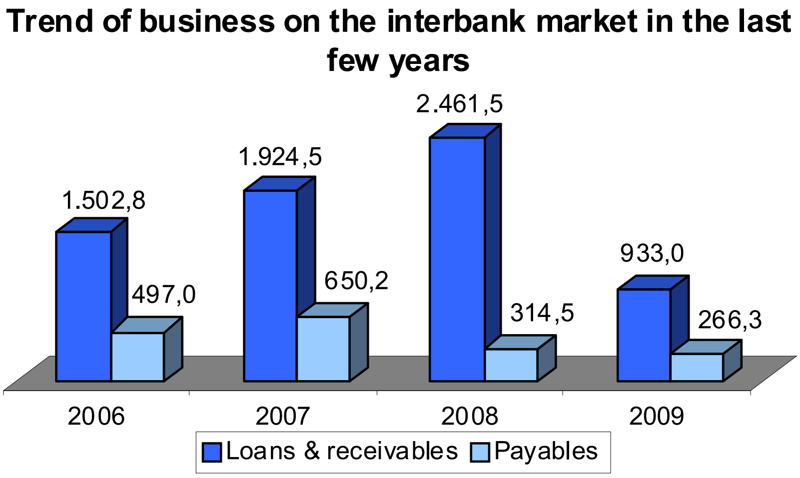
As can be seen from the chart above and the table below, impaired loans represent 4,08% of net customer loans and advances, a higher figure than in the previous year, when the ratio was 3,01%.

CREDIT QUALITY *(euro millions)*

Item	31/12/2009	Proportion (%) of total	31/12/2008	Proportion (%) of total	Change	
					absolute	%
Due from customers	**8.422,4**	**100,00%**	**8.216,2**	**100,00%**	**206,2**	**2,5%**
Performing loans	8.079,0	95,92%	7.969,0	96,99%	110,0	1,4%
Impaired loans	343,4	4,08%	247,2	3,01%	96,2	38,9%
of wich net non-performing	*126,7*	*1,50%*	*92,1*	*1,12%*	*34,6*	37,6%
of wich net watchlist	*110,3*	*1,31%*	*97,2*	*1,18%*	*13,1*	13,5%

Business on the interbank market

At the end of 2009 the Group's business on the interbank market showed total receivables (net of amounts due to banks) of 666,7 million euro, in sharp decrease from the 2.147,1 million euro recorded in 2008.



The chart above shows that this result is mainly attributable to the decrease in amounts due from banks, which in 2009 reversed the increasing trend of the past few years. The absolute change in the interbank market compared with the previous year (-68,9%)) is therefore due to the decrease of 1.528,5 million euro in the aggregate of amounts due from banks and the decline at the same time of amounts due to banks, down by 48,2 million euro.

NET INTERBANK POSITION *(euro millions)*

Item	31/12/2009	31/12/2008	Change	
			absolute	%
Due from banks	933,0	2.461,5	(1.528,5)	-62,1%
Due to banks	266,3	314,5	(48,2)	-15,3%
Net interbank position	**666,7**	**2.147,1**	**(1.480,3)**	**-68,9%**

DUE FROM BANKS

At 31 December 2009 amounts due from banks amounted to 933,0 million euro, a decrease by 62,1% compared with 2008.

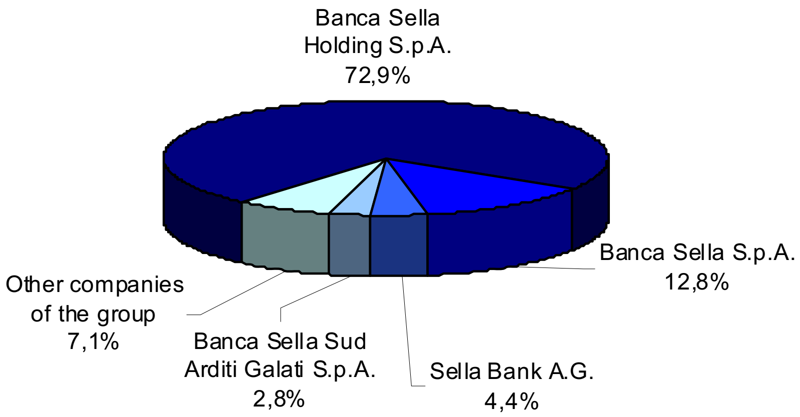
As shown in the table below, this result was mainly determined by the trend in the item Due from central banks, which went down from 1.825,9 million euro in 2008 to 381,8 million euro in 2009 as a result of the different allocation of the Group liquidity as the conditions of the economic and financial scenario were gradually getting back to normal. The liquidity was mainly invested in high-standing government and bank corporate bonds eligible at the ECB.

The decrease in the item Due from banks, can be almost entirely attributed to the repurchase agreement component, which is still declining with respect to 2008 owing to a drop in consumers' subscription to these agreements and an increase in transactions with underlying own securities.

DUE FROM BANKS *(euro millions)*						
Item	**31/12/2009**	**Proportion (%) of total**	**31/12/2008**	**Proportion (%) of total**	**Change**	
					absolute	**%**
Due from central banks	**381,8**	**40,9%**	**1.825,9**	**74,2%**	**(1.444,1)**	**-79,1%**
Statutory reserve	156,8	16,8%	155,9	6,3%	0,9	0,6%
Other amounts due from central banks	225,0	24,1%	1.670,0	67,8%	(1.445,0)	-86,5%
Due from banks	**551,3**	**59,1%**	**635,6**	**25,8%**	**(84,3)**	**-13,3%**
Current accounts and demand deposits	104,1	11,2%	127,8	5,2%	(23,7)	-18,5%
Term deposits	356,5	38,2%	119,1	4,8%	237,4	199,3%
Repurchase agreements	32,3	3,5%	336,6	13,7%	(304,3)	-90,4%
Financial leasing	1,4	0,2%	1,9	0,1%	(0,5)	-26,3%
Other loans and advances	11,8	1,3%	0,6	0,0%	11,2	1866,7%
Debt securities	45,2	4,8%	49,6	2,0%	(4,4)	-8,9%
Total	**933,0**	**100,0%**	**2.461,5**	**100,0%**	**(1.528,5)**	**-62,1%**
Details for Group companies						
Banca Sella S.p.A.	118,8	12,8%	116,7	4,7%	2,1	1,8%
Banca Sella Holding S.p.A.	679,2	72,9%	2.233,1	90,7%	(1.553,9)	-69,6%
Banca Sella Sud Arditi Galati S.p.A.	26,3	2,8%	23,9	1,0%	2,4	10,0%
Sella Bank A.G.	41,0	4,4%	28,3	1,1%	12,7	44,9%
Sella Bank Luxembourg S.A.	12,9	1,4%	13,3	0,5%	(0,4)	-3,0%
Altre società del Gruppo	53,0	5,7%	46,3	1,9%	6,7	14,5%
Total	**931,2**	**100,0%**	**2.461,5**	**100,0%**	**(1.530,3)**	**-62,2%**

Analyzing in detail the Group companies which contributed to the composition of the item, it is evident that most of the amounts due from banks (72,9% of the total) pertain to the Parent Company Banca Sella Holding, followed by Banca Sella (with 12,8% of the total).

Percentage distribution by company of amounts due from banks



DUE TO BANKS

At 31 December 2008, amounts due to banks totalled 266,3 million euro, down (-15,3%) compared with the previous year, in which they amounted to 314,5 million euro.

As can be noted in the table below, the trend in the aggregate was mainly influenced by current account and demand deposit components and term deposit components, both significantly decreasing compared with previous year. On the other hand, amounts due to central banks are growing, as they went up from 10,1 million euro in 2008 to 40,1 million euro, and the contribution of loans was positive as well (+22% on 2008)

DUE TO BANKS *(euro millions)*						
Item	**31/12/2009**	**Proportion (%) of total**	**31/12/2008**	**Proportion (%) of total**	**Change**	
					absolute	**%**
Due to central banks	**40,1**	**15,1%**	**10,1**	**3,2%**	**30,0**	**297,9%**
Due to banks	**226,2**	**84,9%**	**304,4**	**96,8%**	**(78,2)**	**-25,7%**
Current accounts abd demand deposit	52,2	19,6%	87,8	27,9%	(35,6)	-40,5%
Term deposits	42,6	16,0%	109,2	34,7%	(66,6)	-61,0%
Loans and advances	131,0	49,2%	107,4	34,1%	23,6	22,0%
Others	0,4	0,1%	-	-	0,4	-
Total	**266,3**	**100,0%**	**314,5**	**100,0%**	**(48,2)**	**-15,3%**
Details for group companies						
Banca Patrimoni Sella & C. S.p.A.	0,3	0,1%	1,6	0,5%	(1,3)	-83,2%
Banca Sella S.p.A.	4,2	1,6%	3,4	1,1%	0,8	23,2%
Banca Sella Holding S.p.A.	106,4	39,9%	113,5	36,1%	(7,1)	-6,3%
Biella Leasing S.p.A.	116,0	43,5%	103,1	32,8%	12,8	12,4%
Sella Bank A.G.	0,1	-	-	-	0,1	-
Sella Bank Luxembourg S.A.	28,5	10,7%	92,8	29,5%	(64,3)	-69,3%
Altre società del Gruppo	10,9	4,1%	-	-	10,8	26453,7%
Total	**266,3**	**100,0%**	**314,5**	**100,0%**	**(48,2)**	**-15,3%**

Financial assets

The total financial assets of the Group at 31 December 2009, which came out at 3.128,3 million euro, was increased by 55,0% compared with the previous year, in which they were 2.018,1 million euro.

Considering the figure net of financial liabilities, the increase was by 75,3%: the total in this case in fact was 2.597,1 million euro, compared with 1.481,7 million euro recorded in 2008.

As mentioned previously, the increase in the aggregate is closely related with the decrease in amounts due from banks, as during 2009 the considerable liquidity stock held by the European Central Bank in 2008 to cope with the changes in the economic and financial scenario that characterised the previous financial year, was converted into securities owing to the improvement of the external scenario.

FINANCIAL ASSETS/LIABILITIES OF THE GROUP *(euro millions)*						
Item	**31/12/2009**	**Proportion (%) of total**	**31/12/2008**	**Proportion (%) of total**	**Change**	
					absolute	**%**
Finalcial assets						
Financial assets held for trading	1.530,1	48,9%	932,1	46,2%	598,0	64,2%
Financial assets at fair value through profit or loss	668,1	21,4%	669,6	33,2%	(1,6)	-0,2%
Financial assets available for sale	709,2	22,7%	330,9	16,4%	378,3	114,3%
Financial assets held to maturity	220,9	7,1%	85,5	4,2%	135,4	158,4%
Total financial assets	**3.128,3**	**100,0%**	**2.018,1**	**100,0%**	**1.110,2**	**55,0%**
Financial liabilities						
Financial liabilities held for trading	46,3	8,7%	44,3	8,3%	2,0	4,5%
Financial liabilities at fair value through profit or loss	484,9	91,3%	492,1	91,7%	(7,2)	-1,5%
Total financial liabilities	**531,2**	**100,0%**	**536,4**	**100,0%**	**(5,2)**	**-1,0%**
TOTAL NET FINANCIAL ASSETS AND LIABILITIES OF THE GROUP	**2.597,1**		**1.481,7**		**1.115,4**	**75,3%**

As can be seen in the table above, all components of the financial asset aggregate increased, except financial assets measured at fair value, which remained basically unchanged.

FINANCIAL ASSETS / LIABILITIES HELD FOR TRADING

The total at 31 December 2009 of financial assets held for trading (net of financial liabilities) resulted in growth by 60,7% compared with the previous year, amounting to 1.483,8 million euro, against 887,8 million recorded in 2008.

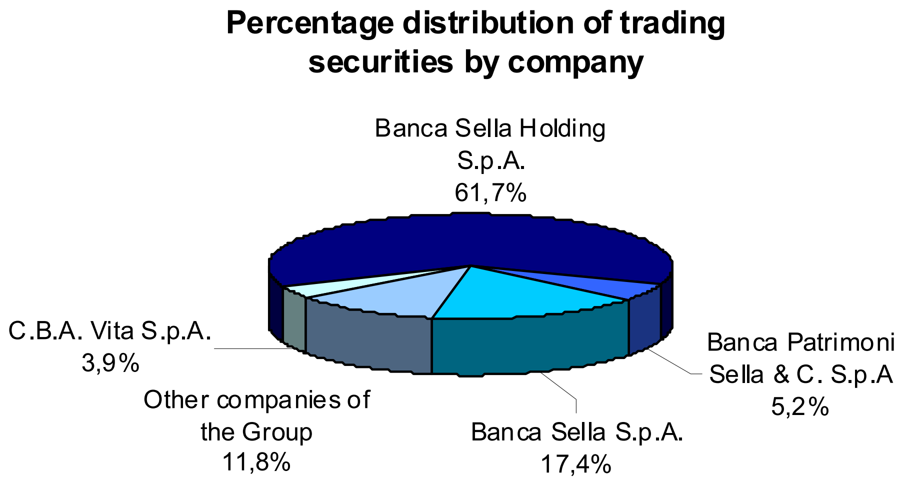
The table reported below shows that the net result of assets and cash liabilities within the aggregate increased by 584,2 million euro compared with the previous financial year, mainly due to the trend in the sub-item debt securities. Derivative instruments, amounting to 5,7 million euro, recorded an increase of 11,8 million euro compared with 2008.

For further details on the breakdown by debtors/issuers of financial assets held for trading, see Table 2.2 of Section B of the Notes to the Financial Statements: Information on the Consolidated Balance Sheet – Assets.

FINANCIAL ASSETS / LIABILITIES HELD FOR TRADING *(euro millions)*

Item	31/12/2009	Proportion (%) of total	31/12/2008	Proportion (%) of total	Change	
					absolute	%
Cash assets/liabilities	**1.478,1**	**99,6%**	**893,8**	**100,7%**	**584,2**	**65,4%**
Debt securities	1.419,1	95,6%	835,6	94,1%	583,5	69,8%
Equity securities	4,3	0,3%	2,4	0,3%	1,9	76,6%
UCITS units	83,9	5,7%	55,8	6,3%	28,2	50,5%
Others	(29,3)	-2,0%	-	-	-29,3	1465450,0%
Derivative instruments	**5,7**	**0,4%**	**(6,0)**	**-0,7%**	**11,8**	**-195,2%**
- of wich financial derivatives	5,7	0,4%	(6,0)	-0,7%	11,7	-196,4%
- of wich credit derivatives	-	-	(0,1)	-	0,1	-100,0%
TOTAL NET FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING	**1.483,8**	**100,0%**	**887,8**	**100,0%**	**596,0**	**67,1%**
Detail of trading securities for main Group companies						
Banca Patrimoni Sella & C. S.p.A	77,8	5,2%	133,1	14,9%	(55,3)	-41,5%
Banca Sella S.p.A.	262,7	17,4%	123,6	13,8%	139,2	112,7%
Banca Sella Holding S.p.A.	929,3	61,7%	356,4	39,9%	573,0	160,8%
Banca Sella Nordest Bovio Calderari S.p.A.	21,4	1,4%	53,4	6,0%	(32,0)	-59,9%
Banca Sella Sud Arditi Galati S.p.A.	77,2	5,1%	132,1	14,8%	(54,8)	-41,5%
C.B.A. Vita S.p.A.	59,3	3,9%	37,5	4,2%	21,8	58,0%
Sella Life Ltd	1,8	0,1%	1,7	0,2%	0,0	1,8%
Other Group companies	77,8	5,2%	56,1	6,3%	21,7	38,6%
Total trading securities	**1.507,4**	**100,0%**	**893,8**	**100,0%**	**613,5**	**68,6%**

As shown in the relevant table and the in the chart presented below, trading securities are held mainly by the Parent Company Banca Sella Holding (61,7%) and by Banca Sella (17,4%). Altogether the other banks of the Group represent 12% of the total of the aggregate, while among the other companies the proportion held by CBA Vita is significant, representing 3,9% of the total.



FINANCIAL ASSETS AVAILABLE FOR SALE

At the end of the year financial assets available for sale amounted to 709,2 million euro compared with the 330,9 million euro recorded at 31 December 2008, an increase of 114,3%.

Analyzing the breakdown of the aggregate, it can be seen that most of it consists of debt securities, which account for 683,9 million euro, or 96,4% of the total. This item was up compared with the previous year, in which it amounted to 293,6 million euro.

The item Share capital securities, instead, consisted mainly of minority shareholdings, and totalled 22,8 million euro, a reduction of 38,8% from 2008. During the financial year the interests in London Stock Exchange Group and Visa were partly sold and the interests in Mastercard and Centrale dei Bilanci were entirely sold; on the whole, 11,1 million euro of gross capital gains were realised. Finally, in 2009, Centro Sviluppo, a company in which Banca Sella Holding held an interest of 6%, was wound up; the annulment of this interest caused a capital loss of 32 thousand euro. In addition, in the 2008 financial statements Financial assets available for sale included 84.000 shares in Banca Monte Parma S.p.A., amounting to 3% of the capital, which were sold during the financial year due to the transaction that led Banca Sella Holding to sell 5,403% of the Company's capital, as described above in the section "Changes in the Group structure and in equity investments".

For further details on the breakdown by debtors/issuers of financial assets available for sale, see Table 4.2 of Section B of the Notes to the Financial Statements: Information on the Consolidated Balance Sheet – Assets.

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. The following writedowns have been made:

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

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

- London Stock Exchange Group (measurement method: market price): Banca Sella Holding wrote up its investment on the basis of the closing market price at 31 December 2009 recognising a positive reserve of 2,7 million euro in the shareholders' equity;
- Intesa Sanpaolo S.p.A. (measurement method: market price): after writing down the investment recognised in the profit and loss account at the closing market price at 30 June 2009, for an amount of 1,3 million euro[4], on preparation of the half-yearly report (given the significance of the impairment over the value recognised in the accounts and its continuation over time, and as provided by the accounting principle IAS 39 relative to the significance and duration of the impairment) Banca Sella Holding wrote up its investment according to the closing price at 31 December 2009 recognising a positive reserve of 469 thousand euro in the shareholders' equity;
- Gruppo Mutui On Line (measurement method: market price): Banca Sella Holding wrote up its investment, purchased in April 2009, on the basis of the closing market price at 31 December 2009 recognising a positive reserve of 1 million euro in the shareholders' equity;
- Visa Inc. (measurement method: comparable transactions): the class C shares held by Banca Sella Holding were measured in a 1:1 ratio with class A shares, discounting them to take into consideration the lock-in clause preventing trading until 2013; the positive reserve recognised in the shareholders' equity in 2008 was increased by 1,1 million euro.

FINANCIAL ASSETS AVAILABLE FOR SALE *(euro millions)*

Item	31/12/2009	Proportion (%) of total	31/12/2008	Proportion (%) of total	Change	
					absolute	%
Debt securities	683,9	96,4%	293,6	88,7%	390,3	132,9%
Equity securities	22,8	3,2%	37,3	11,3%	(14,4)	-38,8%
Loans and advances	2,5	0,3%	-	-	2,5	-
Total securities available for sale	**709,2**	**100,0%**	**330,9**	**100,0%**	**378,3**	**114,3%**
Details for main Group companies						
Banca Patrimoni Sella & C. S.p.A.	216,3	30,5%	1,2	0,4%	215,1	17389,7%
Banca Sella S.p.A.	51,5	7,3%	44,3	13,4%	7,3	16,4%
Banca Sella Holding S.p.A.	17,7	2,5%	32,0	9,7%	(14,2)	-44,5%
Banca Sella Nordest Bovio Calderari S.p.A.	16,2	2,3%	17,4	5,3%	(1,2)	-6,6%
Banca Sella Sud Arditi Galati S.p.A.	5,4	0,8%	29,9	9,0%	(24,5)	-81,9%
CBA Vita S.p.A.	399,2	56,3%	202,8	61,3%	196,4	96,8%
Other Group companies	2,8	0,4%	3,4	1,0%	(0,5)	-16,2%
Total securities available for sale	**709,2**	**100,0%**	**330,9**	**100,0%**	**378,3**	**114,3%**

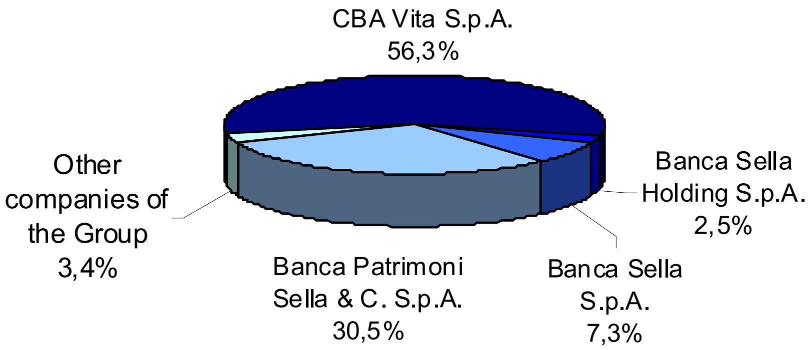
The distribution by company presented in the table shows that Banca Patrimoni Sella & C. and CBA Vita reported more significant changes compared with the previous year.

In the case of Banca Patrimoni Sella & C. such increase is due to the decision of reducing the average amount of the held-for-trading portfolio towards the purchase of securities available for sale, as the bank of Turin is not going to carry out trading activities, but rather invest direct deposits and shareholders' equity as an alternative to loans granting, which does not represent its core business. The increase in CBA Vita, compared with the previous year, is associated with the rise of premiums in the insurance line and separate managements presupposing an investment in bonds.

[4] *During the preparation of the half-yearly report, given the significant loss of value with respect to the carrying cost and its extension over time, as provided by accounting principle IAS as to significance and duration of the loss of value, the equity interest was written down with effects in the income statement at the closing market price on 30 June 2009.*

The chart below shows that the portfolio of financial assets available for sale is held mostly (56,3% of the total) by CBA Vita, followed by Banca Patrimoni Sella & C. (with 30,5% of the total). The part pertaining to Banca Sella Holding, which accounts for 2,5% of the aggregate, consists entirely of share capital securities (mainly minority interests).

Percentage distribution of financial assets available for sale by company



FINANCIAL ASSETS HELD TO MATURITY

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

The book value of the aggregate, amounting to 220,9 million euro, increased by 158,4% compared with 85,5 million euro of the previous year.

FINANCIAL ASSETS HELD TO MATURITY *(euro millions)*

Item	31/12/2009	Proportion (%) of total	31/12/2008	Proportion (%) of total	Change	
					absolute	%
Book value	220,9	100,0%	85,5	100,0%	135,4	158,4%
Fair value	224,8	100,0%	87,3	100,0%	137,5	157,5%
Details for main Group companies (book value)						
Banca Patrimoni Sella & C.	30,1	13,6%	-	0,0%	30,1	-
Banca Sella S.p.A.	52,3	23,7%	-	0,0%	52,3	-
Banca Sella Holding S.p.A.	69,1	31,3%	63,1	73,8%	6,0	9,5%
Banca Sella Nordest Bovio Calderari S.p.A.	5,2	2,3%	12,0	14,0%	12,9	170,6%
Banca Sella Sud Arditi Galati S.p.A.	20,5	9,3%	7,6	8,8%	(6,8)	-57,0%
Sella Bank A.G.	2,8	1,3%	2,8	3,3%	-	-
Sella Bank Luxembourg S.A.	41,0	18,6%	-	0,0%	41,0	-
Total financial assets held to maturity (book value)	**220,9**	**100,0%**	**85,5**	**100,0%**	**135,4**	**158,4%**

The following table breaks them down by maturity date:

DISTRIBUTION BY MATURITY OF FINANCIAL ASSETS HELD TO MATURITY *(euro millions)*								
Group companies/Maturity	**2010**	**2011**	**2015**	**2016**	**2017**	**2018**	**2019**	**Total**
Banca Patrimoni Sella & C.	-	-	9,5	-	-	-	20,6	30,1
Banca Sella S.p.A.	-	-	-	10,3	-	21,1	20,9	52,3
Banca Sella Holding S.p.A.	-	-	10,0	-	17,1	21,3	20,7	69,1
Banca Sella Nordest Bovio Calderari S.p.A.	-	-	-	-	-	-	5,2	5,2
Banca Sella Sud Arditi Galati S.p.A.	5,1	-	-	-	-	-	15,4	20,5
Sella Bank A.G.	1,4	1,4	-	-	-	-	-	2,8
Sella Bank Luxembourg S.A.	19,8	-	-	-	-	5,4	15,8	41,0
Total debt securities (by maturity)	**26,3**	**1,4**	**19,5**	**10,3**	**17,1**	**47,8**	**98,6**	**220,9**

FINANCIAL ASSETS / LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Starting from the financial year 2007, Financial asset at fair value through profit or loss include investments on behalf of policy-holders who have taken out unit and index-linked policies and investments arising from managed pension funds in the life assurance field. In 2007 the Group also availed itself of the possibility of stating at fair value financial liabilities relating to the deposit of unit and index-linked insurance contracts, which are measured at the fair value of the assets.

An examination of the aggregates at 31 December 2009 reveals a drop of 0,2% compared with the previous year in assets, which amounted to 668,1 million euro, offset by a decline in liabilities (-1,5% compared with 2008) which at the end of the year totalled 484,9 million.

Owing to these two trends, the total net result at the end of the year amounted to 183,1 million euro, up by 3,2% from 2008, in which the figure was 177,5 million.

FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS *(euro millions)*						
Item	**31/12/2009**	**Proportion (%) of total**	**31/12/2008**	**Proportion (%) of total**	**Change**	
					absolute	**%**
Financial assets at fair value through profit or loss						
Debt securities	480,3	71,9%	528,5	78,9%	(48,2)	-9,1%
Equity securities	20,0	3,0%	11,2	1,7%	8,8	79,1%
UCITS units	141,5	21,2%	98,8	14,8%	42,7	43,2%
Loans and advances	26,2	3,9%	31,1	4,6%	(4,9)	-15,7%
Total	**668,1**	**100,0%**	**669,6**	**100,0%**	**(1,6)**	**-0,2%**
Financial liabilities at fair value through profit or loss						
Due to customers	484,9	100,0%	492,1	100,0%	(7,2)	-1,5%
Total	**484,9**	**100,0%**	**492,1**	**100,0%**	**(7,2)**	**-1,5%**
TOTAL NET FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	**183,1**		**177,5**		**5,6**	**3,2%**
Details for Group companies						
C.B.A. Vita S.p.A.	183,1		177,5		5,6	3,2%
Sella Life Ltd	-		0,0		(0,0)	-100,0%
TOTAL	**183,1**		**177,5**		**5,6**	**3,2%**

Information on impairment tests for goodwill and intangible assets with unlimited usefull life

The IAS/IFRS international accounting standards envisage that the possibility that an impairment loss has or has not occurred should be checked at least every time financial statements are prepared. In particular IAS 36 provides for the application of the impairment test procedure for the definition of the Salvage Value of an asset: that is to say whichever is greater between the Net Realisable Value (fair value) and the Use Value. For more information on impairment tests for goodwill and intangible assets with unlimited useful life see the Notes to the Financial Statements, Part B – Information on the Balance Sheet Assets – Section 13 Intangible Assets.

Regulatory capital

The regulatory capital and capital ratios at 31 December 2009 have been calculated on the basis of the figures in the balance sheet and income statement determined by applying the IAS/IFRS international accounting standards, in accordance with Circular no 155/91 of the Bank of Italy, containing “Instructions for preparing reports on regulatory capital and prudential ratios”.

Application of the instructions contained in the said circular involves a different method of consolidation for insurance companies included in Consolidated Financial Statements. Hence the said companies, consolidated using the line-by-line method for the financial statements, have been consolidated using the net equity method for the purposes of the capital and prudential ratios.

At the end of the year the consolidated regulatory capital of the Group amounted to 990,2 million euro, of which 580,3 million euro of Tier 1 capital (share capital and capital reserves), 437,6 million euro of Tier 2 capital and 14,8 million of Tier 3 capital, net of 42,4 million euro of ineligible elements (consisting almost completely of equity investments in the insurance companies of the Group). Risk weighted assets amounted to 8.483,3 million euro.

At 31 December 2008 the ratio between the Group’s total regulatory capital and its total risk weighted assets (Total Capital Ratio) was 11,67%, compared with 11,09% at the end of 2008.

At the end of the year the ratio between the Group’s Tier 1 capital and its total risk weighted assets (Tier 1 Capital Ratio) was 6,84% compared with 6,79% at the end of 2008.

REGULATORY CAPITAL *(euro mililonis)* **AND CAPITAL ADEQUACY RATIOS** *(%)*

Item	31/12/2009	31/12/2008	Change	
			absolute	%
Tier 1 capital	**568,8**	**543,0**	**25,8**	**4,8%**
Tier 2 capital	431,7	11,1	420,6	3788,9%
Tier 1 and Tier 2 capital intangible items	42,4	-	42,4	-
Tier 3 capital	14,8	-	14,8	-
Regulatory capital including Tier 3	**972,9**	**554,1**	**418,8**	**75,6%**
Credit and counterparty risk	576,2	(57,2)	633,4	#####
Market risks	20,7	-	20,7	-
Operational risk	81,7	-	81,7	-
Other capital requirements	-	-	-	-
Total capital requirements	**678,6**	**(57,2)**	**735,9**	**#####**
Risk weighted assets	**8.483,0**	**(715,4)**	**9.198,4**	**#####**
Tier 1 capital/Risk weighted assets (Tier 1 capital ratio)	**6,71%**	**-75,90%**		
Regulatory capital including Tier 3/Risk weighted assets (Total capital ratio)	**11,47%**	**-77,45%**		

Liquidity

In 2009 the liquidity situation did not yet return to the levels it reached before the crisis. The interbank market was still tense, mainly due to the little confidence of financial intermediaries.

Banks continued to accumulate or deposit large volumes of liquidity with central banks, also so as to be able to withstand any sudden future needs.

Considerable government plans were worked out to support the economic cycle, while banks responded to the liquidity crisis of money markets increasing the volume and number of refinancing operations, extending maturities and expanding the range of securities accepted as collateral in these transactions, significantly increasing liquidity injections into the system in order to support the recovery of financial markets.

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

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

The process of liquidity management and control made it possible in 2009 to maintain a more than adequate level of liquidity against the market crisis.

For further information please see Part E of the Notes to the Financial Statements, section 3.

Information on exposure to "high risk" financial products

BANCA SELLA

SPE (Special Purpose Entities)

At 31 December 2009, and during the second half of 2009, Banca Sella was not exposed to special purpose entities (SPEs), structured investment vehicles (SIVs) or other conduit structures, considered risky as they are associated with the crisis caused by subprime mortgages, which became a generalized crisis of the global financial system.

The securitisation transactions concluded by Banca Sella involved performing loans; the vehicle companies are Secursel S.r.l., a Banca Sella Group company, and Mars 2600 S.r.l., in which Banca Sella Holding holds a 10% stake.

For further details, see the section on securitisation transactions.

Sub-prime and Alt-A exposures

At 31 December 2009, and during the second half of 2009, Banca Sella was not exposed to structured CDO-type products or other financial instruments perceived by the market as highly risk as associated with the sub-prime mortgage and Alt-A crisis.

ABS (CMBS, RMBS)

There are no exposures in ABSs linked to subprime mortgages, and the ABSs present in Banca Sella's own portfolio are of the following kinds: *ABSs deriving from securitizations carried out by Banca Sella S.p.A. on performing residential mortgage loans.*

Banca Sella's own portfolio comprises:

- Junior tranche securities subscribed in 2001 against the issue of the SPV Secursel. The par value is 2,052 million euro (+6,90 million euro of accruals matured);
- Junior tranche securities subscribed in 2009 against the issue of the SPV Mars 2600. The par value is 5 million euro.

BANCA SELLA HOLDING

SPE (Special Purpose Entities)

At 31 December 2009, and during the second half of 2009, Banca Sella Holding was not exposed to special purpose entities (SPEs), structured investment vehicles (SIVs) or other conduit structures, considered risky as they are associated with the crisis caused by subprime mortgages, which became a generalized crisis of the global financial system.

Sub-prime and Alt-A exposures

At 31 December 2009, and during the second half of 2009, Banca Sella Holding was not exposed to structured CDO-type products or other financial instruments perceived by the market as highly risk as associated with the sub-prime mortgage and Alt-A crisis.

ABS (CMBS, RMBS)

There are no exposures in ABSs linked to subprime mortgages, and the ABSs present in Banca Sella Holding's own portfolio are of the following kinds:

- *ABSs from third-party securitizations*
  - ABSs issued by Italian companies (Società di Cartolarizzazione Italiana Crediti ARL and Società Cartolarizzazione Crediti INPS) have been held in the Banca Sella Holding portfolio since 2004 and a subsequent addition was made in the first half of 2008 with the purchase of a new tranche, again of senior securities of Società Cartolarizzazione Crediti INPS. The total countervalue is 3,1 million euro (decreased from 30 June 2009) representing about 0,18% of the total portfolio (floating+fixed) of Banca Sella Holding.

ABSs issued by Italian companies *(thousand euro)*

Description of security	Isin	Currency	Nominal Value	Book value
SCIC A2 TV EUR CART	IT0003731426	EURO	7.500	1.500,5
SOC CART INPS TV EUR	IT0003953376	EURO	1.626	1.631,9
Total				**3.132,4**

  - ABSs issued in securitisation of residential and non-residential loans and leasing credits carried out by European Banks (Spain, the Netherlands, Germany, Great Britain and Italy), all with rating above AA. The total held at 31 December 2009 amounted to a countervalue of 7,5 million euro, thus representing a residual part of the whole portfolio, about 0,42%.

ABSs issued in securitisation of residential and non-residential loans and leasing credits carried out by European banks
(thousands of euro)

Description of security	Isin	Currency	Nominal Value	Book value
ABF 2004 B TV 19 LR	IT0003755656	EURO	2.000,00	1.904,47
EPIC TV EUR 19	XS0309760451	EURO	2.000,00	1.557,68
BUMF 6A2 TV 40 LR	XS0299446103	EURO	1.500,00	1.077,94
TDAC 8A TV 49 LR	ES0377966009	EURO	717,31	650,77
CAJA MADRID TV 50 LR	ES0359093012	EURO	1.709,78	1.604,80
PASTOR TV EUR 21 LR	ES0338454004	EURO	559,70	526,22
E-MAC TV EUR 36 LR	XS0188806870	EURO	500,00	211,96
Total				**7.533,82**

- *Units of ABSs present in SICAV segments or units of Hedge Funds*
  - The Banca Sella Holding portfolio contains units of Group SICAVs that invest in ABSs (the investment decisions taken in the segment favoured instruments with medium-high ratings with careful selection of the underlying and excluding investments linked to US sub-prime mortgages): this was a marginal investment, of about 3,92 million euro, which represents only 0,22% of the countervalue of the portfolio.

    The Hedge Funds in the portfolio, whose countervalue is 1,04 million euro, represent only 0,04% of the portfolio itself.

Profit distribution policy

As regards the policy on the distribution of profits, a method is used within the Group whereby the dividend distributed by each company on a yearly basis depends on the risk-free interest rate, on a proportion of the risk premium and on the average equity of subsidiaries.

In any case the maximum dividend distributable is the profit for the year less the provisions established by the articles of association and allocated to the legal and statutory reserves.

For the year ended 31 December 2009, the Parent Company will distribute 2,5 million euro, or 9,3% of the consolidated net profit pertaining to the Parent Company, which came out at 26,8 million euro. The increase with respect to the dividend distributed in 2008 (1 million euro) is a result of the extraordinary events that characterized the two years, which are fully described in the previous sections.

Finally, in order to guarantee an optimal allocation of capital within the Group, regular controls are carried out to assess the capital adequacy of the subsidiaries.

Group companies

As already mentioned previously, the Banca Sella Group operates through 24 companies (of which one in liquidation) working in many different geographical areas with a vast range of products and services.

Within the Group a central role is played by Banca Sella Holding, which in carrying on its business incorporates, in practice, two functions.

The first is that of Parent Company which concentrates in a single entity the activities of management, coordination and control, defining the strategic orientations and guidelines for the development of the Group. Supervision, co-ordination and control activities meet the requirements, established by both industry standards and company law, of guaranteeing the operation of the banking Group through "sound and prudent management" as well as exerting a strategic control of the evolution of the various areas in which the Group works and the risks related with such operations, and a management control, aimed at ensuring that the economic, financial and equity balance conditions of individual Companies and of the whole Group are maintained.

In this connection, we underline that the purpose of the new structure taken by Banca Sella Holding after the beginning of the operation of Sella Servizi Bancari is that of streamlining and on its business focusing to a greater extent. In particular, with the previous structure the Group companies referred to the relevant '"*business Area*" within the "*Management and Co-ordination Map of the Banca Sella Group*"; with the new structure, companies refer to the "Group Management", which is divided into *General Management* and *Specialist Management* (or specialist Management departments).

The second function is that of a "service provider" in relation to the other Group companies. In fact Banca Sella Holding manages at a centralized level and provides to its subsidiaries various services including:

- Finance (trading on own behalf, management of own securities portfolios, corporate finance),
- Trading in financial instruments,
- Internazional Customer Desk,
- Centralized Group treasury (including management of relations and credit lines of Banking Counterparties),
- Payment systems and access to interbank networks;,
- Custodian and Correspondent Bank of SICAVs and Mutual Funds.

Therefore, for information on the operational performance of the above business areas, the reader is referred to the individual financial statements of Banca Sella Holding.

The main Group companies included in the consolidation area can be divided as follows, on the basis of their business segment:

- Banks and networks in Italy:
    - Banca Sella, Banca Sella Nordest Bovio Calderari and Banca Sella Sud Arditi Galati, Italian banks operating mainly in the retail business;
- Large customers and asset management:
    - Banca Patrimoni Sella & C., a bank whose business is focused on securities asset management, investment advice and increasing its customers' total assets, and which also plays the role of provider of private banking tools, services and products to the entire Group;
    - Sella Bank AG and Sella Bank Luxembourg, the Group's foreign banks;
    - Selfid, a company whose purpose is to carry on a so-called "static" fiduciary business;
    - Selgest, a company incorporated in Luxembourg which works as the manager of the Group's SICAVs;
    - Sella Gestioni, a company operating in the managed savings sector (in the segment of collective management) and in the sector of individual management and complementary pensions

- Leasing
    - Biella Leasing, a company operating in the financial leasing segment;
- Consumer credit
    - Consel, a company which works in the consumer credit sector, providing customers with a wide range of products focused on credit;
- Bancassurance
    - Brosel, a company active in the insurance broking and advice sector;
    - C.B.A. Vita, a company that operates in the sector of life assurance and health and accident insurance;
    - Sella Life, an Irish company specialized in the issue of unit linked policies,
- Banking Services
    - Sella Servizi Bancari, consortium company of the Group, whose creation, achieved in 2009, is fully described in the section “Strategic issues”;
    - Sella Synergy India, an Indian company operating in the sector of the design and development of software products for the Group companies and banks;
    - Selir, a Romanian company which operates in the sector of the design and development of software products and in the provision of administrative services exclusively for the Group’s banks, Easy Nolo and Consel;
    - Easy Nolo, a company operating in the world of electronic payment systems.

For more complete information on the performance of the individual companies listed above, the present section presents a summary comment on the business they carried on and the results they achieved during 2009 (applying the accounting standards used in preparation of the individual financial statements), describing their operating performance and overall results.

Banks and networks in Italy

BANCA SELLA S.P.A.

The net profit for the year, which came out at 8,7 million euro (-78,1% compared with 31 December 2008), took the level of R.O.E. up to 2,4%, compared with 11,5% achieved in 2008.

At 31 December net interest income amounted to 150,5 million euro, down by 19% compared with the previous year. The impact on net interest and other banking income fell from 70,3% in 2008, to 61,6 % in 2009.

A financial scenario characterised by an all-time low market interest rate level, which limited the adaptation of deposit remuneration rates, due to the objective uncontainability under certain levels, causing a significant worsening of the spread. This negative trend was partially offset by the positive growth in volumes, both as to direct deposits and loans.

The trend in net income from services, which amounted to a total of 93,9 million euro, showed a rise of 19,8% compared with the previous year, in which it was 78,3 million euro. This component represented 38,4% of net interest and other banking and insurance income (29,7% in 2008).

The result was particularly influenced by the positive trend in trading, mainly associated with the good performance of the Finance business area and the management of own securities, as well as the payment system sector, thanks to the greater propensity of customers to use electronic money and e-commerce.

Net income from money management, together with net income from services, led to total net income of 244,4 million euro, down by 7,5% compared with 2008, but better than the results achieved on average in the Italian banking system as a whole.

Operating costs, amounting to 181,8 million euro, net of the negative contribution of 1 million euro of the item “Other operating expenses/income”, increased by 3,9% compared with 2008.

Although they are increasing, operating costs remain in line with the forecast of the three-year strategic plan, as a proof that the containment and rationalisation of all expense items is continuing.

This result was mainly affected by the increase in compliance costs deriving from the implementation of new transparency and anti-money laundering measures, besides the completion of European operational innovation programmes (Basel II, Mifid, Sepa) and from the necessary audit structures following organisational modifications.

The operating costs component is mostly made up of:

- “Other administrative expenses”, which, net of “Recovery of stamp duties and other taxes” totalled 90,4 million euro, compared with the 88 million euro recorded at 31 December 2008;
- “Personnel Expenses” (including the associated IRAP tax), which stand at 87,1 million euro, down by 2,5% over the previous year.

As a result, the efficiency indicator known as the cost-to-income ratio, which is the ratio between operating costs (after deducting IRAP on personnel costs) and net banking and insurance income, came out at 72,4%, worse that the 64,6% of the previous year.

Owing to the above trends, the operating result amounted to 62,6 million euro, down by 29,8% compared with the figure for the previous year.

As regards the provision for risks and charges, the Group and the Bank signed an agreement with trade unions on 4 December 2009 for the access to the extraordinary services provided by the Solidarity Allowance of the sector.

In the light of the aforesaid agreement, the Group’s employees were given the chance to submit applications to access exit plans within 18 December 2009. Therefore, a properly discounted provision was approved at the end of the financial year to cope with the use of future economic resources.

Net value adjustments on loans and advances amounted to 44,7 million euro, up by 82,3% compared to the 24,5 million euro of the previous year. This item represents 0,9% of total loans. 2009 was characterised by a general crisis, which caused an increase in losses on loans.

The value of the item Gains (losses) on sale or repurchase of financial liabilities was increased compared with 2008 following the Bank’s repurchase of mezzanine and senior securities of the 2005 Mars 2600 securitisation. The profit was realised as the repurchase took place at prices below par compared with the issue price and afterwards a part of these securities were reimbursed at par.

BANCA SELLA SUD ARDITI GALATI S.P.A.

The net profit for the year amounted to 4,2 million euro, determining an R.O.E. of 4,9%. Both figures show a worsening over 2008, in which the annual profit was 11,9 million euro and the R.O.E. 15,9%.

Net interest income achieved a result of 38,5 million euro, a decrease over the 47,9 million euro of the previous year, due to a shrinking of spreads, above all as a result of the generalised reduction seen in interest rates and of increased competitiveness on direct deposits.

As a proportion of net banking and insurance income, net interest and other banking income was 67,1%, compared with 83,2% in 2008.

Net interest and other banking and insurance income, amounting to 57,4 million euro, is decreasing by 0,4% compared with the previous year; this happened, despite the negative trend of net interest income, thanks to the positive contribution of net fees and the result of trading activities which, against a negative figure of 0,4 million euro in 2008, recorded a positive result of 2,2 million euro.

The trend in net income from services showed an increase of 100%, thanks to a positive trend in fee income and trading activities.

Operating costs, amounting to 45,2 million euro increased by 12,3% compared with the previous financial year. A part of this increase can be attributed to the overall operating and personnel costs for the whole year of the 8 branches acquired in June 2008 in the region of Campania. The operating costs component is mostly made up of “Other administrative charges”, which, net of “Recovery of stamp duties and other taxes" amount to 24 million euro, and "Personnel expenses" (including the associated IRAP tax), which stand at 22,7 million euro.

As a result, the efficiency indicator known as the cost-to-income ratio, which is the ratio between operating costs and net interest and other banking and insurance income, came out at 76,3%, worse than the 67,4% of 2008.

Owing to the above trends the operating result amounted to 12,2 million euro, a decline of 29,8% compared with the figure at 31 December 2008.

During the year, writeups were recognised against the provisions for risks and charges recorded in the previous financial years for a total amount of 0,2 million euro, while, in 2008, the sector had recognised new provisions for -0,9 million euro.

Total adjustments amounted to 5,9 million euro, worse than the previous year which saw a positive amount of 0,4 million euro, net of the positive contribution of 1,9 million euro due to the change in the parameters for valuation of impaired loans.

BANCA SELLA NORDEST BOVIO CALDERARI S.P.A.

Financial year 2009 ended with a loss of 6,3 million euro, and an R.O.E. which came out at - 11,6%. The causes of the worsening of the economic result compared with 2008 are illustrated in the comments below.

Net interest income, net of dividends, was 15,8 million euro, a significant decrease compared with 2008 (-16,4%). If we do not consider, to enable consistent comparison, overdraft charges, which were abolished in 2009 and were included among the positive components of net interest income, the decrease over 2008 is reduced to 7,2%.

This accounted for 66,0% of net interest and other banking income compared with 77,5% in 2008.

The tendency was determined by a downward trend of loans, decreasing by 1,9% compared with the previous year and a healthy growth of direct deposits (+11,7%), and was materially affected by the trend of market rates, with a subsequent erosion of the spread, which decreased by approximately 29% during the year.

Such decrease in the spread was also due to the incompressibility of interest rates determined by a reduction in market rates at levels never seen in the last few years.

In conjunction with the drop in rates, there was a significant shift in profit from the mark down on deposits to the mark up on loans.

2009 saw an upturn in net income from services with a total amount of 8,1 million euro, an increase of 48,5% over 2008. If we do not consider, to enable consistent comparison, amount availability fees and the recovery of overdraft facility charges, introduced in 2009, the increase over 2008 is 36,3%. The increase in fee income by 7,7%, and at the same time the reduction of 27,6% in fee expenses, contributed to this result. A significant contribution was made by the financial sector, which recorded a positive result of 0,9 million euro, against a negative impact of 0,6 million euro in 2008.

The good performance of income from services and income on financial transactions did not totally offset the reduction in net interest income. Total net interest and other banking income for the year amounted to 24,0 million euro, a drop of 1,8% over 2008.

Operating costs (net of IRAP on Personnel expenses) amounted to 25,2 million euro, a rise of 4,6% compared with 2008. Without considering the positive contribution of the item "Other operating expenses/income", which was particularly high in 2008, the aggregate is slightly decreasing (-1,1%) compared with 2008.

Operating costs are mainly made up of:

- Personnel expenses: amount to 12,7 million euro (excluding the associated IRAP), falling by 5,0% on 2008;
- Other administrative expenses: amount to 12,2 million euro (+2,6% compared with 2008).

On the basis of the figures shown, the efficiency indicator known as the cost-to-income ratio came out at 103,6% (it was 97,1% at the end of 2008).

Owing to the above trends the operating profit for financial year 2009 amounts to - 1,2 million euro, compared with the 0,3 million of 2008.

During the year provisions for risks and charges of 1,3 million euro were set aside (+225,8% compared with 2008). The most significant part of the item is represented by the provision for the “staff surplus project”, amounting to approximately 959 thousand euro. Net of this entry, the aggregate, made up of provisions against forecasts of adverse judgements in relation to lawsuits already brought against the company and customer claims, is down by 11% compared with 2008.

In 2009 Net value adjustments for impairment of loans amounted to 6,1 million euro, a significant increase of 75,7% compared with 2008, representing 1% of total cash loans at the end of the year (the proportion was 0,5% in 2008). This major impact is a result of the crisis that hit the world's economy, and is in line with the trend of the whole national banking system.

In detail, adjustments on loans amounted to 8,8 million euro (+76,2% compared with 2008), while writeups amounted to 2,7 million euro (+ 10,4% compared with 2008).

Large customers and asset management

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

2009 saw a profit of 0,9 million euro, markedly improving compared with the loss of 4 million euro recorded at 31 December 2008. While analysing the two results, though, it is important to take into account the extraordinary event which had negatively affected the previous financial year. The negative result of 2008 was entirely determined by the loss of value of the equity interest held by the Bank in London Stock Exchange Group Plc, for which it was decided to recognize an impairment loss on the basis of the share price and the Euro/Sterling exchange rate at 31 December 2008. This decision had a negative impact of 4,2 million euro on the item “Net adjustments for impairment of financial assets available for sale”. Without the impairment, financial year 2008 would have ended with a net profit of 106,6 thousand euro.

Excluding the impact of the extraordinary event described above on 2008, it can be noted that, compared with the previous year, the result at 31 December 2009 was influenced by the trend of items Net adjustments for impairment and Gain on disposal of financial assets available for sale. These two trends more than offset the decrease in gross operating profit, result of the slight decrease in net interest and other banking income and the slight increase in operating costs, causing the profit from continuing operations before taxes to grow by 96,4% on 2008 restated.

Below in this section the most significant items are re-examined in detail.

Net interest income, including the item “Dividends and other income”, which stood at 5,4 million euro, showed a drop of 21,7% compared with the 6,9 million recorded at the end of 2008, continuing the negative trend that began last year, which saw a decrease of 7% compared with the previous year.

This downturn is due to the gradual reduction of the mark down, combined with a further shrinking of total spreads.

As regards own portfolio investments, the traditional prudence policy was maintained.

Net income from services, amounting to 21,7 million euro, showed an increase of 1,2 million euro (+5,7%) compared with 2008. This trend is mostly attributable to the following elements:

- the negative trend of fees, mainly attributable to the market situation. Within this aggregate, the reduction in volumes led to a greater decrease in assets over liabilities, determining a drop of 1,1 million euro (-5,8%) in net fees compared with the previous year. The gap, however, remained small thanks to the overperformance fees matured on asset management;

- the net positive result of trading on own behalf, amounting to 3,6 million euro, which showed an increase of 170,3% compared with the figure at 31 December 2008, thanks to the good performance of bond desk trading activities, the Institutional area and own securities;
- the positive result of income from proxy managed accounts, which came out at 1,1 million euro (+346%).

Operating costs stood at 26,5 million euro, growing by 1,3% compared with the 26,1 million euro recorded in the previous year. Within the aggregate, personnel expenses (including the associated Irap) amounted to 14,6 million euro, recording an increase of 3,4% compared with 31 December 2008. This trend is due to an increase in the workforce by 8 people compared with the previous year and an increase of 0,3 million euro for contractual premiums. It is important to point out that 8 people fall within the business area purchased by the Bank from Sella Gestioni SGR, as described in the introduction to this annual Report.

At the end of the year the aggregate of other administrative charges amounted to 11,6 million euro, in line with the 2008 figures.

As a result of the trends described above, the operating result at 31 December 2009 amounted to 0,6 million euro, down by 51,4% compared with the previous year, when it was 1,3 million euro.

The item Net provisions for risks and charges amounted to 804,1 thousand euro, which include a provision for staff exit plans amounting to 132 thousand euro.

In the previous financial year this aggregate had a positive sign and amounted to 22,6 thousand euro.

Net writeups on loans amounted to 11,3 thousand euro, as a proof of the low risk taken by the company in the sector of consumer credit, while writeups on other financial transactions, net of adjustments, were 15,9 thousand euro, markedly improving compared with 2008, when net value adjustments amounted to 685,9 thousand euro, mainly due to the extraordinary charges deriving from the negative outcome of a dispute with the Tax Office of Turin.

Net value adjustments for impairment of financial assets available for sale stood at 12 thousand euro. Please note that the amount of 4,2 million euro included in this item in 2008 was almost entirely attributable to the impairment of the equity investment in London Stock Exchange referred to above.

Finally, the amount of 1,6 million euro referring to Gains on disposal of financial assets available for sale, is due to the sale of debt securities available for sale and particularly for 145 thousand euro to the sale of 35.000 shares of London Stock Exchange in 2009.

SELLA BANK AG

The Swiss bank of the Group, Sella Bank A.G., operates out of its head office in Zurich and its agencies in Lugano and Geneva.

During the financial year the Bank realised a net performance fee of 0,9 million euro deriving from the final liquidation of a venture capital investment fund managed by the Bank. From the partial liquidation of this fund, the Bank had already realised a performance fee of 1,7 million euro in 2007. The following comment also provides information about the change compared to the previous year net of said fee. Note also that the comparison with the previous year uses the exchange rate in force on 31 December 2009 (EUR/CHF 1,49).

Net interest income, amounting to 0,9 million euro, went down by 49% compared with 2008, while net income from services, amounting to 7,4 million euro, showed an increase of 40,5% (23,1% net of the above extraordinary fee).

Net interest and other banking income, amounting to 9,1 million euro, went up by 19,7% (7,7% net of the extraordinary fee) over the previous year.

Operating costs, amounting to 5,8 million euro, show a rise of 2,4% while the cost-to-income ratio, owing to an increase in net income from services, came out at 56,0%, a decrease of 9,4% (3,2% net of the extraordinary fee) compared with 2008.

The trend described above enabled the Bank to achieve a net profit of 3,0 million euro, increasing compared with the 2,1 million euro in the previous year (2,3 million euro net of the extraordinary fee).

SELLA BANK LUXEMBOURG S.A.

2009 should have been the year of the “relaunching” for Sella Bank Luxembourg after the sacrifices associated with the reorganisation, but the impact of the financial crisis made it a year of transition. During the year the Bank mainly focused on corporate and private banking departments, besides custodian bank services.

The operating result, although achieved in a very difficult situation, should be seen as a necessary stage to a better future, as for the first time in many year the balance closed with a positive result. This result is due to a more careful selection of risks and the relevant institutional customers, but, despite appearances, was affected by an international scenario marked by the lack of confidence within the economic system, which caused the loss of substantial profits for Sella Bank Luxembourg.

Operating profits, including adjustments and other operating income, amounted to -1,2 million euro, improving over 2008 (-2,2 million euro).

The year ended with a positive result of 83 thousand euro (compared with a loss of 4,2 million euro in 2008), which was mainly determined by the recovery of a part of the adjustment associated with the exposure to Lehman Brothers International (Europe) Ltd. in administration. At 31 December 2008, Sella Bank Luxembourg had written down this exposure (made up of a margin account used to hedge future derivative transactions on behalf of customers) for an amount of 3 million euro, amounting to 85% of the writedown. During the year, a resolution of the High Court of Justice of 21 August 2009 had led Lehman Brothers International (Europe) to start a "review" process on accounting entries, carefully analysing some positions, including those related to Sella Bank Luxembourg. After this process, the debtor company sent a Client money statement reporting the "segregated" amounts for Sella Bank Luxembourg (contrary to the information given during the preparation of the 2008 annual accounts, when they were "unsegregated") and therefore, for those amounts, Sella Bank Luxembourg was reserved a preferential treatment.

On the basis of the information received by the liquidator and the relevant price information available in the market, it was decided to bring the hedging percentage of the 38% exposure, recording a recovery of approximately 1,7 million euro.

Net interest income remained at a reasonable level, standing at 2,3 million euro, down by 13% compared with the previous year. Net fees decreased compared with the previous year as well, coming out at 2,5 million euro. This is mainly due to the outsourcing of administrative agency activities, but also the stagnation of customer transactions combined with the policy to decrease the interest rates implemented by industrialised countries to relaunch the economy.

General costs reached 6,2 million euro, against 9,8 million euro in 2008 (-37%), reflecting the decisions taken by the bank on the occasion of the implementation of the restructuring plan.

The year ended with a balance sheet total of 220,3 million euro, down by 36% compared with the previous year; amounts due from customers stood at 30,7 million euro, an increase of 20% compared with the previous year, while total deposits stood at 1 billion euro (-5%). It is important to note that private and corporate customer deposits represent more than 50% of the total.

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

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

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

With reference to litigation sub (a), the action suits by the aforementioned Sicav against Sella Bank Luxembourg came under the transaction signed on 21 March 2008 and were judged by the Court of Luxembourg on 3 July 2008 - now res judicata. Sella Bank Luxembourg settled its position paying the amount of euro 21.827.277,78 (deriving from the capital amount of euro 21.500.000,00 plus interest at conventional rate) on 8 August 2008. Besides a complex mechanism of guarantees given by the Liquidators to Sella Bank Luxembourg for the eventuality of subsequent suits filed by third parties, the settlement states that, in the context of the judicial liquidation procedure, the Liquidators will pay off investors in the Vario Invest product distributed by Amis AG and with respect to which Sella Bank Luxembourg had dealt, up to 4 March 2004, with the amounts used for investments with assumption of responsibility as regards their mixing with the assets of the SICAV. The Liquidators thus undertook, against the payment made by Sella Bank Luxembourg of the further sum of 4 million euro, to collate by 3 July 2011 the waivers of at least 85% of the Vario Invest investors of all claims against Sella Bank Luxembourg. In the absence of waivers by the Vario Invest investors, the risk to Sella Bank Luxembourg of being exposed to such claims was estimated by the Liquidators themselves as 6,8 million euro. On 30 March 2010 the Liquidators of the Sicav Amis Fund and Top ten Multifonds informed that they had collated the waivers to all actions or claims against Sella Bank Luxembourg S.A. by 86,50% of customers who had invested in the Vario Invest product and, consequently, requesting the payment of 3.460.000,00 euro. Before paying, Sella Bank Luxembourg S.A. requested, in conformity with the provisions of the settlement, to receive a copy of these waivers in order to check them properly. Therefore, the occurrence of the condition and the subordinate obligation to pay the amount of euro 4.000.000,00 seem to be highly probable.

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

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

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

SELFID S.P.A.

The company, based in Biella, carries on a so-called “static” fiduciary business (as provided for in Law 1966/39). Again in 2009 the main activity was the fiduciary custody of financial assets and insurance products, and the assumption of fiduciary appointments for the custody of equity interests and shares of companies.

Over the year the number of fiduciary warrants grew considerably, going up from 656 to 922; total assets administered increased, amounting to 1.899 million euro, compared with 889 million euro in 2008.

Commission receivable on trustee work amounted to 655 thousand euro, an increase of about 55 thousand euro on the previous year; the costs for services - the largest cost item - amounted to 509 thousand euro.

Selfid ended the year with a net profit of 199 thousand euro, an increase compared with the previous year.

It should be noted that in financial year 2009 new synergies with family office businesses were developed.

SELGEST S.A.

Selgest works in accordance with the laws of Luxembourg, as the management company of the SICAVs of the Banca Sella Group.

The year just ended confirms the down trend of managed profits, already a dominant factor for the results of the previous financial year. At 31 December 2009 these values amounted to 217 million euro, down by 15% over 2008.

2009 was characterised by the considerable effort made for reorganising the business carried on by the Company, which focused its attention on the creation of new controls and the modification of existing controls, with the purpose of monitoring the operations that the company delegates to third parties for carrying out its business.

With a view to contain costs, during the last three months of the year the company reduced the workforce and transferred a part of its business operations to Sella Bank Luxembourg S.A.

The year ended with a loss of 894 thousand euro, worse than the loss of 199 thousand euro of the previous financial year. The misalignment between the result achieved and that estimated during the planning stage is mainly due to the further drop in profits, as well as the failure to launch the project for the restructuring and distribution of the three Group SICAVs.

On 30 July 2009 the shareholders' assembly decided to proceed with an increase in the share capital for an amount of 650 thousand euro, fully subscribed by Banca Sella Holding, which became the majority shareholder.

The Parent company further increased the capital by 2,5 million euro, after the end of the financial year, in February 2010.

SELLA GESTIONI SGR S.P.A.

The Company, based in Milan, has worked since 1983 in the managed saving sector, in the segment of collective management; since 1999 it has also worked in the sector of supplementary social security and individual management, the latter until 22 November 2009. In fact, with effect as of 23 November 2009, it transferred to Banca Patrimoni Sella & C. individual portfolio management operations, including both own and managed accounts, as adequately described in the section "Strategic issues" above.

At the end of 2009 the company managed 16 Italian-law mutual funds, a fund of funds made up of 2 segments, a pension fund made up of 5 segments, and, with delegated powers, 3 Luxembourg-law SICAVs and one Monaco-based fund. For the placing of its products the Company works with banks and security brokerage companies both within and beyond the Banca Sella Group.

As far as collective management is concerned, at year end the assets were invested as follows: 80,2% in bond funds, 9,8% in balanced and flexible funds and 10% in equity funds.

At 31 December 2009 total assets managed (net of duplications) amounted to 2.227,3 million euro, an increase of 20,13% compared with the end of 2008 (net of individual management) which amounted to 1.854 million euro. This increase was determined by both the trend in deposits, which had a positive (net value between subscriptions and redemption) of 237,8 million euro, and the positive trend of financial markets.

The market share held by the company in the sphere of collective management was 0,499% at year end, compared with 0,440% at the end of 2008.

The year ended at 31 December 2009 with a net profit of 1,5 million euro, compared with a net profit of 85 thousand euro recorded in 2008. The operating profit was greatly affected by the achievement of net incentive fees on products managed for an amount of 4,6 million euro.

Net interest and other banking income totalled 11,3 million euro, an increase of 23,1% over 2008 net of the positive effect due to the extraordinary sale of London Stock Exchange Group shares. Compared with 2008, the change in net interest and other baking income was positively influenced by incentive fees, while it was negatively affected by the transfer of individual management operations, the decline in assets managed during the year and a lower income generated by liquidity investments.

Operating costs, of 9,6 million euro, were lower than those of the previous year by 5,4% and are the result of careful attention to cost reduction. In particular, the number of personnel of the Company, including attached staff and collaborators, went down from 80,6 full time equivalent of the end of 2008 to 61,8 full time equivalent of the end of 2009.

For 2010 the company plans to continue with the positive trend of the growth in volumes, which is fundamental to achieve economic balance, and with the primary purpose to optimise the quality of managed products paying greater attention to cost containment.

Leasing

BIELLA LEASING S.P.A.

The company, based in Biella, works in the financial leasing business, in all sectors but in particular: motor vehicles, capital goods, property and boats. Biella Leasing operates with 10 branches, besides the head office in Biella.

During the year Biella Leasing signed 3.345 contracts for a total amount of 254,5 million euro; this figure is decreasing compared with 4.178 contracts (for an amount of euro 352,4 million euro) signed in 2008.

The market share of the newly-signed contracts was 0,98%, an increase over the previous financial year, when it was 0,91%.

Net interest and other banking income, amounting to 22,5 million euro, is growing compared with 2008, when it was 16,9 million euro. Operating costs, inclusive of personnel expenses and other overheads, amounted to a total of 6,4 million euro, down by 4% compared with the previous year, in which they were 6,7 million euro.

On 31 December 2009 the staff, including employees and seconded personnel from other companies of the Group, was made up of 65 people (no changes with respect to 2008 figures), of which 33 men and 32 women. Seconded personnel was made up of 6 people.

The proportion of net non-performing leases to total leases went up from 0.96% in 2008 to 1,66% in 2009.

The company thus closed the year with a net profit of 5,4 million euro, 33,71% up on the figure of 4 million euro recorded in 2008.

Consumer credit

CONSEL S.P.A.

The company, which has its operational office in Turin, works in the consumer credit sector, providing its customers with a wide range of credit-based products, in particular financing for installments purchase, credit cards, salary-backed loans and motor vehicle leasing. It carries on its business through an operational structure consisting of 261 employees, 32 branches, more than 2.800 partner sales points active in 2009 all over Italy.

In 2009 consumer credit was also affected by the impact of the economic and financial crisis. Operators had to cope with both the more cautious approach of families in asking for loans (also associated with the reduction in consumption), and the worsening of customers' creditworthiness, to which they responded by applying stricter criteria for accepting financing requests. As a result, the Italian market of consumer credit saw for the first time a sharp drop in volumes financed compared with the previous financial year: the year ended with a decrease of 11.3% compared with the sharp reduction over the variation recorded at 31 December 2008 (+1,4%). The trend in the number of financed transactions also shows a significant slowdown compared with the past, a slight increase of 1,5% over last financial year, against the +8,4% recorded in 2008 over the previous year. This trend was considerably affected by the trend in the number of revolving credit cards in use, which represent about 94% of total consumer credit transactions.

Against the trend of the Italian consumer credit market described above, the Company recorded a significant growth in the number of customers and loans in 2009, an increase of 11,5% in volumes disbursed, and 30,9% in the number of transactions.

In this work, Consel dealt with 151.287 financing applications (for personal loans, motor vehicles and other specific financing, salary-backed loans) for a total amount of 638,8 million euro and liquidated 114.193 transactions for a total of 371,63 million euro.

As regards the activities carried out through the channel of the Toro Group's agencies (Alleanza Toro, Augusta Assicurazioni, Lloyd Italico), 2009 was the first full year of the collaboration that began in 2008, and saw the continuation of training and presentation of Consel products to the 554 partner Agencies. The work of disbursing personal loans through the Agencies produced 2.905 new operations, for a total of 38,7 million euro liquidated.

In 2009 the work of disbursing loans through new credit cards, customised with Toro Group brands, led to the activation of 6.658 new cards, for a total amount of 20,5 million euro disbursed.

Net interest income amounted to 33,1 million euro, an increase of 52,3% over 2008, while net interest and other income, amounting to 50,3 million euro, showed an improvement of 34,5% compared with the previous year, thanks also to the increase in total revenue to 19,1 million (up +11,4%).

At 31 December 2009 operating costs amounted to 27,1 million euro, of which 25,9 million relating to administrative and personnel expenses (an increase compared with the 23,7 million recorded in 2008) and 1,2 million for amortization and depreciation (in 2008 the figure was 1,1 million). The increase in operating costs is therefore in line with the rate of growth and development of the company.

Net profit, after taxes which amounted to 3 million euro, came out at 2,2 million euro compared with 1,9 million euro achieved in the previous year.

Bancassurance

BROSEL S.P.A.

The company, based in Biella, operates in the field of insurance broking and consultancy work.

In 2009 the company brokered a volume of premiums amounting to approximately 24 million euro. Despite a reduction in finance income, associated with the drop in rates, the increase in net fees on insurance broking (amounting to 2,2 million euro, up by 2,4 % compared with the previous year) and a slight decrease in operating costs made it possible for profits before tax to be in line with the previous financial year.

Net profits amounted to 556 thousand euro, 56 thousand euro higher than the previous financial year following the reduction in the tax load.

The business continued to develop mainly in the corporate business sector and in the financial and credit institutions sector, where Brosel has particular know-how and professionalism.

The main future projects involve both commercial and organisational aspects.

As regards the first aspect, the company is going to develop activities in collaboration with the network of the Banca Sella Group, both to have access to customer companies of the Group and to continue to study activities relating to insurance effects on corporate ratings, associated with the application by the banking system of Basel 2 provisions.

As for the latter, a complete review of the main business processes is envisaged in order to obtain a recovery of productivity.

C.B.A. VITA S.P.A.

The company, which is based in Milan, operates in the sector of life assurance and health and accident insurance.

During the year C.B.A. Vita collected total net premiums for 272,9 million euro (increasing over the amount of 126,5 million euro in 2008) deriving mainly from traditional life policies (267,8 million euro) and index linked policies (5,6 million euro). Premiums ceded amounted to 1,5 million euro.

The premiums of the non-life portfolio amounted to 1,6 million euro while premiums ceded totalled 0,6 million euro.

The net result of financial and insurance operations was 10 million euro, compared with 4,4 million euro in the previous year. The difference between the two financial years is mainly due to the greater earnings deriving from financial operations.

Operating costs, of 3,4 million euro, of which 2 million euro relating to personnel and 1,4 million euro to other administrative expenses, constituted a decrease of 17% over 2008, mainly as a result of the reduction in administrative expenses.

Compared with the previous year the number of employees increased by one, going up to 23 people.

The performance described above led the company to end the financial year with a net profit of 3,7 million euro, compared with the loss of one million recorded at the end of 2008. The positive result is mainly due to an improvement of the profitability of the securities portfolio.

As regards life products, in the first half of 2009 the Company began marketing two new life products with specific links to assets, two new revaluable life products, of which one with annual liquidation of the profits accrued and the other with capitalisation of profits as they are accrued. As for the portfolio falling due, a specific initiative was launched for the conversion of the amount accrued into a 5-year revaluable policy, with a significant reduction of costs for customers.

At the end of May a new index linked policy with investment risk born by the company was placed, in conformity with the provisions of ISVAP Regulation no.32.

At the end of July the company began marketing two new products reserved to Banca Monte Parma and in September, following a specific negotiation with the corporate customers of the Banks, it prepared a capitalisation policy with bonuses, distributed, in the initial stage, by Banca Monte Parma. In its five months of activity Banca Monte Parma collected premiums worth 13,3 million.

In August another capitalisation product with bonuses was specifically created for qualified counterparties; the Banks of the Banca Sella Group subscribed premiums for a total amount of 37,5 million euro between September and December 2009.

In the last four months of the year, the company created, in synergy with the other operating structures of the Group, a life product associated with a current account in the banks of the Banca Sella Group. The product was marketed as of 19 November and, in the final part of the year, deposits amounted to 46,6 million euro.

The range of life products also includes whole life assurance with single premiums and single recurring premiums, mixed single premium policies, fixed-term annual premium, temporary policies payable on death, a capitalisation tariff and a “multibranch” product (which combines a revaluable component linked to a separate management with two unit linked segments) both in the single premium and the recurrent premium form. In addition, the network comprises an individual pension plan, called “CBA Previdenza” reserved for people who intend to create a complementary pension.

During the year, the company carried out three different increases in the capital of the subsidiary Sella Life. In addition, the company submitted a request to the High Court of Ireland in November for the transfer of Sella Life’s retail portfolio to CBA Vita, which is supposed to take place on 30 March 2010. The company attached to said request a portfolio statement and the relevant analyses as at 30 September 2009, which included 1.710 policies and a capital of approximately 19 million euro. The residual portfolio on 30 March 2010, including expiries, switches and redemption, should amount to approximately 1.100 contracts with a capital of about 11 million euro.

SELLA LIFE LTD

The Dublin-based insurance company Sella Life Ltd is specialized in the issue of unit-linked policies, mainly distributed through the Group’s Italian and foreign networks. In particular, the Company offers personalised policies, known in the English-speaking world as personal portfolio bonds and destined for private customers.

In financial year 2009 the company collected premiums worth 74,5 million euro, achieving a total insurance portfolio of about 376,9 million euro.

Net interest and other banking income, amounting to 1,2 million euro, recorded a slight decrease compared with the previous year as a result of a considerable reduction in the retail portfolio which had reached maturity. In 2009 operating costs amounted to 2,2 million euro.

The combination of these effects means that the company closed the year with a loss of approximately 1,1 million euro (the previous year’s loss was approximately 1 million euro).

As of 30 March 2010 the Company shall sell its retail portfolio to the controlling company CBA Vita S.p.A., focusing its business on the private-insurance sector, with the specific commitment to improve the quality and profitability of the service in favour of the distribution companies of the Group.

Bank services

SELLA SERVIZI BANCARI

2009 ended, after the tax allocation and the re-invoicing carried out according to the “Cost allocation regulations” to customer and associated companies with a loss of 479.470 euro.

The most significant items are reported below, highlighting that figures are not directly comparable with the previous year:

- the cost of labour, which is the cost of the personnel employed by the company for supplying services to associated and customer companies, amounted to 30,4 million euro;
- operating costs for services amounted to 15,7 million euro;
- amortisation and depreciation for the year amounted to 13,2 million euro, of which 8,4 million euro related to intangible assets (mainly software) and 4,8 million euro related to tangible fixed assets (mainly data processing machines).

Taxes accrued in the year amounted to 1,2 million euro, of which 0,9 million euro are related to IRAP on labour costs.

Non-current assets are mostly made up of intangible assets, for an amount of 32,4 million euro, and tangible fixed assets for an amount of 12,9 million euro.

Current assets are mainly divided into business credit (6,3 million euro) and liquid assets (18,3 million euro).

According to Cost allocation regulations, any form of compensation due to the company from Associated companies cannot exceed the cost of the services supplied by the company to said Associated companies.

The amounts received by the company as a compensation for the services supplied to Associated companies cannot determine the generation of profits against the net costs incurred.

In 2009, the income from services supplied to members was recognised in the Income Statement for 59,8 million euro and to non-members for 1,2 million euro, divided among the various services offered.

SELLA SYNERGY INDIA LTD

This company, based in Chennai (Madras – India), operates in the sector of design and development of software products for the Group companies and banks.

Sella Synergy India has 170 employees (of which 75% men and 25% women) with an average age of 28.

Total operating costs were 2,9 million euro of which 2,1 million relating to personnel costs and 0,8 million of administrative expenses .

During the year a new .NET language Business unit and a unit specialising in Application and information security were added, while research and development focused on portals, web content management and business process management.

The company ended 2009 with a profit of 290 thousand euro.

After the end of the year, the Company was involved in the transaction that led to the creation of Sella Servizi Bancari S.C.p.A. Chennai Branch, a “permanent establishment abroad” of Sella Servizi Bancari, which purchased the IT assets of Sella Synergy India Ltd.. For further information on this matter, see the section “Events subsequent to closing of the financial year”.

SELIR S.R.L.

The Company, whose head office is in Galati (Romania), works in the field of design and development of IT products and the provision of administrative and call center services exclusively for the Group's banks, for Easy Nolo and Consel.

In 2009 net interest and other income, amounting to 3,6 million euro, increased by 6% over 2008 (when it was 3,4 million euro), with net income from services rising by 5,8% following the increase of 17% in the work performed by Back Office and Call Center Administrative Services, and despite the decline of 7% in turnover connected to software development.

Operating costs amounted to 3 million euro, down by 1% on the previous year. Within the component there was an increase in personnel expenses, which amounted to 1,9 million euro (+11% over 2008), while other administrative expenses decreased by 17% .

The Company ended the year with a net profit of 253 thousand euro, an increase of 239 thousand euro over the previous year.

EASY NOLO S.P.A.

This company, based in Biella, operates in the field of electronic payment systems and specialises in the sector of e-commerce payment gateways with the Gestpay platform, POS terminals, fidelity solutions and mobile services. Its activities include: developing software for payment acceptance systems on national and international circuits; hiring out, installing and maintaining POS terminals for retailers and banks; creating and managing added-value services providable via POS terminals (telephone top-ups and customised fidelity services).

The value of production amounted to 11,3 million euro, a decrease of 8,8% compared with the previous year. Production costs amounted to 9,6 million euro, down of 9,5% on the previous year. Consequently, the difference between revenues and production costs amounted to 1,6 million euro, down by 3,9% compared with the previous year.

The company closed the year with a net profit of 684 thousand euro, compared with 695 thousand euro in the previous year.

In financial year 2009 the following important facts occurred:

- consolidation of partnerships with institutional customers for the distribution of POS services offered by Easy Nolo;
- agreement with institutional partners in the E-commerce sector.

Despite the difficult macroeconomic scenario, for next financial year the budget for turnover and value of production forecasts an improvement over 2009. In particular, for operations in 2010 the company will concentrate on strengthening the current services and creating new products.

Companies in liquidation

SELLA CAPITAL MANAGEMENT SGR S.P.A. IN LIQUIDATION

In execution of the resolution passed by the General Meeting on 18 September 2007, with effect from 1st October 2007, the company had placed itself in voluntary liquidation following the transfer of the company division relating to delegated managements and to the advice work and, consequently, following an application presented by the company, with an order of 6 December 2007 was cancelled from the Roll pursuant to section 35 of Lgs. Dec. 58/98 held by the Banca d'Italia.

As a result of the above, already at the end of 2007 the company had assumed a simplified organisational configuration geared to assisting the activities connected with the winding-up of the company and the handling of remaining claims and lawsuits mainly relating to the previous activities of Sella Capital Markets SIM, a company that had already ceased trading and from which Sella Capital Management had acquired the company division on 23 November 2003.

The containment of costs initiated in the previous financial year continued in 2009, particularly as of September 2008. The Company no longer has employees of its own and the Liquidator is assisted by a resource partially attached from another company of the Group.

2009 ended with a profit of 258 thousand euro (compared with a loss of 412 thousand euro in the previous year), which was determined by the positive result of the investment of the company's assets, representing the Company's only source of revenue, considering that it is in liquidation and trading has therefore ceased, together with the persistent drop in costs.

Own shares

Neither Banca Sella Holding S.p.A. nor any other company included in the perimeter of consolidation has, during the financial year, held, purchased or sold its own shares or those of the Parent Company.

Business outlook

The scenario

The expected evolution of the global macroeconomic scenario in 2010 is characterised by the continuation of growth recovery. The factors that made it possible to recover from the recession, particularly the launch of the inventory accumulation process and fiscal stimuli from governments, are only temporary measures. The duration of the recovery of the main economies is therefore uncertain, due to the significant weakness of the labour market, the decline of wealth and the tightened conditions for the granting of loans. The USA may report smaller changes in quarterly gross domestic product during the year. The Eurozone should continue to benefit from the improvement of the global scenario, with a recovery of exports, while domestic demand is still weak. In Japan, the economic growth should be supported by the resumption of foreign demand, especially in the Asian area, against the persistent weakness of domestic demand. The signs of recovery from emerging economies should be confirmed in 2010 and the contribution of these areas to the growth of the global economy should be positive.

As for consumer prices, the unused production overcapacity would justify the expected containment of inflationary tensions within the limits defined by central banks.

As regards the trend of monetary policy interest rates, the Federal Reserve and the European Central Bank may maintain current levels, draining liquidity at the same time, even if gradually and according to the pace of the economic recovery. Long-term interest rates may remain low, due to the containment of inflationary pressures and a slight recovery.

In accordance with the macroeconomic scenario described above, some of the critical points that characterised the accounts of Italian banks in 2009 may continue next year, even though the moderate economic recovery will certainly produce positive effects. Consistently with the trend of expected rates, the growth in interest income should not be particularly significant in 2010, even if supported by a likely recovery in lending in a more favourable macroeconomic framework. Loans with a maturity of more than 1 year should still be preferred compared with short-term loans, with a view to restore loans to companies and families by extending average maturities. Fee income may report a positive trend, thanks to the recovery in assets under management and the growth in bancassurance revenues. Due to the uncertainty of the economic recovery, the deterioration of credit quality should continue next year, while the tendency to cost containment may still bring about beneficial effects in terms of efficiency recovery.

Business continuity, strategy and profitability of the group

The directors state that they have examined with care and attention the assumptions of business continuity. The report on operations describes the results for the year: the performance, activities, capital management processes and financial position of the Group testify to the policy of extreme prudence maintained throughout during the year. Liquidity, which was kept at a more than adequate level despite the continuation of the crisis during the whole financial year.

For more than 120 years the Banca Sella Group, as an independent, innovative, professional and dynamic business, is guided in its daily activity by strong ethical and moral values. The Group's reputation has been built up over time with responsible and correct conduct, which has always been consistent and characterized by prudence.

In the future too, the Banca Sella Group intends to be recognized for:

- **trust**, in terms of correctness and reliability;
- **a personal relationship**, that is attention to and "love" for each customer;
- **quality**, understood as simplicity, rapidity, ability to meet needs;
- **innovation**;

being a Group with clear positioning, which stands out for the application of values, for the growth and sense of belonging of its people and for organizational simplicity.

In order to achieve this goal also in the future, in the light of the general picture painted in the previous section, the Group will continue to focus its strategies on the following three directions:

- **development sustainability** (understood as the need to achieve the necessary income to cope with risk and business development);
- **elimination of unnecessary costs**;
- **reduction of complexity.**

These considerations prove the need to act rapidly and following a “discontinuous” plan in accordance with the guidelines and strategic action lines identified by the Parent company.

Therefore, a fundamental issue will be the Group's ability to follow a commercial orientation and focus on customer relations, realising a business model that is also based on the review and optimisation of the Group's geographical distribution, the evolution of the branch model and an open system at the centre of relations between customers and bank.

Capital strengthening and aware risk management will also be given high importance, with particular focus on credit risk management. This will imply greater prudence, though without stopping development. Development, in turn, will be pursued by optimising the mix in favour of successful businesses with lower capital absorption, such as private sectors, deposits and payment systems.

The same importance is given to the structural plan for the reduction of operating cost, by simplifying and improving the organisation, both at Group “Governance” level, through the review of governance processes and organisation charts, and at operational level, with a complete review of processes, the dissemination of an organisational culture and the reduction of product and process variability

Special attention will also be devoted to the growth of human resources, their involvement and motivation, making the most of talents and promoting internal growth, effectively managing people and especially investing on the youngest.

This will come with the need to innovate rapidly, so as to improve the services supplied to customers and productivity.

The future development of the Group will therefore depend on pursuance of the goals outlined above. The uncertainties associated with the future macroeconomic scenario (as described in the previous section) will have inevitable repercussions on the Italian banking and financial system, and consequently will also affect the development and performance of the Banca Sella Group. From the situation of crisis, however, it is likely that opportunities may also emerge for banks which, thanks to deep roots in the community, are close to the social and industrial fabric and to the needs of their customers. Taking into account the possible changes, and after examining financial indicators (with particular attention paid to liquidity indicators and capital ratios), operational indicators and other significant indicators, the estimates and projections enable the directors to conclude that there is no uncertainty regarding the assumption of business continuity.

Events subsequent to closing of the financial year

CREATION OF SELLA SERVIZI BANCARI S.C.p.A. CHENNAI BRANCH

Sella Servizi Bancari S.C.p.A. Chennai Branch became operative on 15 February, as a "permanent establishment abroad" of Sella Servizi Bancari, which acquired the information assets of Sella Synergy India Ltd..

This transaction shall allow increasing and diversifying the information services outsourced by Sella Servizi Bancari to the companies of the Banca Sella Group and is therefore one of the targets set at the creation of the consortium company; the target is to ensure the Group's competitiveness through high quality levels, high service levels and continuous innovation.

The mission of Sella Servizi Bancari S.C.p.A. Chennai Branch is to:

- reach excellent quality in software solutions and services in order to ensure maximum competitive advantage in the banking market to the Banca Sella Group;
- use technology as the driving force behind innovation, to increase revenues and create new business opportunities.

The principle for the Indian branch to "be the perfect partner for the design and development of products in all Group companies" is therefore going to be strengthened, as well as its role in every day human and professional growth, which is determined by continuous exchanges and cultural enrichment.

Statement of reconciliation between shareholders' equity and net profit of the parent company and consolidated shareholders' equity and profit

STATEMENT OF RECONCILIATION BETWEEN SHAREHOLDERS' EQUITY AND NET PROFIT OF THE PARENT COMPANY AND CONSOLIDATED SHAREHOLDERS' EQUITY AND PROFIT		
(euro thousand)	**Profit for the year 31 December 2009**	**Shareholders' equity at 31 December 2009**
Balances as per parent company financial statements	**23.073**	**472.125**
Own shares deducted	-	-
Equity pertaining to group of companies consolidated with line-by-line and net equity methods	-	78.954
Profit/(loss) for the period of consolidated investee companies, net of proportion pertaining to minority interests	21.237	21.237
Profit/(loss) for the period of investee companies measured with net equity method pertaining to the Group	-1.167	-1.167
Elimination of intragroup dividends collected in the period	-25.964	-
Consolidation adjustments:		
Reversal of writedowns of consolidated investee companies	11.975	50.361
Amortization of goodwill	-1.393	-50.864
Reversal of gains on sales made between group companies	-	-8.935
Other adjustments	-923	-542
Balances as per consolidated financial statements	**26.838**	**561.169**

The difference between the equity recognized in the individual financial statements and that in the consolidated financial statements is a result of the application of the criteria and methods described in part A, "Accounting policies", of the Notes to the consolidated financial statements. They comply with the provisions of the law and tend to represent the situation and the results of the Group as if it were a single corporate entity.

Biella, 30 March 2010

In the name and on behalf of the Board
The Chairman of the Board of Directors

Maurizio Sella

REPORT OF THE BOARD OF STATUTORY AUDITORS

Report of the board of statutory auditors

Dear Shareholders,

During financial year 2009, the Board monitored, among other things, the most significant operations, on the basis of the information provided pursuant to Art. 2381, paragraph 5, of the Civil Code, among which of particular importance were:

- the creation of “Sella Servizi Bancari”, the new consortium company of the Banca Sella Group, devoted to the provision of banking services to the companies of the Group itself;
- the transfer from Sella Gestioni to Banca Patrimoni Sella & C. of the business unit relative to individual asset management on accounts opened in the Group's SGR;
- the opening of two branches, bringing the total number of the Group’s branches to 334 at the end of the financial year;
- the legal effects of the merger between Banca Sella Holding and Finanziaria 2007, after which Banca Sella Holding became the shareholder of Banca Sella Nordest Bovio Calderari;
- the purchase of the whole investment of Banca Sella Holding in Selgest S.A.;
- the sale by the Parent company of shares in Banca Monte Parma S.p.A., amounting to 5,4% of the company's capital;
- the subscription to a share capital increase in Consel by Alleanza Toro, for a total amount of four million euro, which involved the increase of Alleanza Toro's investment in Consel to 32,5% and the reduction of Banca Sella Holding's to 51,98%;
- the purchase of another share in Agata by Banca Sella Holding, which increased the percentage held from 18,18% to 40% and made Agata a company on which the Group exercises significant influence.

* * * * *

The consolidated financial statements at 31 December 2009 – consisting of the balance sheet, income statement, statement of changes in shareholders’ equity, cash flow report, notes to the statements and statement of comprehensive income, accompanied by the report on operations- show a total profit of 29.082 thousand euro, of which 26.838 thousand pertaining to the Group and 2.244 thousand to minority interests.

The total shareholders’ equity amounted to 692.642 thousand euro, of which 131.473 thousand pertaining to minority interests.

The accounts and financial statements transmitted by the subsidiaries are prepared by their respective administrative bodies and have been examined only by the external auditors, as part of the procedures followed in auditing the consolidated financial statements, and by the bodies and/or subjects responsible for auditing the individual companies, in accordance with the laws of their respective home countries, if required there.

On these accounts and information, and also on the consolidated financial statements of Banca Sella Holding, the Board of Statutory Auditors - in accordance with the provisions of Art. 41 of Legislative Decree 127/1991, as auditing of the accounts of the same is the responsibility of the external auditors – has therefore not carried out any checks.

As Deloitte & Touche – precisely because their task is to audit the accounts – have informed us that, on the basis of the outcome of the work done up to now, they will issue their own positive opinion on the consolidated financial statements, with no objections, we see no need for further comments by us on the document.

13 April 2010

The Board of Statutory Auditors

Alessandro Rayneri Paolo Piccatti Alberto Rizzo

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2009

Consolidated balance sheet

Assets *(euro thousand)*	**31/12/2009**	**31/12/2008**	**Differences %**
10. Cash and available liquidity	122.323	118.975	2,81%
20. Financial assets held for trading	1.530.056	932.071	64,16%
30. Financial assets at fair value through profit or loss	668.070	669.631	-0,23%
40. Financial assets available for sale	709.220	330.881	114,34%
50. Financial assets held to maturity	220.932	85.498	158,41%
60. Due from banks	933.026	2.461.513	-62,10%
70. Due from customers	8.422.371	8.216.204	2,51%
80. Hedging derivatives	3.037	4.457	-31,86%
90. Change in value of financial assets subject to macro-hedging (+/-)	76.792	-	-
100. Equity investment	26.131	31.667	-17,48%
110. Reinsurers' share of technical reserves	4.764	4.901	-2,80%
120. Tangible assets	185.780	171.808	8,13%
130. Intangible assets	104.661	105.219	-0,53%
of wich:			
- goodwill	63.934	70.099	-8,79%
140. Tax assets	170.270	189.286	-10,05%
a) current	99.913	129.958	-23,12%
b) deferred	70.357	59.328	18,59%
150. Non-current assets and asset groups held for sale	-	228	-100,00%
160. Other assets	246.657	275.565	-10,49%
Total assets	**13.424.090**	**13.597.904**	**-1,28%**

Liabilities and shareholders' equity *(euro thousand)*		31/12/2009		31/12/2008		Differences %
10. Due to banks		266.303		314.461		-15,31%
20. Due to customers		8.658.539		8.677.607		-0,22%
30. Outstanding securities		1.991.882		2.286.160		-12,87%
40. Financial liabilities held for trading		46.259		44.285		4,46%
50. Financial liabilities at fair value through profit or loss		484.941		492.116		-1,46%
60. Hedging derivatives		85.074		71.566		18,87%
80. Tax liabilities		62.073		65.321		-4,97%
a) current	55.700		55.168		0,96%	
b) deferred	6.373		10.153		-37,23%	
100. Other liabilities		366.249		426.155		-14,06%
110. Employee severance indemnities		40.720		41.207		-1,18%
120. Provisions for risks and charges:		53.585		54.300		-1,32%
a) retirement and similar obligations	-		-		-	
b) other provisions	53.585		54.300		-1,32%	
130. Technical reserves		675.823		465.820		45,08%
140. Valuation reserves		10.225		9.575		6,79%
170. Reserves		374.192		361.951		3,38%
180. Share premiums		49.414		49.414		0,00%
190. Share capital		100.500		100.500		0,00%
210. Capital pertaining to minority interests (+/-)		131.473		127.129		3,42%
220. Profit for the year		26.838		10.337		159,63%
Total liabilities		**13.424.090**		**13.597.904**		**-1,28%**

Consolidated income statement

	ITEMS *(euro thousand)*		31/12/2009		31/12/2008		Differences %
10.	Interest receivable and similar income		498.042		684.773		-27,27%
20.	Interest payable and similar expense		(181.372)		(361.937)		-49,89%
30.	**Net interest income**		**316.670**		**322.836**		**-1,91%**
40.	Fee income		283.982		254.208		11,71%
50.	Fee expenses		(76.909)		(79.439)		-3,18%
60.	**Net fees**		**207.073**		**174.769**		**18,48%**
70.	Dividends and similar income		1.963		12.924		-84,81%
80.	Net gains/(losses) on trading activities		35.836		11.475		212,30%
90.	Net gains/(losses) on hedging activities		(1.063)		1.729		-161,48%
100.	Gains/(losses) on sale or repurchase of:		13.214		2.139		517,77%
	a) loans & receivables	729		(418)		-274,40%	
	b) financial assets available for sale	11.077		834		1228,18%	
	c) financial assets held to maturity	(7)		-		-	
	d) financial liabilities	1.415		1.723		-17,88%	
110.	Net gains/(losses) on financial assets and liabilities at fair value through profit or loss		15.201		(53.601)		-128,36%
120.	**Net banking income**		**588.894**		**472.271**		**24,69%**
130.	Net value adjustments for impairment on:		(86.184)		(74.634)		15,48%
	a) loans & receivables	(83.771)		(45.932)		82,38%	
	b) financial assets available for sale	(1.833)		(27.965)		-93,45%	
	c) financial assets held to maturity	-		-		-	
	d) other financial transactions	(580)		(737)		-21,30%	
140.	**Net gains/(losses) on financial operations**		**502.710**		**397.637**		**26,42%**
150.	Net premiums		235.415		126.503		86,09%
160.	Balance of other income/expenses from insurance operations		(271.912)		(88.234)		208,17%
170.	**Net gains/(losses) on financial and insurance operations**		**466.213**		**435.906**		**6,95%**
180.	Administrative expenses		(403.155)		(404.499)		-0,33%
	a) personnel expenses	(243.888)		(243.581)		0,13%	
	b) other administrative expenses	(159.267)		(160.918)		-1,03%	
190.	Net provisions for risks and charges		(6.632)		(2.834)		134,02%
200.	Net value adjustments on tangible assets		(19.870)		(21.007)		-5,41%
210.	Net value adjustments on intangible assets		(14.314)		(11.329)		26,35%
220.	Other operating expenses/income		37.970		50.128		-24,25%
230.	**Operating costs**		**(406.001)**		**(389.541)**		**4,23%**
240.	Gains/(losses) on equity investments		(1.464)		(1.076)		36,06%
250.	Net gains/(losses) on measurement at fair value of tangible and intangible assets		-		-		-
260.	Impairment of goodwill		(1.393)		(36)		3769,44%
270.	Gains/(losses) on sale of investments		64		3.909		-98,36%
280.	**Profit/(losses) from continuing operations before taxes**		**57.419**		**49.162**		**16,80%**
290.	Income taxes for the period on continuing operations		(28.337)		(35.919)		-21,11%
300.	**Profit/(losses) from continuing operations after taxes**		**29.082**		**13.243**		**119,60%**
310.	Profit/(losses) on asset disposal groups held for sale after taxes		-		-		-
320.	**Profit/(Loss) for the year**		**29.082**		**13.243**		**119,60%**
330.	Profit/(loss) for the period pertaining to minority interests		2.244		2.906		-22,78%
340.	**Profit/(Loss) for the period pertaining to Parent Company**		**26.838**		**10.337**		**159,63%**

Please note that profit at 31 December 2008 includes effects of the application of IAS n.8 by Banca Sella, Banca Sella Nordest Bovio Calderari and Banca Sella Sud Arditi Galati, as specified in Part A of Notes to the financial statements.

Statement of consolidated comprehensive income

	ITEMS *(euro thousand)*	31/12/2009	31/12/2008
10.	**Net profit/(loss) for the year**	**29.082**	**13.243**
	Other comprehensive income (net of tax)		
20.	Financial assets available for sale	4.507	(4.157)
30.	Tangible assets	-	(451)
40.	Intangible assets	-	-
50.	Hedges of foreign investments		
60.	Cash flow hedges	-	-
70.	Foreign exchange differences		
80.	Non-current assets held for sale		
90.	Actuarial gains (losses) on defined benefit plans	-	-
100.	Share of valuation reserves connected with investments meaured with net equity method	221	
110.	**Total other comprehensive income (net of tax)**	**4.728**	**(4.608)**
120.	**Total comprehensive income (item 10+110)**	**33.810**	**8.635**
130.	Total consolidated comprehensive income pertaining to minority interests	2.891	2.108
140.	**Total consolidated comprehensive income pertaining to the parent company**	30.919	6.527

Cash flow statement

Direct method

(euro thousand)

A. OPERATING ACTIVITIES	31/12/2009	31/12/2008
1. Operations	**95.154**	**162.585**
Interest income collected (+)	498.042	684.773
Interest expense paid (-)	(183.333)	(361.937)
Dividends and similar income	1.963	12.782
Net fees (+/-)	207.073	174.769
Personnel expenses	(242.460)	(239.362)
Net premiums collected (+)	235.415	126.503
Other insurance income/expenses (+/-)	(271.912)	(88.234)
Other costs (-)	(159.267)	(160.918)
Other revenues (+)	37.970	50.128
Taxes and duties	(28.337)	(35.919)
2. Cash provided (used) by financial assets	**292.787**	**(1.161.345)**
Financial assets held for trading	(562.149)	253.697
Financial assets at fair value throguh profit or loss	16.762	104.343
Financial assets available for sale	542.781	(60.401)
Due from customers	(366.001)	(1.031.188)
Due from banks	1.528.487	(536.988)
Other assets	(867.093)	109.192
3. Cash provided (used) by financial liabilities	**(202.228)**	**1.100.293**
Due to banks	(48.158)	(335.765)
Due to customers	(19.068)	1.325.870
Outstanding securities	(292.863)	322.257
Financial liabilities held for trading	1.974	2.867
Financial liabilities at fair value through profit or loss	(7.175)	(92.768)
Other liabilities	163.062	(122.168)
Net cash provided (used) by operating activities	**185.713**	**101.533**

B. INVESTING ACTIVITIES	31/12/2009	31/12/2008
1. Cash provided by:	**80.898**	**4.307**
Sales of equity investments	4.358	-
Dividends collected on equity investments	440	142
Sales/redemptions of financial assets held to maturity	70.165	-
Sales of tangible assets	320	4.165
Sales of intangible assets	5.615	-
Sales of subsidiaries and company divisions	-	-
2. Cash used by:	**(259.198)**	**(94.063)**
Purchase of equity investments	(726)	(20.770)
Purchase of financial assets held to maturity	(203.645)	(2.793)
Purchase of tangible assets	(34.063)	(29.722)
Purchase of intangible assets	(20.764)	(40.778)
Sales of subsidiaries and company divisions	-	-
Net cash provided (used) by investing activities	**(178.300)**	**(89.756)**

C. FUNDING ACTIVITIES	31/12/2009	31/12/2008
Issue/purchase of own shares	-	-
Issue/purchase of equity instruments	-	-
Distribution of dividends and other purposes	(4.065)	(12.515)
Net cash provided (used) by funding activities	**(4.065)**	**(12.515)**

NET CASH PROVIDED (USED) IN THE PERIOD	**3.348**	**(738)**

RECONCILIATION	31/12/2009	31/12/2008
Cash and cash equivalents at start of year	**118.975**	**119.713**
Total net cash provided (used) in the period	3.348	(738)
Cash and cash equivalents at end of year	**122.323**	**118.975**

Statement of changes in shareholders' equity 2008

Statement of changes in sharholders' equity 2008 *(euro thousands)*

	Balance at 31/12/2007	Changes to opening balance	Balance at 01/01/2008	Allocation of profit of previous year		Changes in the period								Group shareholders' equity 31/12/2008	Minority interest shareholders' equity 31/12/2008
							Operations on shareholders' equity								
				Group reserves	Dividends and other uses	Changes to reserves	Issue of new shares	Purchase of own shares	Distribution of extrahordinary dividends	Change in equity instruments	Derivatives of own shares	Stock options	Total comprehensive income for the period at 31/12/2008		
Share capital:															
a) ordinary shares	128.659		128.659	-	-	(2.480)	21.236	-	-	-	-	-	-	**100.500**	**46.915**
b) other shares	-		-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Share premiums	88.251		88.251	-	-	(1.813)	2.499	-	-	-	-	-	-	**49.414**	**39.523**
Reserves:	-		-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
a) profit reserves	256.888	391	257.279	121.347	-	10.346	-	-	-	-	-	-	-	**361.951**	**27.021**
b) others	-		-	-	-	8.649	-	-	-	-	-	-	-	**-**	**8.649**
Valuation reserves	37.500	-	37.500	102	-	(804)	(20.500)	-	-	-	-	-	(4.608)	**9.575**	**2.115**
Equity instruments	-		-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Own shares	-		-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Profit (loss) for the year	134.601	(491)	134.110	(121.449)	(12.661)	-	-	-	-	-	-	-	13.243	**10.337**	**2.906**
Shareholders' equity	645.899	(100)	645.799	-	(12.661)	13.898	3.235	-	-	-	-	-	8.635	**531.777**	**127.129**

Please note that profit at 31 December 2008 includes effects of the application of IAS n.8 by Banca Sella, Banca Sella Nordest Bovio Calderari and Banca Sella Sud Arditi Galati, as specified in Part A of Notes to the financial statements.

Statement of changes in shareholders' equity 2009

Statement of changes in sharholders' equity 2009 *(euro thousands)*

	Balance at 31/12/2008	Changes to opening balance	Balance at 01/01/2009	Allocation of profit of previous year		Changes in the period								Group shareholders' equity 31/12/2009	Minority interest shareholders' equity 31/12/2009
							Operations on shareholders' equity								
				Group reserves	Dividends and other uses	Changes to reserves	Issue of new shares	Purchase of own shares	Distribution of extrahordinary dividends	Change in equity instruments	Derivatives of own shares	Stock options	Total comprehensive income for the period at 31/12/2008		
Share capital:															
a) ordinary shares	147.415	-	147.415	-	-	(198)	6.136	-	-	-	-	-	-	**100.500**	**52.853**
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Share premiums	88.937	-	88.937	-	-	(7)	9.091	-	-	-	-	-	-	**49.414**	**48.607**
Reserves:	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
a) profit reserves	388.972	-	388.972	10.543	-	4.513	(1.216)	-	(1.487)	-	-	-	-	**374.192**	**27.133**
b) others	8.649	-	8.649	-	-	-	(8.649)	-	-	-	-	-	-	**-**	**-**
Valuation reserves	11.690	-	11.690	-	-	(3.431)	(2.126)	-	-	-	-	-	4.728	**10.225**	**636**
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Own shares	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Profit (loss) for the year	17.084	(3.841)	13.243	(10.543)	(2.700)	-	-	-	-	-	-	-	29.082	**26.838**	**2.244**
Shareholders' equity	662.747	(3.841)	658.906	-	(2.700)	877	3.236	-	(1.487)	-	-	-	33.810	**561.169**	**131.473**

Please note that profit at 31 December 2008 includes effects of the application of IAS n.8 by Banca Sella, Banca Sella Nordest Bovio Calderari and Banca Sella Sud Arditi Galati, as specified in Part A of Notes to the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PART A
ACCOUNTING POLICIES

A.1 General section

Section 1
Declaration of conformity to international accounting standards

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

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

The Consolidated Financial Statements, therefore, are clearly set out and give a true and fair picture of the economic and financial situation of the companies in the Banca Sella Group. The accounts used in drafting the Consolidated Financial Statements were those prepared by the Group companies with reference to financial year 2008, adjusted, where necessary, to ensure compliance with the IAS/IFRS.

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

Section 2
General drafting principles

The financial statements consist of the Balance Sheet, the Income Statement, the Statement of Changes in Shareholders’ Equity, the Cash Flow Statement, the Other Comprehensive Income Statement and the present Notes to the Financial Statements, and are accompanied by the Directors’ Report on Operations, in total continuity with respect to 31.12.08; the notes to the financial statements are stated in thousands of euro.

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

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

If the information required under international accounting standards and by the instructions in the first amendment to the Bank of Italy Circular N0. 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 a rule envisaged in the international accounting standards is incompatible with a true and fair picture of the assets and liabilities, financial position and earnings, this rule is not applied. The reasons for any exception and its impact on the presentation of the assets and liabilities, financial position and earnings are explained in the Notes to the Financial Statements

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

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

International accounting standards as of 2009

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

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

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

Section 3
Consolidation area and methods

The Consolidated Financial Statements comprise the Balance Sheet and Income Statement of the parent company and of its directly and indirectly controlled companies.

Full consolidation consists of acquiring the Balance Sheet and Income Statement aggregates of the controlled companies “line by line”. After attributing to minority interests, under a separate item, the portions pertaining to them of shareholders’ equity and profit, the value of the equity interest is derecognized, offsetting the residual value of the subsidiary’s equity. The differences resulting from this operation, if positive, are recognized – after any allocation to the assets or liabilities of the subsidiary – as goodwill under the Intangible assets item at the date of first consolidation.

Assets, liabilities, income and expenses between consolidated companies are eliminated completely Subsidiaries are defined as companies in which, directly or indirectly, the Banca Sella Group holds more than half of the voting rights or in which, with a proportion of voting rights of less than half, it has the power to determine the financial and operational policies of the company in question.

When the requisites of effective control are met, the consolidation area includes special purpose entities of securitization transactions of financial assets as envisaged by the IAS/IFRS also irrespective of the existence of an equity interest.

The profits or losses of a subsidiary acquired during the period are included in the Consolidated Financial Statements starting from the date of its acquisition. On the contrary, the profits or losses of a subsidiary sold are included in the Consolidated Financial Statements up to the date on which control ceased. The difference between the selling price and the book value at the disposal date (including any exchange differences recognized each time in shareholders’ equity at the moment of consolidation), is recognized in the Income Statement. If necessary the financial statements of the consolidated companies, which may have been prepared on the basis of different accounting criteria, are adjusted to conform to the Group standards.

Investee companies over which the Group has considerable influence (the set of so-called “associated companies”), that is companies over which it exercises the power to determine the financial and management policies without however controlling or having joint control over them, are measured with the net equity method.

The net equity method entails initial recognition of the equity interest at cost and its subsequent adjustment on the basis of the percentage stake in the shareholders’ equity of the investee company. Differences between the value of the equity interest and the shareholders’ equity of the investee company are treated in the same way as the full consolidation differences described above. In the measurement of the equity proportion any potential voting rights are not considered. The relevant proportion of profits or losses for the period of the investee company is recognized under a specific item of the Consolidated Income Statement.

The assets and liabilities, income and expenses of consolidated companies denominated in currencies other than the euro are converted according to the following rules:

- balance sheet assets and liabilities are translated at the exchange rate obtaining at the balance sheet date;
- revenues and costs in the Income Statement are translated at the average exchange rate for the year;
- all exchange differences arising from the translation are recognized in a specific and separate shareholders’ equity reserve. The above reserve is eliminated at the moment of any sale of the equity interest, and the amounts are added to or subtracted from the Income Statement at the same time.

1. Exclusive equity interests in subsidiaries

	Name of company	Head office	Type of relationship	Shareholding relationship		Voting rights %
				Investor	Stake %	
A.	**Companies**					
A.1	**Line by line consolidation**					
1	BANCA SELLA HOLDING S.p.A.	Biella	1			
2	BANCA SELLA S.p.A.	Biella	1	A.1 1	100,000%	100,000%
3	BANCA SELLA NORDEST BOVIO CALDERARI S.p.A.	Trento	1	A.1 1	56,752%	56,752%
4	BANCA SELLA SUD ARDITI GALATI S.p.A	Lecce	1	A.1 1	60,129%	60,129%
				A.1 2	7,553%	7,553%
				A.1 17	1,520%	1,520%
5	BANCA PATRIMONI SELLA & C. S.p.A.	Torino	1	A.1 1	68,416%	68,416%
				A.1 3	3,098%	3,098%
6	SELLA BANK AG	Switzerland	1	A.1 23	90,000%	90,000%
7	SELLA BANK LUXEMBOURG S.A.	Luxembourg	1	A.1 23	76,345%	76,345%
				A.1 1	23,655%	23,655%
8	BIELLA LEASING S.p.A.	Biella	1	A.1 1	76,986%	76,986%
9	CONSEL S.p.A.	Torino	1	A.1 1	51,978%	51,978%
10	SELLA GESTIONI SGR S.p.A.	Milano	1	A.1 1	75,452%	75,452%
				A.1 3	10,000%	10,000%
				A.1 5	0,898%	0,898%
11	SELLA CAPITAL MANAGEMENT SGR S.p.A. *in liquidazione*	Milano	1	A.1 1	86,029%	86,029%
				A.1 3	10,000%	10,000%
				A.1 5	2,500%	2,500%
12	SELGEST SA	Luxembourg	1	A.1 1	96,226%	96,226%
				A.1 7	3,774%	3,774%
13	EASY NOLO S.p.A.	Biella	1	A.1 1	84,737%	84,737%
14	SELLA SERVIZI BANCARI S.C.p.A.	Biella	1	A.1 1	80,226%	80,226%
				A.1 2	14,958%	14,958%
				A.1 3	1,174%	1,174%
				A.1.4	2,179%	2,179%
				A.1.5	1,127%	1,127%
				A.1.10	0,195%	0,195%
				A.1.17	0,124%	0,124%
				A.1.19	0,017%	0,017%
15	SELFID S.p.A.	Biella	1	A.1 1	88,000%	88,000%
16	SECURSEL S.r.l.	Biella	1	A.1 1	80,000%	80,000%
17	C.B.A. VITA S.p.A.	Milano	1	A.1 1	82,000%	82,000%
				A.1 3	5,000%	5,000%
				A.1 10	8,000%	8,000%
18	SELLA LIFE Ltd.	Ireland	1	A.1 17	100,000%	100,000%
19	BROSEL S.p.A.	Biella	1	A.1 1	61,500%	61,500%
				A.1 3	10,000%	10,000%
20	SELIR S.r.l.	Romania	1	A.1 23	99,902%	99,902%
21	SELLA SYNERGY INDIA Ltd.	India	1	A.1 23	99,999%	99,999%
22	IMMOBILIARE SELLA S.p.A.	Biella	1	A.1 1	100,000%	100,000%
23	SELLA HOLDING N.V.	The Nederlands	1	A.1 1	100,000%	100,000%
24	IMMOBILIARE LANIFICIO MAURIZIO SELLA S.p.A.	Biella	1	A.1 1	100,000%	100,000%
25	MARS 2600 S.r.l.*	Treviso	4	A.1 1	10,000%	10,000%

** The company is the special purpose vehicle for the Group's securitization transactions.*

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

The company Mars 2600 S.r.l. used as special vehicle for securitisation transactions of financial assets, was consolidated line by line, although without holding majority voting rights, as it fulfilled the conditions envisaged by the IAS/IFRS principles in relation to “special purpose entities”.

2. Other information

Equity investments in companies subject to significant influence (accounted for with equity method)

Name of company	Head office	Type of relationship	Shareholding relationship		Voting rights %
			Investor	Stake %	
B. Companies					
MARTIN MAUREL SELLA BANQUE PRIVEE S.A.M.	Principality of Monaco	Subj. to sig. influence	Sella Holding N.V.	45,0000%	45,0000%
IN CHIARO ASSICURAZIONI S.P.A.	Rome	Subj. to sig. influence	CBA Vita S.p.A.	49,0000%	49,0000%
AGATA S.P.A.	Ivrea	Subj. to sig. influence	Banca Sella Holding S.p.A.	40,0000%	40,0000%
RETAIL ITALIA S.R.L.	Milan	Subj. to sig. influence	Easy Nolo S.p.A.	39,9976%	39,9976%
S.C.P. VDP1	Principality of Monaco	Subj. to sig. influence	Banca Sella Holding S.p.A.	29,0000%	29,0000%
HI-MTF SIM S.P.A.	Milan	Subj. to sig. influence	Banca Sella Holding S.p.A.	20,0000%	20,0000%
BANCA MONTEPARMA S.P.A.	Parma	Subj. to sig. influence	CBA Vita S.p.A.	3,0000%	3,0000%
BANCA MONTEPARMA S.P.A.	Parma	Subj. to sig. influence	Banca Sella Holding S.p.A.	7,0000%	7,0000%

Section 4
Events subsequent to the balance sheet date

There are no subsequent events to be reported.

Section 5
Other aspects

INFORMATION ON ERROR CORRECTION (IAS 8)

Following the reports of Bank of Italy Supervisors during their inspection in the Companies of the Banca Sella Sud Arditi Galati Group, it was found that Banca Sella Sud Arditi Galati, Banca Sella and Banca Sella Nordest Bovio Calderari failed to correctly adapt to the provisions of Bank of Italy Circular no. 272 of 30 July 2008, concerning the obligations of Supervisory Reporting rules on "*Incagli Oggettivi*" (objective watchlist exposures). As a result, during the preparation of the annual Report at 31 December 2008, objective watchlist exposures were classified under other loan categories (past due or performing loans) instead of watchlist exposures. The new watchlist classification created the need for auditing the valuation carried out on the positions at issue, according to the criteria provided for impaired loans classified as watchlist.

The results of the audit demonstrated greater impairment losses for an amount of 5.3 million euro which were considered as significant for representing balance sheet items at 31 December 2008. IAS principle no. 8 was therefore applied, implying the retroactive recognition of correction entries. Said entries are illustrated in the table below.

BALANCE SHEET AS AT 31/12/2008	31/12/2008	Correction effect	01/01/2009
Assets Items			
70. Due from customers	8.221.502	(5.298)	8.216.204
140. Tax assets	187.829	1.457	189.286
b) deferred	57.871	1.457	59.328
Liabilities and shareholders' equity items			
210. Capital pertaining to minority interest	127.675	(546)	127.129
220. Profit for the year	13.632	(3.295)	10.337

INCOME STATEMENT AS AT 31/12/2008	31/12/2008	Correction effect	01/01/2009
Income statement items			
130. Net value adjustments for impairment of	(69.336)	(5.298)	(74.634)
a) loans & receivables	(40.634)	(5.298)	(45.932)
290. Income taxes for the period on continuing operations	(37.376)	1.457	(35.919)
320. Profit/(Loss) for the year	17.084	(3.841)	13.243
330. Profit/(Loss) for the period pertaining to minority interests	3.452	(546)	2.906
340. Profit/(Loss) for the period pertaining to Parent company	13.632	(3.295)	10.337

The correction was made on Balance Sheet and Income Statement items at 31 December 2008 as the amendment to the regulations on watchlist exposures entered into force in the second half of 2008.

A.2 Main accounting items

1 – FINANCIAL ASSETS HELD FOR TRADING

Classification criteria

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

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

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

Recognition criteria

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

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

Assessment criteria

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

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

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

Derecognition criteria

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

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

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

2 – FINANCIAL ASSETS AVAILABLE FOR SALE

Classification criteria

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

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

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

Recognition criteria

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

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

Assessment criteria

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

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

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

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

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

The significance of the impairment (so-called "Severity") should be measured both in absolute terms, as a negative performance of the financial asset, and in relative terms in connection with the trends of markets/sectors pertaining to the company analysed in this document. Specifically, an impairment of more than 50% is regarded as significant.

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

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

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

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

Derecognition criteria

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

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

3 – FINANCIAL ASSETS HELD TO MATURITY

Classification criteria

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

Recognition criteria

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

Assessment criteria

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

Derecognition criteria

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

4 – LOANS AND RECEIVABLES

Classification criteria

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

Recognition criteria

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

Assessment criteria

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

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

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

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

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

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

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

Derecognition criteria

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

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

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

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

The valuation times are:

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

5 – FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Classification criteria

The Group has recognized under this item – which comprises financial instruments carried at fair value with a corresponding entry in the Income Statement – investments for the benefit of policyholders who bear the risk and those arising from management of pension funds in the life assurance segment.

Recognition criteria

Financial assets consisting of debt and equity securities are initially recognized on the settlement date.

Assessment criteria

At the moment of initial recognition these financial assets are recognized at cost, understood as the fair value of the instrument. After initial recognition the financial assets are carried at fair value, with any changes in value booked to the income statement.

In determining the fair value of financial instruments quoted on an active market, 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.

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.

6 – HEDGING TRANSACTIONS

Classification criteria: types of hedging

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

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

IAS 39 describes the following types of hedges:

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

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

Recognition criteria

At the level of the Consolidated Financial Statements, only instruments that involve a counterparty outside the Group can be designated as hedging instruments. All results attributed to internal transactions enacted between different Group entities are eliminated.

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

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

- prospective tests, which justify the application of hedge accounting, as they show the expected effectiveness;

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

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

Assessment criteria

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

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

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

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

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

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

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

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

- both the market values and the intrinsic values of all IRSs are calculated.

7 – EQUITY INVESTMENTS

Classification criteria

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

Recognition criteria

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

Assessment criteria

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

Derecognition criteria

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

8 – TANGIBLE ASSETS

Classification criteria

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

Recognition criteria

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

Assessment criteria

Tangible assets items, including properties not for business purposes, are carried at cost, after deducting any depreciation and impairment losses. These fixed assets are systematically depreciated over their useful life, adopting as the depreciation criterion the straight line method, with the exception of land, whether purchased separately or incorporated in the value of buildings, as it has an unlimited useful life. If its value is incorporated into the value of the building, in accordance with the components approach it is considered an asset separable from the building; the value of the land is separated from the value of the building on the basis of valuation by independent experts only for buildings possessed "from roof to ground".

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

Derecognition criteria

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

9 – 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

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

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

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

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

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

15 – FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group availed itself of the possibility of stating at fair value financial liabilities relating to the deposit of unit and index-linked insurance contracts, which are measured at the fair value of the assets.

This method of calculation is not only based on the efficiency of information on financial markets but is also the best approximation of the estimate of the future cash flows of the related policies.

The effects arising from initial recognition on the Balance Sheet of the fair value of these liabilities are recognized in the Income Statement

16 – FOREIGN CURRENCY TRANSACTIONS

Initial recognition

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

Following recognition

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

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

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

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

17 – INSURANCE ASSETS AND LIABILITIES

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

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

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

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

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

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

Technical reserves – Non-life insurance

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

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

The damage reserve is determined analytically through the valuation of all outstanding claims for damages at the end of the financial year and on the basis of technically prudent estimates which ensure that the amount reserved is sufficient to pay the outstanding claims. This damage reserve also includes provisions for late claims.

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

Technical reserves – Life assurance

The mathematical reserves of life assurance policies, determined according to actuarial criteria, are in line with the provisions of Art. 36 of Lgs. Dec. 209/2005. They are sufficient to cover the commitments assumed towards the interested parties, as stated in the technical report prepared and signed by the actuary appointed by the company. In particular this calculation took into account the provisions of the rules on the subject of adjustment of the technical basis for annuity benefits, and of ISVAP Regulation No. 21 of 28 March 2008 on the establishment of additional reserves against foreseeable returns on the funds managed separately.

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In order to ascertain the congruity of the technical reserves it is envisaged that companies will carry out a sufficiency test on them, the so-called “Liability Adequacy Test”, on the basis of the present values of future cash flows. If from this assessment it emerges that the book value of the insurance liabilities, net of the associated capitalized purchase costs and intangible assets, is insufficient, the difference must be recognized in the Income Statement.

Shadow accounting

Contracts with revaluation of the benefits linked to profits on a separate management are classified as insurance or investment contracts with discretionary participation features (DPF). The DPF component derives from the existence of unrealized capital gains and losses from valuation. IFRS 4 (par. 30) permits changes to the accounting standards, so that a capital gain or loss recognised but not realized on an asset reflects in measurements of the insurance liabilities, of the associated deferred purchase costs and of the related intangible assets, as if it were a realized component.

The adjustment that follows is recognized in shareholders’ equity only if the same treatment is adopted for realized gains or losses.

On the contrary, latent capital gains or losses on assets recognized directly in the Income Statement (including adjustments for lasting impairment) entail a corresponding writedown of insurance liabilities recognized directly in the Income Statement.

The Shadow Accounting calculation is performed every year.

Other liabilities

This item includes, among other things, the management fees of CBA Vita contracts classified as investments, which are recognised as revenues, in accordance with IAS 18, when the service is rendered.

This implies that the service component is deferred and recognized in the Income Statement on a straight line basis over the entire term of the contract so as to offset the costs of providing the services borne by the company. The estimate of the term of the policy takes into account the propensity for liquidations on the part of policyholders, for well-tested products on which the Group has acquired experience, and of expectations assessed in the development stage, for new products. Recurrent components, such as fees received, commissions paid and portfolio management costs, are booked to the Income Statement of the period in which they are generated.

Aspects of the Income Statement related to the insurance business

As regards insurance contracts, in accordance with IFRS 4, the following are to be recognized in the Income Statement: premiums, which include amounts for the year deriving from the issuance of contracts, net of cancellations; changes in technical reserves, which represent the change in future commitments towards policyholders deriving from insurance contracts; fees for the accounting period payable to intermediaries; and the cost of damages, redemptions and expiries for the accounting period.

18 – OTHER INFORMATION

Securitizations

In financial year 2001 the Company completed two securitizations with which Banca Sella S.p.A. and Biella Leasing S.p.A. sold, respectively, a portfolio of performing loans and the flows deriving from a portfolio of leasing contracts to the vehicle company Secursel S.r.l. For both the securitization transactions described above the company took advantage of the optional exemption provided for in IFRS

1, which permits it not to re-recognize financial assets/liabilities sold or derecognized before 1st January 2004.

During 2005, 2008 and 2009 Banca Sella completed a further sale of a portfolios of performing loans to the special purpose vehicle Mars 2600 S.r.l.

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

Employee benefits

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

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

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

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

Recognition of revenues and costs

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

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

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

Own shares

Any own shares held are deducted from shareholders' equity.

Similarly, the initial cost of these shares and the gains or losses deriving from their subsequent sale are accounted for as changes in shareholders' equity.

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

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

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

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

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

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

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 may 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.
- Investments in an active market.
- Derivatives quoted on regulated markets.

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

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

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

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

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

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

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

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

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

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

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

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

- Default or delisted securities, should the price communicated by the reference provider for the single security be above 0. If the price is equal to 0, said securities are regarded as “not measured at fair value”.
- Securities deriving from Mars 2600 and Secursel and other ABS securization.
- Funds or Sicav specializing in ABS.
- Unquoted closed-end funds.
- Private equity funds.
- 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;
- Multiple of earnings, which determines the Company value on the basis of specific indicators relating market prices to financial statement values; multiple of earnings are expressed by a sample of quoted companies as similar as possible to the Company to be evaluated. A number of factors are taken into account to establish sample homogeneity: the belonging to the same economic sector, the size of the company, financial risks deriving from the corporate financial structure, market shares, geographical diversification, and so on.

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

Receivables: hedged fixed-rate loans

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

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

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

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

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

A.3 – Information on fair value

A.3.1. Transfers between portfolios

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

Type of financial instrument (1)	Previous portfolio (2)	New portfolio (3)	Book value at 31/12/2009 (4)	Fair Value at 31/12/2009 (5)	Income components in case of no transfer (before tax)		Annual income components (before tax)	
					Valuation (6)	Other (7)	Valuation (8)	Other (9)
Debt securities			**110.743**	**110.868**	**5.993**	**1.340**	**3.649**	**541**
	HFT	AFS	56.413	56.410	2.635	1.258	3.649	243
	HFT	Due from banks	19.677	19.402	547	-	-	189
	HFT	Due from customers	14.002	13.599	228	-	-	53
	AFS	Due from banks	20.651	21.457	2.583	82	-	56
Total			**110.743**	**110.868**	**5.993**	**1.340**	**3.649**	**541**

Key:
HFT = Financial assets held for trading
AFS = Financial assets available for sale
HTM = Financial assets held to maturity

Some companies of the Group, following the financial crisis that characterised 2008 and part of 2009, reclassified a part of their security portfolio (authorised on 13 October 2008 of International Accounting Standards Board - IASB - which adopted amendments to international accounting standard IAS 39 and IFRS 7 and allowed the reclassification of certain financial instruments out of the category "held for trading" in rare circumstances) .

If the Group had not used the possibility of reclassifying the aforementioned financial assets in 2008, the income statement (6) would have seen higher positive evaluation components for 5,993 thousand euro and other income (7) for 1,340 thousand euro, while in the shareholders' equity (8) there would have been positive components for 3,649 thousand euro and other income (9) for 541 thousand euro.

A.3.1.4 Effective interest rate and expected future cash flows from reclassified assets

Company performing the reclassification	Description	Isin	Rate	Expected cash flow
Banca Sella S.p.A.	CCT 01/07/13 TV	IT0004101447	0,95%	18.134
Banca Sella S.p.A.	CCT 01/03/14 TV	IT0004224041	0,99%	18.540
Banca Sella Nordest Bovio Calderari S.p.A.	CCT 01/07/13 TV	IT0004101447	0,95%	10.912
Banca Sella Nordest Bovio Calderari S.p.A.	CCT 01/03/14 TV	IT0004224041	0,99%	5.207
Banca Sella Sud Arditi Galati S.p.A	CCT 01/07/13 TV	IT0004101447	0,95%	338
Banca Sella Sud Arditi Galati S.p.A	CCT 01/03/14 TV	IT0004224041	0,99%	5.207
CBA Vita S.p.A.	MPS 4.875% 05/16	XS0255820804	7,15%	8.608
CBA Vita S.p.A.	GS DOPPIA PROSP. II	XS0256281527	8,20%	612
CBA Vita S.p.A.	BNP Float 17.10.16	XS0270531147	3,82%	945
CBA Vita S.p.A.	BPU IM FLOAT 03/16	XS0248693854	4,76%	3.891
CBA Vita S.p.A.	DEUTSCHE BANK Float	XS0229840474	3,76%	912
CBA Vita S.p.A.	ISPIM Float 08.02.16	XS0242832599	3,79%	923
CBA Vita S.p.A.	SOC GEN Float 07.06.	XS0303483621	4,22%	1.314
CBA Vita S.p.A.	OBBL. UNICREDITO 05/	XS0226191798	5,63%	3.611
CBA Vita S.p.A.	BANCA . INT. 2/12/15	XS0236477377	3,58%	2.892
CBA Vita S.p.A.	BANCA ITALEASE TV% 1	IT0004014681	5,00%	2.561
CBA Vita S.p.A.	MPS CMS 01.04.15	XS0215079202	5,69%	2.359

A.3.2. Hierarchy of fair value

A.3.2.1 Accaunting portfolios: fair value by level

Financial assets/liabilities at fair value	31/12/2009			31/12/2008	
	Level 1	Level 2	Level 3	Level 1	Level 2/3
1. Financial assets held for trading	1.363.338	162.739	3.979	877.364	54.707
2. Financial assets at fair value through profit or loss	379.772	288.298	-	617.398	52.233
3. Financial assets available for sale	677.699	9.497	22.024	296.451	34.430
4. Hedging derivatives	-	3.037	-	-	4.457
Total	**2.420.809**	**463.571**	**26.003**	**1.791.213**	**145.827**
1. Financial liabilities held for trading	32.917	13.342	-	6.357	37.928
2. Financial liabilities at fair value through profit or loss	401.103	83.838	-	-	492.116
3. Hedging derivatives	-	85.074	-	-	71.566
Total	**434.020**	**182.254**	**-**	**6.357**	**601.610**

PART B
INFORMATION ON THE CONSOLIDATED BALANCE SHEET

ASSETS

Section 1
Cash and available liquidity - Item 10

1.1 Cash and available liquidity: breakdown

	31/12/2009	31/12/2008
a) Cash on hand	98.651	108.231
b) Demand deposits at central banks	23.672	10.744
Total	**122.323**	**118.975**

Section 2
Financial assets held for trading – Item 20

2.1 Financial assets held for trading: breakdown by type

Item/Amount	31/12/2009			31/12/2008	
	L1	L2	L3	L1	L2/3
A. Cash assets					
1. Debt securities	1.296.218	122.784	109	832.885	2.709
1.1 Structured securities	-	-	-	-	-
1.2 Other debt securities	1.296.218	122.784	109	832.885	2.709
2. Equity securities	4.271	-	41	2.424	17
3. UCITS units	59.321	20.793	3.829	38.335	17.447
4. Loans and advances	-	-	-	-	-
4.1 Reverse repurchase agreements	-	-	-	-	-
4.2 Others	-	-	-	-	-
Total A	**1.359.810**	**143.577**	**3.979**	**873.644**	**20.173**
B. Derivative instruments					
1. Financial derivatives:	3.528	19.162	-	3.720	34.534
1.1 for trading	3.528	17.115	-	3.720	34.238
1.2 linked to fair value option	-	-	-	-	-
1.3 others	-	2.047	-	-	296
2. Credit derivatives:	-	-	-	-	-
2.1 for trading	-	-	-	-	-
2.2 linked to fair value option	-	-	-	-	-
2.3 others	-	-	-	-	-
Total B	**3.528**	**19.162**	**-**	**3.720**	**34.534**
Total A+B	**1.363.338**	**162.739**	**3.979**	**877.364**	**54.707**

2.1.1 attributable to the banking group

Item/Amount	31/12/2009			31/12/2008	
	L1	L2	L3	L1	L2/3
A. Cash assets					
1. Debt securities	1.296.218	121.109	109	832.885	1.045
1.1 Structured securities	-	-	-	-	-
1.2 Other debt securities	1.296.218	121.109	109	832.885	1.045
2. Equity securities	4.056	-	41	2.238	17
3. UCITS units	259	20.691	3.829	1.005	17.366
4. Loans and advances	-	-	-	-	-
4.1 Reverse repurchase agreements	-	-	-	-	-
4.2 Others	-	-	-	-	-
Total A	**1.300.533**	**141.800**	**3.979**	**836.128**	**18.428**
B. Derivative instruments					
1. Financial derivatives:	3.528	19.074	-	3.720	34.032
1.1 for trading	3.528	17.027	-	3.720	33.736
1.2 linked to fair value option	-	-	-	-	-
1.3 others	-	2.047	-	-	296
2. Credit derivatives:	-	-	-	-	-
2.1 for trading	-	-	-	-	-
2.2 linked to fair value option	-	-	-	-	-
2.3 others	-	-	-	-	-
Total B	**3.528**	**19.074**	**-**	**3.720**	**34.032**
Total A+B	**1.304.061**	**160.874**	**3.979**	**839.848**	**52.460**

2.1.2 attributable to insurance companies

Item/Amount	31/12/2009			31/12/2008	
	L1	L2	L3	L1	L2/3
A. Cash assets					
1. Debt securities	-	1.675	-	-	1.664
1.1 Structured securities	-	-	-	-	-
1.2 Other debt securities	-	1.675	-	-	1.664
2. Equity securities	215	-	-	186	-
3. UCITS units	59.062	102	-	37.330	81
4. Loans and advances	-	-	-	-	-
4.1 Reverse repurchase agreements	-	-	-	-	-
4.2 Others	-	-	-	-	-
Total A	**59.277**	**1.777**	**-**	**37.516**	**1.745**
B. Derivative instruments					
1. Financial derivatives:	-	88	-	-	502
1.1 for trading	-	88	-	-	502
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	**-**	**88**	**-**	**-**	**502**
Total A+B	**59.277**	**1.865**	**-**	**37.516**	**2.247**

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

Item/Amount	31/12/2009	31/12/2008
A. Cash assets		
1. Debt securities	**1.419.111**	**835.594**
a) Governments and Central Banks	733.691	697.106
b) Other public bodies	38	1.848
c) Banks	548.257	113.651
d) Other issuers	137.125	22.989
2. Equity securities	**4.312**	**2.441**
a) Banks	799	774
b) Other issuers:	3.513	1.667
- insurance companies	984	378
- financial companies	31	18
- non-financial companies	2.379	1.168
- others	119	103
3. UCITS units	**83.943**	**55.782**
4. Loans and advances	**-**	**-**
a) Governments and central banks	-	-
b) Other public bodies	-	-
c) Banks	-	-
d) Other subjects	-	-
Total A	**1.507.366**	**893.817**
B. Derivative instruments		
a) Banks		
- fair value	9.408	14.713
b) Customers		
- fair value	13.282	23.541
Total B	**22.690**	**38.254**
Total A+B	**1.530.056**	**932.071**

2.2.1 attributable to the banking group

Item/Amount	31/12/2009	31/12/2008
A. Cash assets		
1. Debt securities	**1.417.436**	**833.930**
a) Governments and Central Banks	733.691	697.106
b) Other public bodies	38	184
c) Banks	546.582	113.651
d) Other issuers	137.125	22.989
2. Equity securities	**4.097**	**2.255**
a) Banks	779	760
b) Other issuers:	3.318	1.495
- insurance companies	908	309
- financial companies	31	18
- non-financial companies	2.379	1.168
- others	-	-
3. UCITS units	**24.779**	**18.371**
4. Loans and advances	**-**	**-**
a) Governments and central banks	-	-
b) Other public bodies	-	-
c) Banks	-	-
d) Other subjects	-	-
Total A	**1.446.312**	**854.556**
B. Derivative instruments		
a) Banks		
- fair value	9.320	14.211
b) Customers		
- fair value	13.282	23.541
Total B	**22.602**	**37.752**
Total A+B	**1.468.914**	**892.308**

2.2.2 attributable to insurance companies

Item/Amount	31/12/2009	31/12/2008
A. Cash assets		
1. Debt securities	**1.675**	**1.664**
a) Governments and Central Banks	-	-
b) Other public bodies	-	1.664
c) Banks	1.675	-
d) Other issuers	-	-
2. Equity securities	**215**	**186**
a) Banks	20	14
b) Other issuers:	195	172
- insurance companies	76	69
- financial companies	-	-
- non-financial companies	-	-
- others	119	103
3. UCITS units	**59.164**	**37.411**
4. Loans and advances	**-**	**-**
a) Governments and central banks	-	-
b) Other public bodies	-	-
c) Banks	-	-
d) Other subjects	-	-
Total A	**61.054**	**39.261**
B. Derivative instruments		
a) Banks		
- fair value	88	502
b) Customers		
- fair value	-	-
Total B	**88**	**502**
Total A+B	**61.142**	**39.763**

2.3 Cash financial assets held for trading: annual changes

	Debt securities	Equity securities	UCITS units	Loans and advances	Total
A. Opening balance	**835.594**	**2.441**	**55.782**	**-**	**893.817**
B. Increases	**63.491.442**	**1.923.237**	**472.265**	**-**	**65.886.944**
B.1 Purchases	63.442.653	1.918.343	471.347	-	65.832.343
B.2 Increases in fair value	7.177	537	803	-	8.517
B.3 Other changes	41.612	4.357	115	-	46.084
C. Decreases	**62.907.925**	**1.921.366**	**444.104**	**-**	**65.273.395**
C.1 Sales	62.295.959	1.919.581	443.394	-	64.658.934
C.2 Redemptions	590.161	-	-	-	590.161
C.3 Reductions in fair value	4.907	9	476	-	5.392
C.4 Transfers to other portfolios	-	-	-	-	-
C.5 Other changes	16.898	1.776	234	-	18.908
D. Closing balance	**1.419.111**	**4.312**	**83.943**	**-**	**1.507.366**

2.3.1 attributable to the banking group

	Debt securities	Equity securities	UCITS units	Loans and advances	Total
A. Opening balance	**833.930**	**2.255**	**18.371**	**-**	**854.556**
B. Increases	**63.491.431**	**1.923.140**	**30.278**	**-**	**65.444.849**
B.1 Purchases	63.442.653	1.918.279	29.460	-	65.390.392
B.2 Increases in fair value	7.166	504	703	-	8.373
B.3 Other changes	41.612	4.357	115	-	46.084
C. Decreases	**62.907.925**	**1.921.298**	**23.870**	**-**	**64.853.093**
C.1 Sales	62.295.959	1.919.517	23.192	-	64.238.668
C.2 Redemptions	590.161	-	-	-	590.161
C.3 Reductions in fair value	4.907	5	444	-	5.356
C.4 Transfers to other portfolios	-	-	-	-	-
C.5 Other changes	16.898	1.776	234	-	18.908
D. Closing balance	**1.417.436**	**4.097**	**24.779**	**-**	**1.446.312**

2.3.2 attributable to insurance companies

	Debt securities	Equity securities	UCITS units	Loans and advances	Total
A. Opening balance	**1.664**	**186**	**37.411**	**-**	**39.261**
B. Increases	**11**	**97**	**441.987**	**-**	**442.095**
B.1 Purchases	-	64	441.887	-	441.951
B.2 Increases in fair value	11	33	100	-	144
B.3 Other changes	-	-	-	-	-
C. Decreases	**-**	**68**	**420.234**	**-**	**420.302**
C.1 Sales	-	64	420.202	-	420.266
C.2 Redemptions	-	-	-	-	-
C.3 Reductions in fair value	-	4	32	-	36
C.4 Transfers to other portfolios	-	-	-	-	-
C.5 Other changes	-	-	-	-	-
D. Closing balance	**1.675**	**215**	**59.164**	**-**	**61.054**

Section 3
Financial assets at fair value through profit or loss - Item 30

3.1 Financial assets at fair value through profit or loss: breackdown by type

3.1.2 attributable to insurance companies

Item/Amount	31/12/2009			31/12/2008	
	L1	L2	L3	L1	L2/3
1. Debt securities	218.282	262.050	-	507.402	21.102
1.1 Structured securities	-	23.939	-	18.049	-
1.2 Other debt securities	218.282	238.111	-	489.353	21.102
2. Equity securities	20.027	-	-	11.184	-
3. UCITS units	141.463	-	-	98.812	-
4. Loans and advances	-	26.248	-	-	31.131
4.1 Structured	-	-	-	-	-
4.2 Other	-	26.248	-	-	31.131
Total	**379.772**	**288.298**	**-**	**617.398**	**52.233**
Cost	**403.803**	**313.792**	**-**	**702.781**	**53.200**

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

3.2.2 attributable to insurance companies

Item/Amount	31/12/2009	31/12/2008
1. Debt securities	**480.332**	**528.504**
a) Governments and central banks	121.190	21.930
b) Other public bodies	-	-
c) Banks	188.993	210.251
d) Other issuers	170.149	296.323
2. Equity securities	**20.027**	**11.184**
a) Banks	1.474	-
b) Other issuers:	18.553	11.184
- insurance companies	870	-
- financial companies	1.497	711
- non-financial companies	16.186	-
- others	-	10.473
3. UCITS units	**141.463**	**98.812**
4. Loans and advances	**26.248**	**31.131**
a) Governments and central banks	-	-
b) Other public bodies	-	-
c) Banks	26.248	31.131
d) Other issuers	-	-
Total	**668.070**	**669.631**

3.3 Financial assets at fair value through profit or loss: annual changes

3.3.2 attributable to insurance companies

	Debt securities	Equity securities	UCITS units	Loans and advances	Total
A. Opening balance	**528.504**	**11.184**	**98.812**	**31.131**	**669.631**
B. Increases	**164.608**	**26.425**	**50.412**	**26.248**	**267.693**
B.1 Purchases	129.101	24.796	40.581	26.248	220.726
B.2 Increases in fair value	35.507	1.629	9.831	-	46.967
B.3 Other changes	-	-	-	-	-
C. Decreases	**212.780**	**17.582**	**7.761**	**31.131**	**269.254**
C.1 Sales	203.402	6.088	6.304	31.131	246.925
C.2 Redemptions	-	-	-	-	-
C.3 Reductions in fair value	9.378	11.494	1.457	-	22.329
C.4 Other changes	-	-	-	-	-
D. Closing balance	**480.332**	**20.027**	**141.463**	**26.248**	**668.070**

Section 4
Financial assets available for sale - Item 40

4.1 Financial assets available for sale: breakdown by type

Item/Amount	31/12/2009			31/12/2008	
	L1	L2	L3	L1	L2/3
1. Debt securities	660.787	9.497	13.643	283.749	9.861
1.1 Structured securities	18.714	2.459	-	18.147	-
1.2 Other debt securities	642.073	7.038	13.643	265.602	9.861
2. Equity securities	16.912	-	5.911	12.702	24.569
2.1 Carried at fair value	16.912	-	245	12.702	17.487
2.2 Carried at cost	-	-	5.666	-	7.082
3. UCITS units	-	-	-	-	-
4. Loans and advances	-	-	2.470	-	-
Total	**677.699**	**9.497**	**22.024**	**296.451**	**34.430**

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. The following writedowns have been made:

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

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

- *London Stock Exchange Group (measurement method: market price): Banca Sella Holding wrote up its investment on the basis of the closing market price at 31 December 2009 recognising a positive reserve of 2.7 million euro in the shareholders' equity;*
- *Intesa Sanpaolo S.p.A. (measurement method: market price): after writing down the investment recognised in the profit and loss account at the closing market price at 30 June 2009, for an amount of 1.3 million euro, on preparation of the half-yearly report (given the significance of the impairment over the value recognised in*

the accounts and its continuation over time, and as provided by the accounting principle IAS 39 relative to the significance and duration of the impairment) Banca Sella Holding wrote up its investment according to the closing price at 31 December 2009 recognising a positive reserve of 469 thousand euro in the shareholders' equity;

- *Gruppo Mutui On Line (measurement method: market price): Banca Sella Holding wrote up its investment, purchased in April 2009, on the basis of the closing market price at 31 December 2009 recognising a positive reserve of 1 million euro in the shareholders' equity;*
- *Visa Inc. (measurement method: comparable transactions): the class C shares held by Banca Sella Holding were measured in a 1:1 ratio with class A shares, discounting them to take into consideration the lock-in clause preventing trading until 2013; the positive reserve recognised in the shareholders' equity in 2008 was increased by 1.1 million euro.*

The item 4.Loans was measured by Banca Sella according to the change in the corporate reorganisation of "Comital Saiag S.p.A" which generated a partial reconversion of the total debt, specifically in the order of 2.5 million euro in S.F.P. (Partecipating Financial Instruments).

4.1.1 attributable to the banking group

Item/Amount	31/12/2009			31/12/2008	
	L1	L2	L3	L1	L2/3
1. Debt securities	270.108	1.012	13.643	80.957	9.861
1.1 Structured securities	-	-	-	-	-
1.2 Other debt securities	270.108	1.012	13.643	80.957	9.861
2. Equity securities	16.912	-	5.911	12.702	24.569
2.1 Carried at fair value	16.912	-	245	12.702	17.487
2.2 Carried at cost	-	-	5.666	-	7.082
3. UCITS units	-	-	-	-	-
4. Loans and advances	-	-	2.470	-	-
Total	**287.020**	**1.012**	**22.024**	**93.659**	**34.430**

4.1.2 attributable to insurance companies

Item/Amount	31/12/2009			31/12/2008	
	L1	L2	L3	L1	L2/3
1. Debt securities	390.679	8.485	-	202.792	-
1.1 Structured securities	18.714	2.459	-	18.147	-
1.2 Other debt securities	371.965	6.026	-	184.645	-
2. Equity securities	-	-	-	-	-
2.1 Carried at fair value	-	-	-	-	-
2.2 Carried at cost	-	-	-	-	-
3. UCITS units	-	-	-	-	-
4. Loans and advances	-	-	-	-	-
Total	**390.679**	**8.485**	**-**	**202.792**	**-**

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

Item/Amount	31/12/2009	31/12/2008
1. Debt securities	**683.927**	**293.610**
a) Governments and central banks	469.768	188.408
b) Other public bodies	23.252	9.905
c) Banks	108.218	69.154
d) Other issuers	82.689	26.143
2. Equity securities	**22.823**	**37.271**
a) Banks	1.771	13.258
b) Other issuers:	21.052	24.013
- insurance companies	-	-
- financial companies	20.248	17.684
- non-financial companies	804	6.329
- others	-	-
3. UCITS units	**-**	**-**
4. Loans and advances	**2.470**	**-**
a) Governments and central banks	-	-
b) Other public bodies	-	-
c) Banks	-	-
d) Other subjects	2.470	-
Total	**709.220**	**330.881**

4.2.1 attributable to the banking group

Item/Amount	31/12/2009	31/12/2008
1. Debt securities	**284.763**	**90.818**
a) Governments and central banks	260.771	80.957
b) Other public bodies	-	-
c) Banks	9.093	-
d) Other issuers	14.899	9.861
2. Equity securities	**22.823**	**37.271**
a) Banks	1.771	13.258
b) Other issuers:	21.052	24.013
- insurance companies	-	-
- financial companies	20.248	17.684
- non-financial companies	804	6.329
- others	-	-
3. UCITS units	**-**	**-**
4. Loans and advances	**2.470**	**-**
a) Governments and central banks	-	-
b) Other public bodies	-	-
c) Banks	-	-
d) Other subjects	2.470	-
Total	**310.056**	**128.089**

4.2.2 attributable to insurance companies

Item/Amount	31/12/2009	31/12/2008
1. Debt securities	**399.164**	**202.792**
a) Governments and central banks	208.997	107.451
b) Other public bodies	23.252	9.905
c) Banks	99.125	69.154
d) Other issuers	67.790	16.282
2. Equity securities	**-**	**-**
a) Banks	-	-
b) Other issuers:	-	-
- insurance companies	-	-
- financial companies	-	-
- non-financial companies	-	-
- others	-	-
3. UCITS units	**-**	**-**
4. Loans and advances	**-**	**-**
a) Governments and central banks	-	-
b) Other public bodies	-	-
c) Banks	-	-
d) Other subjects	-	-
Total	**399.164**	**202.792**

4.4 Financial assets available for sale: annual changes

	Debt securities	Equity securities	UCITS units	Loans and advances	Total
A. Opening balance	**293.610**	**37.271**	**-**	**-**	**330.881**
B. Increases	**921.598**	**8.313**	**-**	**2.470**	**932.381**
B.1 Purchases	907.399	2.007	-	2.470	911.876
B.2 Increases in fair value	3.326	6.185	-	-	9.511
B.3 Writebacks	7.075	-	-	-	7.075
B.4 Transfers from other portfolios	-	-	-	-	-
B.5 Other changes	3.798	121	-	-	3.919
C. Decreases	**531.281**	**22.761**	**-**	**-**	**554.042**
C.1 Sales	511.561	21.859	-	-	533.420
C.2 Redemptions	13.759	-	-	-	13.759
C.3 Reductions in fair value	974	-	-	-	974
C.4 Impairment losses	992	569	-	-	1.561
- charged to the income statement	-	569	-	-	569
- charged to shareholders' equity	992	-	-	-	992
C.5 Transfers to other portfolios	-	301	-	-	301
C.6 Other changes	3.995	32	-	-	4.027
D. Closing balance	**683.927**	**22.823**	**-**	**2.470**	**709.220**

Please note that during the financial year the interests in London Stock Exchange Group and Visa were partly sold and the interests in Mastercard and Centrale dei Bilanci were entirely sold; on the whole, 10,9 million euro of gross capital gains were realised. Finally, in 2009, Centro Sviluppo, a company in which Banca Sella Holding held an interest of 6%, was wound up; the annulment of this interest caused a capital loss of 32 thousand euro.
Please note also that on the financial statements 2008, an amount of 84,000 shares in Banca Monte Parma S.p.A. representing 3% of the capital share of the company were recognised under Financial assets available for sale. These shares have been sold by Banca Sella Holding in a larger operation that lead to the sale of an amount representing 5,403% of the company's capital.

4.4.1 attributable to the banking group

	Debt securities	Equity securities	UCITS units	Loans and advances	Total
A. Opening balance	**90.818**	**37.271**	**-**	**-**	**128.089**
B. Increases	**565.305**	**8.313**	**-**	**2.470**	**576.088**
B.1 Purchases	558.181	2.007	-	2.470	562.658
B.2 Increases in fair value	3.326	6.185	-	-	9.511
B.3 Writebacks	-	-	-	-	-
B.4 Transfers from other portfolios	-	-	-	-	-
B.5 Other changes	3.798	121	-	-	3.919
C. Decreases	**371.360**	**22.761**	**-**	**-**	**394.121**
C.1 Sales	352.632	21.859	-	-	374.491
C.2 Redemptions	13.759	-	-	-	13.759
C.3 Reductions in fair value	974	-	-	-	974
C.4 Impairment losses	-	569	-	-	569
- charged to the income statement	-	569	-	-	569
- charged to shareholders' equity	-	-	-	-	-
C.5 Transfers to other portfolios	-	301	-	-	301
C.6 Other changes	3.995	32	-	-	4.027
D. Closing balance	**284.763**	**22.823**	**-**	**2.470**	**310.056**

During the year, Banca Patrimoni Sella & C. increased the average amount of the portfolio available for sale due to the fact that it is not going to carry out trading activities, but rather investments of direct deposits and own assets alternatively to the granting of credit, which does not represent its core business.
The increases and decreases shown in the table are mainly due to the activity of this company (557.3 million euro of increases and 342.2 million euro of decreases) and reflect the aim of investing the surplus of capital loans and liquidity from customer deposits for revenue rather than speculative purposes.

4.4.2 attributable to insurance companies

	Debt securities	Equity securities	UCITS units	Loans and advances	Total
A. Opening balance	**202.792**	**-**	**-**	**-**	**202.792**
B. Increases	**356.293**	**-**	**-**	**-**	**356.293**
B.1 Purchases	349.218	-	-	-	349.218
B.2 Increases in fair value	-	-	-	-	-
B.3 Writebacks	7.075	-	-	-	7.075
B.4 Transfers from other portfolios	-	-	-	-	-
B.5 Other changes	-	-	-	-	-
C. Decreases	**159.921**	**-**	**-**	**-**	**159.921**
C.1 Sales	158.929	-	-	-	158.929
C.2 Redemptions	-	-	-	-	-
C.3 Reductions in fair value	-	-	-	-	-
C.4 Impairment losses	992	-	-	-	992
- charged to the income statement	-	-	-	-	-
- charged to shareholders' equity	992	-	-	-	992
C.5 Transfers to other portfolios	-	-	-	-	-
C.6 Other changes	-	-	-	-	-
D. Closing balance	**399.164**	**-**	**-**	**-**	**399.164**

The part of financial assets available for sale pertaining to insurance companies is entirely related to the CBA Vita company. The remarkable increase is due to the investment of liquidity generated by an increase in production in the last months of the year for the placement of the new product "CBA Tuo Valore".

Section 5
Financial assets held to maturity - Item 50

5.1 Financial assets held to maturity: breakdown by type

	Total 31/12/2009				Total 31/12/2008		
	Book value	*Fair value*			Book value	*Fair value*	
		Level 1	Level 2	Level 3		Level 1	Level 2/3
1. Debt securities	220.932	224.823	-	-	85.498	87.306	-
- Structured	-	-	-	-	-	-	-
- Others	220.932	224.823	-	-	85.498	87.306	-
2. Loans and advances	-	-	-	-	-	-	-

5.2 Financial assets held to maturity: borrowers/issuers

Type of transaction/Amount	31/12/2009	31/12/2008
1. Debt securities	**220.932**	**85.498**
a) Governments and central banks	211.901	85.498
b) Other public bodies	-	-
c) Banks	9.031	-
d) Other issuers	-	-
2. Loans and advances	**-**	**-**
a) Governments and central banks	-	-
b) Other public bodies	-	-
c) Banks	-	-
d) Other subjects	-	-
Total	**220.932**	**85.498**
Total *fair value*	**224.823**	**87.306**

5.4 Financial assets held to maturity: annual changes

	Debt securities	Loans and advances	Total
A. Opening balance	**85.498**	**-**	**85.498**
B. Increases	**206.681**	**-**	**206.681**
B.1 Purchases	203.645	-	203.645
B.2 Writebacks	-	-	-
B.3 Transfers from other portfolios	-	-	-
B.4 Other changes	3.036	-	3.036
C. Decreases	**71.247**	**-**	**71.247**
C.1 Sales	-	-	-
C.2 Redemptions	70.164	-	70.164
C.3 Writedowns	-	-	-
C.4 Transfers to other portfolios	-	-	-
C.5 Other changes	1.083	-	1.083
D. Closing balance	**220.932**	**-**	**220.932**

Section 6
Due from banks - Item 60

6.1 Due from banks: breakdown by type

Type of transaction/Amount	31/12/2009	31/12/2008
A) Due from central banks	**381.787**	**1.825.878**
1. Term deposits	225.000	1.670.000
2. Statutory reserve	156.787	155.878
3. Reverse repurchase agreements	-	-
4. Others	-	-
B) Due from banks	**551.239**	**635.635**
1. Current accounts and demand deposits	104.072	127.744
2. Term deposits	356.451	119.117
3. Other loans and advances	45.514	339.163
3.1 reverse repurchase agreements	32.341	336.595
3.2 financial leasing	1.382	1.878
3.3 others	11.791	690
4. Debt securities	45.202	49.611
4.1 structured	14.971	-
4.2 others	30.231	49.611
Total (book value)	**933.026**	**2.461.513**
Total (fair value)	**933.639**	**2.458.246**

The trend regarding the item Due from central banks is a result of the different allocation of the Group liquidity as the conditions of the economic and financial scenario were gradually getting back to normal. The liquidity was mainly invested in high-standing government and bank corporate bonds eligible at the ECB.
The decrease in the item Due from banks, can be almost entirely attributed to the repurchase agreement component, which is still declining with respect to 2008 owing to a drop in consumers' subscription to these agreements and an increase in transactions with underlying own securities.

6.1.1 attributable to the banking group

Type of transaction/Amount	31/12/2009	31/12/2008
A) Due from central banks	**381.787**	**1.825.878**
1. Term deposits	225.000	1.670.000
2. Statutory reserve	156.787	155.878
3. Reverse repurchase agreements	-	-
4. Others	-	-
B) Due from banks	**523.287**	**613.762**
1. Current accounts and demand deposits	96.770	126.347
2. Term deposits	356.451	119.117
3. Other loans and advances	45.514	339.163
3.1 reverse repurchase agreements	32.341	336.595
3.2 financial leasing	1.382	1.878
3.3 others	11.791	690
4. Debt securities	24.552	29.135
4.1 structured	-	-
4.2 others	24.552	29.135
Total (book value)	**905.074**	**2.439.640**
Total (fair value)	**905.687**	**2.436.373**

6.1.2 attributable to insurance companies

Type of transaction/Amount	31/12/2009	31/12/2008
A) Due from central banks	**-**	**-**
1. Term deposits	-	-
2. Statutory reserve	-	-
3. Reverse repurchase agreements	-	-
4. Others	-	-
B) Due from banks	**27.952**	**21.873**
1. Current accounts and demand deposits	7.302	1.397
2. Term deposits	-	-
3. Other loans and advances	-	-
3.1 reverse repurchase agreements	-	-
3.2 financial leasing	-	-
3.3 others	-	-
4. Debt securities	20.650	20.476
4.1 structured	14.971	-
4.2 others	5.679	20.476
Total (book value)	**27.952**	**21.873**
Total (fair value)	**27.952**	**21.873**

Section 7
Due from customers - Item 70

7.1 Due from customers: breakdown by type

Type of transaction/Amount	31/12/2009		31/12/2008	
	Performing	Impaired	Performing	Impaired
1. Current accounts	1.019.326	88.070	1.361.700	-
2. Repurchase agreements	7.240	-	-	-
3. Mortgage loans	3.337.089	105.496	3.251.293	-
4. Credit cards, personal loans, salary-backed loans	1.105.599	42.164	1.054.476	-
5. Financial leasing	1.092.873	55.699	1.147.496	-
6. Factoring	-	-	-	-
7. Other operations	1.501.237	51.959	1.121.958	247.211
8. Debt securities	15.619	-	32.070	-
8.1 Structured	-	-	-	-
8.2 Others	15.619	-	32.070	-
Total (Book value)	**8.078.983**	**343.388**	**7.968.993**	**247.211**
Total (fair value)	**8.038.131**	**343.388**	**7.909.692**	**247.211**

During financial year 2009, a model based on macro fair value hedge was used for hedging the interest rate risk of fixed-rate loans. As a result, the change in loan portfolio fair value was recognised in item 90 "Change in value of financial assets subject to macrohedging" for an amount of 76.8 million euro. At 31 December 2008 the corresponding component (for an amount of 72.5 million euro) was included as micro-hedging under the item amounts due from customers.

7.2 Due from customers: breakdown by borrowers/issuers

Type of transaction/Amount	31/12/2009		31/12/2008	
	Performing	Impaired	Performing	Impaired
1. Debt securities issued by:	**15.619**	**-**	**32.070**	**-**
a) Governments	-	-	-	-
b) Other public bodies	-	-	-	-
d) Other issuers	15.619	-	32.070	-
- non-financial companies	-	-	1.480	-
- financial companies	15.619	-	30.590	-
- insurance companies	-	-	-	-
- others	-	-	-	-
2. Loans and advances to:	**8.063.364**	**343.388**	**7.936.923**	**247.211**
a) Governments	226	-	2.038	-
b) Other public bodies	14.843	58	14.712	3
c) Other subjects	8.048.295	343.330	7.920.173	247.208
- non-financial companies	4.543.655	196.449	4.430.148	142.502
- financial companies	165.197	3.140	108.578	1.550
- insurance companies	318	3	397	19
- others	3.339.125	143.738	3.381.050	103.137
Total	**8.078.983**	**343.388**	**7.968.993**	**247.211**

7.3 Due from customers subject to micro-hedging

	31/12/2009	31/12/2008
1. Loans subject to micro-hedging of fair value	**-**	**1.774.911**
a) interest rate risk	-	1.774.911
b) exchange rate risk	-	-
c) credit risk	-	-
d) other risks	-	-
2. Loans subject to micro-hedging of cash flows	**-**	**-**
a) interest rate risk	-	-
b) exchange rate risk	-	-
c) other	-	-
Total	**-**	**1.774.911**

During financial year 2009, a model based on macro fair value hedge was used for hedging the interest rate risk of fixed-rate loans. As a result loans originally subject to microhedging are now shown in the table 9.2 of the Balance sheet assets.

Section 8
Hedging derivatives - Item 80

8.1 Hedging derivatives: breakdown by hedging type and by levels

	FV 31/12/2009			VN 31/12/2009	FV 31/12/2008		VN 31/12/2008
	Level 1	Level 2	Level 3		Level 1	Level 2/3	
A. Financial derivatives	**-**	**3.037**	**-**	**234.541**	**-**	**4.457**	**156.579**
1) Fair value	-	3.037	-	234.541	-	4.457	156.579
2) Cash flow	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-
2) Cash flow	-	-	-	-	-	-	-
Total	**-**	**3.037**	**-**	**234.541**	**-**	**4.457**	**156.579**

Key:
FV = fair value
VN = notional value

8.2 Hedging derivatives: breakdown by hedged portfolios and type of hedging (book value)

Transaction/Type of hedging	Fair value						Cash flows		Foreign investments
	Micro					Macro	Micro	Macro	
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	More than one risk				
1. Financial assets available for sale	-	-	-	-	-	X	-	X	X
2. Receivables	-	-	-	X	-	X	-	X	X
3. Financial assets held to maturity	X	-	-	X	-	X	-	X	X
4. Portfolio	-	-	-	-	-	2.779	-	-	X
5. Other operations	X	X	X	X	X	X	X	X	-
Total assets	**-**	**-**	**-**	**-**	**-**	**2.779**	**-**	**-**	**-**
1. Financial liabilities	258	-	-	X	-	X	-	X	X
2. Portfolio	-	-	-	-	-	-	-	-	X
Total liabilities	**258**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**X**
1. Pending transactions	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	-	X	-	-

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

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

Change in value of hedged assets / Group components	31/12/2009	31/12/2008
Positive change	**76.792**	**-**
1.1 of specific portfolios:	76.792	-
a) loans and recievables	76.792	-
b) financial assets available for sale	-	-
1.2 overall	-	-
Negative change	**-**	**-**
1.1 of specific portfolios:	-	-
a) loans and recievables	-	-
b) financial assets available for sale	-	-
1.2 overall	-	-
Total	**76.792**	**-**

During financial year 2009, a model based on macro fair value hedge was used for hedging the interest rate risk of fixed-rate loans. As a result, the change in loan portfolio fair value was recognised in item 90 "Change in value of financial assets subject to macrohedging" for an amount of 76.8 million euro. At 31 December 2008 the corresponding component (for an amount of 72.5 million euro) was included as micro-hedging under the item amounts due from customers.

9.2 Assets subject to macro-hedging of interest rate risk

	31/12/2009	31/12/2008
Hedged assets		
1. Loans and receivables	2.084.382	-
2. Financial assets available for sale	-	-
3. Portfolio	-	-
Total	**2.084.382**	**-**

Section 10
Equity investments - Item 100

10.1 Equity investments in jointly controlled companies (accounted with equity method) and in companies subject to significant influence: information on shareholdings

Name	Head office	Type of relationship	Shareholding relationship		Voting rights %
			Investor company	Stake %	
B. Imprese					
MARTIN MAUREL SELLA BANQUE PRIVEE S.A.M.	Principality of Monaco	to sig. influ	la Holding N	45,0000%	45,0000%
IN CHIARO ASSICURAZIONI S.P.A.	Roma	to sig. influ	BA Vita S.p./	49,0000%	49,0000%
AGATA S.P.A.	Ivrea	to sig. influ	ella Holding	40,0000%	40,0000%
RETAIL ITALIA S.R.L.	Milano	to sig. influ	sy Nolo S.p.	39,9976%	39,9976%
S.C.P. VDP1	Principality of Monaco	to sig. influ	ella Holding	29,0000%	29,0000%
HI-MTF SIM S.P.A.	Milano	to sig. influ	ella Holding	20,0000%	20,0000%
BANCA MONTEPARMA S.P.A.	Parma	to sig. influ	BA Vita S.p./	3,0000%	3,0000%
BANCA MONTEPARMA S.P.A.	Parma	to sig. influ	ella Holding	4,5970%	4,5970%

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

Name	Total assets	Total revenue	Profit (Losses)	Shareholders' equity	Consolidated book value	*Fair value*
A. Companies accounted for with equity method						
A.2 subject to significant influence						
MARTIN MAUREL SELLA BANQUE PRIVEE S.A.M.	131.336	8.045	1.001	14.993	6.747	-
IN CHIARO ASSICURAZIONI S.P.A.	23.149	4.916	(1.482)	9.691	4.749	-
AGATA S.P.A.	1.275	317	(310)	1.163	465	-
BANCA MONTEPARMA S.P.A.	3.082.078	150.009	(15.061)	168.202	12.783	-
HI-MTF SIM S.P.A.	4.347	2.126	121	3.967	793	-
RETAIL ITALIA S.R.L.	1.334	85	(74)	62	24	-
S.C.P. VDP1	5.543	181	(3)	1.964	570	-
Total					**26.131**	**-**

The fair value column does not represent any value as the companies subject to significant influence do not include listed companies.

10.3 Equity investments: annual changes

	Banking group	Insurance companies	Other companies	Total 31/12/2009	Total 31/12/2008
A. Opening balance	**20.806**	**10.861**	**-**	**31.667**	**11.973**
B. Increases	**1.286**	**-**	**-**	**1.286**	**21.139**
B.1 Purchases	652	-	-	652	20.696
B.2 Writebacks	-	-	-	-	-
B.3 Revaluations	-	-	-	-	-
B.4 Other changes	634	-	-	634	443
C. Decreases	**5.758**	**1.064**	**-**	**6.822**	**1.445**
C.1 Sales	4.453	-	-	4.453	-
C.2 Writedowns	-	-	-	-	-
C.4 Other changes	1.305	1.064	-	2.369	1.445
D. Closing balance	**16.334**	**9.797**	**-**	**26.131**	**31.667**
E. Total revaluations	**-**	**-**	**-**	**-**	**-**
F. Total adjustments	**-**	**-**	**-**	**-**	**-**

Section 11
Reinsurers' share of technical reserves - Item 110

11.1 Reinsurers' share of technical reserves: breakdown

	Total 31/12/2009	Total 31/12/2008
A. Non-life insurance	**636**	**640**
A.1 premium reserves	292	363
A.2 claims reserves	119	119
A.3 other reserves	225	158
B. Life assurance	**4.128**	**4.261**
B.1 Actuarial reserves	3.737	3.966
B.2 outstanding claims reserves	279	230
B.3 other reserves	112	65
C. Technical reserves where the investment risk is borne by the policyholders	**-**	**-**
C.1 reserves relating to investment fund and index-linked contracts	-	-
C.2 reserves deriving from the administration of pension funds	-	-
D. Total reinsurers' share of technical reserves	**4.764**	**4.901**

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

	Total 31/12/2009
Opening balance	**4.901**
A. Non-life insurance	**(4)**
A.1 premium reserves	(71)
A.2 claims reserves	-
A.3 other reserves	67
B. Life assurance	**(133)**
B.1 Actuarial reserves	(229)
B.2 outstanding claims reserves	49
B.3 other reserves	47
C. Technical reserves where the investment risk is borne by the policyholders	**-**
C.1 reserves relating to investment fund and index-linked contracts	-
C.2 reserves deriving from the administration of pension funds	-
D. Total reinsurers' share of technical reserves	**4.764**

Section 12
Tangible assets - Item 120

12.1 Tangible assets: breakdown of assets carried at cost

Item/Amount	Total 31/12/2009	Total 31/12/2008
A. Assets used for business purposes		
1.1 owned	**176.202**	**162.495**
a) land	31.511	31.015
b) buildings	115.703	98.915
c) furniture	3.063	3.108
d) electronic equipment	11.572	17.104
e) other	14.353	12.353
1.2 acquired through financial leasing	**6.859**	**6.500**
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic equipment	18	37
e) others	6.841	6.463
Total A	**183.061**	**168.995**
B. Assets held for investment		
2.1 owned	**2.719**	**2.813**
a) land	1.050	1.050
b) buildings	1.669	1.763
2.2 acquired through financial leasing	**-**	**-**
a) land	-	-
b) buildings	-	-
Total B	**2.719**	**2.813**
Total (A+B)	**185.780**	**171.808**

The increase in tangible assets compared with last financial year (+14 million euro) mainly results from the trend of the item related to owned buildings used for business purposes. The increase in this aggregate is mainly to the continuation of the work carried out by the company Immobiliare Sella for the construction of a new building in Biella, future headquarters of the Banca Sella Group.

12.3 Tangible assets used for business purposes: annual changes

	Land	Buildings	Furniture	Electronic equipment	Others	Total
A. Gross opening balance	**31.015**	**129.114**	**22.852**	**130.358**	**42.127**	**355.466**
A.1 Total net impairments		30.199	19.744	113.217	23.311	186.471
A.2 Net opening balance	**31.015**	**98.915**	**3.108**	**17.141**	**18.816**	**168.995**
B. Increases	**702**	**20.123**	**908**	**4.089**	**8.640**	**34.462**
B.1 Purchases	669	19.850	908	4.051	8.585	34.063
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	7	10	-	1	1	19
B.6 Transfers from properties held for investment	-	-	-	-	-	-
B.7 Other changes	26	263	-	37	54	380
C. Decreases	**206**	**3.335**	**953**	**9.640**	**6.262**	**20.396**
C.1 Sales	-	-	17	194	62	273
C.2 Depreciation	-	3.285	890	9.348	6.162	19.685
C.3 Impairment losses charged to:	-	-	4	82	-	86
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	4	82	-	86
C.4 Reductions in fair value charged to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange differences	-	24	2	13	1	40
C.6 Transfers to:	-	-	-	-	-	-
a) property, plant and equipment held for investment	-	-	-	-	-	-
b) assets held for sale	-	-	-	-	-	-
C.7 Other changes	206	26	40	3	37	312
D. Net closing balance	**31.511**	**115.703**	**3.063**	**11.590**	**21.194**	**183.061**
D.1 Total net impairments		(32.736)	(20.159)	(117.290)	(35.768)	(205.953)
D.2 Gross closing balance	**31.511**	**148.439**	**23.222**	**128.880**	**56.962**	**389.014**
E. Carried at cost	-	-	-	-	-	-

12.4 Tangible assets held for investment purpose: annual changes

	Total	
	Land	Buildings
A. Opening balance	**1.050**	**1.763**
B. Increases	**-**	**11**
B.1 Purchases	-	10
B.2 Capitalised improvement expenses	-	-
B.3 Increases in fair value	-	-
B.4 Writebacks	-	-
B.5 Positive exchange differences	-	-
B.6 Transfers from buildings for business purposes	-	-
B.7 Other changes	-	1
C. Decreases	**-**	**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. Closing balance	**1.050**	**1.669**
E. Carried at fair value	-	-

Section 13
Intangible assets - Item 130

13.1 Intangible assets: breakdown by type of asset

Item/Amount	Total 31/12/2009		Total 31/12/2008	
	Limited term	Unlimited term	Limited term	Unlimited term
A.1 Goodwill	**X**	**63.934**	**X**	**70.099**
A.1.1 attributable to the group	X	62.969	X	69.134
A.1.2 attributable to minority interests	X	965	X	965
A.2 Other intangible assets:	**40.727**	**-**	**35.120**	**-**
A.2.1 Assets carried at cost	40.727	-	35.120	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	40.727	-	35.120	-
A.2.2 Assets carried at fair value	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**40.727**	**63.934**	**35.120**	**70.099**

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

In accordance with the prescriptions of IAS 36, goodwill must be subjected annually to impairment tests to verify the existence of objective evidence proving that the book value of these assets is not entirely recoverable. To this end the goodwill must first be allocated to the cash-flow generating unit (CGU) to which it relates. Below is a list of the companies subject to impairment test and the relevant goodwill allocated (thousand euro):

Company	CGU	Goodwill allocated	
		Current year before writedowns	**Previous year**
Banca Sella Nordest Bovio Calderari[(1)]	CGU A1	7.022	813
Finanziaria 2007			6209
Banca Sella Sud Arditi Galati	CGU A2	15.535	15.535
Banca Patrimoni Sella & C.	CGU A3	1.379	1.338
Sella Bank AG	CGU A4	1.352	1.352
Biella Leasing	CGU A5	1.782	1.754
Consel	CGU A6	690	671
Sella Gestioni	CGU A7	7.236	7.225
Sella Capital Management	CGU A8	32	32
Selfid	CGU A9	448	448
CBA Vita	CGU A10	3.998	3.998
Brosel	CGU A11	32	26
Sella Synergy India	CGU A12	134	134
Immobiliare Lanificio Maurizio Sella	CGU A13	56	56
Banca Monte Parma	CGU B1	16.551	21.792
HI MTF	CGU B2	115	115
Retail Italia	CGU B3	77	77
Agata	CGU B4	364	
Branches of BSNE (Cadore)[(2)]	CGU C1	3.233	3.233
Branch of BS Milano Via Gonzaga[(3)]	CGU C2	542	542
Branches of BSSAG (formerly Cram)[(4)]	CGU C3	1.881	1.881
Branches of BSSAG, S. Michele and Fasano[(5)]	CGU C4	1.099	1.099
Branches of BSSAG (from acquisition of BCC Camastra e Naro)[(6)]	CGU C5	1.770	1.770
TOTAL		**65.327**	**70.099**

[(1)] Following the merger between Banca Sella Holding and Finanziaria 2007 (holding company that controlled Banca Sella Nordest Bovio Calderari), the goodwill of the latter is entirely allocated to the company Banca Sella Nordest Bovio Calderari
[(2)] The entity subject to 'impairment test is the group of branches purchased by the Unicredito Group in 2000.
[(3)] The entity subject to impairment test is the branch of Milan, Via Gonzaga, purchased by Banco di Chiavari e della Riviera Ligure in 1999.
[(4)] The entity subject to impairment test is the group of branches purchased by ex CRA Monreale in 1997.
[(5)] The entity subject to 'impairment test is the group of branches purchased by Credito Cooperativo of Ostuni in 2000.
[(6)] The entity subject to impairment test is the group of branches purchased by ex BCC Unione di Camastra e Naro in 2001.

The accounting standards of reference state that the impairment test must be carried out comparing the book value of the CGU with its recoverable value. If this value is found to be less than the book value, a value adjustment must be recognized. The recoverable value of the CGU is the greater of its fair value net of selling costs and its value in use.
As regards the impairment test process at 31/12/2009, in accordance with the provisions of the "Impairment test policy on goodwill and equity investments in Group Companies" approved by the Board of Directors of Banca Sella Holding on 22 December 2009, the companies that recorded positive operating results and report a valuation at Equity that was higher than the carrying value, were not subjected to other valuations.
Below is a list of the CGU that were more deeply analysed and, on the side, the recoverable value calculation method used and the results of the impairment test:

CGU	Recoverable value	Method of calculation used	Result of impairment test
CGU A1	*Fair value*	Multiples of comparable transactions	The impairment test detected no loss in value
CGU A2	*Fair value*	Multiples of comparable transactions	The impairment test detected no loss in value
CGU A3	*Fair value*	Multiples of comparable transactions	The impairment test detected no loss in value
CGU A7	*Fair value*	Multiples of comparable transactions	The impairment test detected no loss in value
CGU A9	Value in use	Discounting of future financial flows	The impairment test detected no loss in value
CGU A10	*Fair value*	Actuarial method	The impairment test detected no loss in value
CGU B1	*Fair value*	Multiples of comparable transactions	The impairment test detected a loss in value of 1,316 thousand euro
CGU B2	Considered at start up		
CGU B3	*Fair value*	Shareholders' Equity (failing other reference data)	The impairment test detected a loss in value of 77 thousand euro
CGU B4	Considered at start up		
CGU C1	Value in use	Dividend discount model (excess capital)	The impairment test detected no loss in value
CGU C2	Value in use	Dividend discount model (excess capital)	The impairment test detected no loss in value
CGU C3	Value in use	Dividend discount model (excess capital)	The impairment test detected no loss in value
CGU C4	Value in use	Dividend discount model (excess capital)	The impairment test detected no loss in value
CGU C5	Value in use	Dividend discount model (excess capital)	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:*

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

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

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

The estimate of value in use incorporates the following elements:

- *estimate of future financial flows expected to arise from the continuing use of the asset and its final disposal: we referred to the most recent budget/plans relative to the CGU approved by the company's Administrative bodies. Apart from the period covered by said plans, the projections of financial flows are estimated by using, for the following years, a steady "g" rate aligned with the expected long-term inflation rate (2%);*
- *discount rate (Ke): it was calculated according to the Capital Asset Pricing Model (CAPM). The formula used is: Ke = Rf + Beta * (RM- Rf) where:*
  - *Rf is the free risk rate determined by using the 10-year yield of German government bonds (the only bonds in the present European framework assimilable to risk-free rates) at December 2009, equal to 3.387%;*
  - *(Rm – Rf) is the market risk premium. It is given by the difference between the yield of a diversified portfolio made up of all risky investments available in the market and the yield of a risk-free security. The value used is 5% (source: independent advisory company);*
  - *Beta is the specific risk of the investment. Beta expresses the correlation between the yield of one risky investment and the yield of the market portfolio.*
- *capital requirement for the estimate of distributable cash flows (when the excess capital method was used): it was defined following the provisions of Supervisory regulations.*

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

Eurozone	2009	2010	2011	2012
Real Gdp	-3.9	0.8	1.4	1.7
Consumer price index	0.3	1.3	1.6	2.0
Official rates	1.0	1.0	2.0	2.5
Short-term interest rates (Euribor 3m)	1.2	1.0	2.2	2.7
Italy				
Real Gdp	-4.8	0.4	1.0	1.3
Consumption	-1.7	-0.2	0.7	1.0
Fixed investments to companies	-12.0	1.5	2.6	3.2
Consumer price index	0.8	1.5	2.0	2.2

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

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

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

CGU	Basic assumptions	Method of determination	Notes
CGU A1	Shareholders' Equity	Book values at 31/12/2009 (adjusted for goodwill as recognised in the assets)	- The valuation was prepared with the assistance of an independent advisory company. - Multiples were determined with reference to a sample of comparable transactions that took place in Italy in the last 2 years (6 transactions). - Multiples were adjusted applying a discount to include the return deficit of Banca Sella Nordest Bovio Calderari over the banks in the sample.
	Net interest and other banking and insurance income	Book value at 31/12/2009	
	Total deposits	Performance data as at 31/12/2009	
	Intermediated assets	Book value at 31/12/2009	
CGU A2	Shareholders' equity	Book values at 31/12/2009 (adjusted for goodwill as recognised in the assets)	- Multiples were determined with reference to a sample of comparable transactions that took place in Italy in the last 2 years (6 transactions).
	Net interest and other banking income	Book value at 31/12/2009	
	Total deposits	Performance data at 31/12/2009	
CGU A3	Shareholders' Equity	Book value at 31/12/2009 (adjusted for goodwill as recognised in the assets)	- Multiples were determined with reference to a sample of comparable transactions that took place in Italy in the last 3 years (3 transactions).
	Total deposits	Performance data at 31/12/2009	
CGU A7	Shareholders' equity	Book value at 31/12/2009	-Multiples were determined with reference to a sample of comparable transactions that took place in Italy in the last 2 years and 3 months (5 transactions). - Multiples were adjusted applying a discount to include the profitability deficit of Sella Gestioni over the companies in the sample.
	Asset Under Management	Book value at 31/12/2009	
CGU A9	Economic and balance sheet variables	Last three-year plan (2010-2012) approved by the Board of Directors of the company	- Forecast figures prudentially envisage that 2010 will be characterised by a decrease in income compared with the positive result of 2009 and a relative recovery in the two following years, briefly summarized by a progressive improvement in the cost to income ratio obtained through the increase in revenues, in the presence of a moderate rise in costs. - The discount rate used is 7.64%.
	Discount rate	Calculated according to Capital Asset Pricing Model (CAPM)	
	Profitability beyond forecast period	Constant annual growth rate at 2%	

CGU	Basic assumptions	Method of determination	Notes
CGU A10	Shareholders' Equity	Book value at 31/12/2009	- As regards separate management yields, expected management yields were calculated at 31/12/2009; for the new production, as well as for the yield of assets hedging the margin, we assumed a constant yield of 3%. - The discount rate used for discounting cash flows was assumed at 7%. - With regard to future management expenses we assumed that expense reserves currently entered are sufficient to hedge portfolio costs. For the new business we assumed an annual policy cost based on the costs detected in the last two years. The recoverable value is higher than the carrying value, according to the more conservative assumption that considers the value of the new production as referred to the next 5 years.
	Value of existing portfolio	Life portfolio as of 31/12/09	
	Value of future policies	The value of the new production was alternatively calculated taking into consideration the following time frames: - 5 years (from 2010 to 2014) - 10 years (from 2010 to 2019) - 15 years (from 2010 to 2024) - 20 years (from 2010 to 2029)	
CGU B1	Shareholders' Equity	Preliminary consolidated results at 31/12/2009	- The valuation was prepared with the assistance of an independent advisory company. - Multiples were determined with reference to a sample of comparable transactions that took place in Italy in the last 2 years (4 transactions). - Multiples were adjusted applying a discount to include the return deficit of Banca Monte Parma over the banks in the sample.
	Net interest banking and insurance income	Preliminary consolidated results at 31/12/2009	
	Total deposits	Preliminary consolidated results at 31/12/2009	
CGU B3	Shareholders' Equity	Book value at 31/12/08	The impairment test determined the writedown of the whole goodwill.
CGU C1 CGU C2 CGU C3 CGU C4 CGU C5	Economic and balance sheet variables	Last three-year plan (2010-2012) approved by the Board of Directors of the company	- The forward-looking statements, although they include the uncertainties of the current macroeconomic scenario, take into account a gradual recovery of the profitability of the banking retail business to which CGUs belong, basically deriving from: . the improvement in net interest and other banking income, with special reference to net interest; income due to the expected increase in the spread . the mitigation of the impact of losses on loans following the favourable evolution of the economic scenario and the improved monitoring of credit quality; . the moderate increase in direct operating costs. - The discount rate used is 7.64%
	Discount rate	Calculated according to the Capital Asset Pricing Model (CAPM).	
	Profitability beyond the forecast period	Constant annual growth rate at 2%	

Sensitivity analysis

Since the value in used 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.

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 A9	+/- 25 b. p.	4,5%	+/- 25 b. p.	4,0%
CGU C1	+/- 25 b. p.	4,3%	+/- 25 b. p.	3,9%
CGU C2	+/- 25 b. p.	4,5%	+/- 25 b. p.	4,1%
CGU C3	+/- 25 b. p.	4,5%	+/- 25 b. p.	4,1%
CGU C4	+/- 25 b. p.	4,3%	+/- 25 b. p.	3,9%
CGU C5	+/- 25 b. p.	5,0%	+/- 25 b. p.	4,6%

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

CGU	Discount rate	"G" rate
CGU A9	8,85%	0,62%
CGU C1	19,2 %	-13,3 %
CGU C2	N.S. (> 25%)	N.S. (<-25%)
CGU C3	N.S. (> 25%)	N.S. (<-25%)
CGU C4	N.S. (> 25%)	N.S. (<-25%)
CGU C5	18,0 %	-10,9 %

13.2 Intangible assets: annual changes

	Goodwill	Other intangible assets: generated internally		Other intangible assets: others		Total
		Limited term	Unlimited term	Limited term	Unlimited term	
A. Gross opening balance	**119.570**	**-**	**-**	**127.810**	**-**	**247.380**
A.1 Total net reductions in value	49.471	-	-	92.690	-	142.161
A.2 Net opening balance	**70.099**	**-**	**-**	**35.120**	**-**	**105.219**
B. Increases	**469**	**-**	**-**	**20.295**	**-**	**20.764**
B.1 Purchases	469	-	-	20.295	-	20.764
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	**6.634**	**-**	**-**	**14.688**	**-**	**21.322**
C.1 Sales	5.241	-	-	260	-	5.501
C.2 Writedowns	1.393	-	-	14.413	-	15.806
- amortization	X	-	-	14.159	-	14.159
- writedowns	1.393	-	-	254	-	1.647
- shareholders' equity	X	-	-	96	-	96
- income statement	1.393	-	-	158	-	1.551
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	-	-	-	1	-	1
C.6 Other changes	-	-	-	14	-	14
D. Net closing balance	**63.934**	**-**	**-**	**40.727**	**-**	**104.661**
D.1 Total net adjustments	50.864	-	-	105.979	-	156.843
E. Gross closing balance	**114.798**	**-**	**-**	**146.706**	**-**	**261.504**
F. Carried at cost	-	-	-	179	-	179

The amount of 1,393 thousand euro under item "C.2 Adjustments - Writedowns – Income Statement" refers to the effects of the writedown of the stake held in Banca Monte Parma S.p.A.. See the previous pages for further information on goodwill impairment tests.

13.2.1 attributable to the banking group

	Goodwill	Other intangible assets: generated internally		Other intangible assets: others		Total
		Limited term	Unlimited term	Limited term	Unlimited term	
A. Gross opening balance	**112.854**	**-**	**-**	**124.665**	**-**	**237.519**
A.1 Total net reductions in value	49.471	-	-	89.700	-	139.171
A.2 Net opening balance	**63.383**	**-**	**-**	**34.965**	**-**	**98.348**
B. Increases	**469**	**-**	**-**	**19.749**	**-**	**20.218**
B.1 Purchases	469	-	-	19.749	-	20.218
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	**6.124**	**-**	**-**	**14.448**	**-**	**20.572**
C.1 Sales	5.241	-	-	260	-	5.501
C.2 Writedowns	883	-	-	14.174	-	15.057
- amortization	X	-	-	13.920	-	13.920
- writedowns	883	-	-	254	-	1.137
- shareholders' equity	X	-	-	96	-	96
- income statement	883	-	-	158	-	1.041
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	-	-	-	1	-	1
C.6 Other changes	-	-	-	13	-	13
D. Net closing balance	**57.728**	**-**	**-**	**40.266**	**-**	**97.994**
D.1 Total net adjustments	50.354	-	-	102.227	-	152.581
E. Gross closing balance	**108.082**	**-**	**-**	**142.493**	**-**	**250.575**
F. Carried at cost	-	-	-	179	-	179

13.2.2 attributable to insurance companies

	Goodwill	Other intangible assets: generated internally		Other intangible assets: others		Total
		Limited term	Unlimited term	Limited term	Unlimited term	
A. Gross opening balance	**6.716**	**-**	**-**	**3.145**	**-**	**9.861**
A.1 Total net reductions in value	-	-	-	2.990	-	2.990
A.2 Net opening balance	**6.716**	**-**	**-**	**155**	**-**	**6.871**
B. Increases	**-**	**-**	**-**	**546**	**-**	**546**
B.1 Purchases	-	-	-	546	-	546
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	**510**	**-**	**-**	**240**	**-**	**750**
C.1 Sales	-	-	-	-	-	-
C.2 Writedowns	510	-	-	239	-	749
- amortization	X	-	-	239	-	239
- writedowns	510	-	-	-	-	510
- shareholders' equity	X	-	-	-	-	-
- income statement	510	-	-	-	-	510
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	-	-	-	1	-	1
D. Net closing balance	**6.206**	**-**	**-**	**461**	**-**	**6.667**
D.1 Total net adjustments	510	-	-	3.752	-	4.262
E. Gross closing balance	**6.716**	**-**	**-**	**4.213**	**-**	**10.929**
F. Carried at cost	-	-	-	-	-	-

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

Current tax assets: breakdown

	Total 31/12/2009	Total 31/12/2008
Prepaid taxes	83.752	82.082
Credits for withholdings	1.633	1.520
Assets from inclusion in tax consolidation	2.635	9.260
Tax credits	11.893	37.096
Total	**99.913**	**129.958**

Current tax liabilities: breakdown

	Total 31/12/2009	Total 31/12/2008
Provisions for direct taxes	52.564	53.838
Provisions for indirect taxes	3.136	1.330
Total	**55.700**	**55.168**

We highlight the existence of a dispute with the Inland Revenue as regards the application of stamp duties to the day book. The amount of this dispute, including sanctions, interests and collection fees, amounts to about 5.6 million euro. Considering resolution no. 371/E of 2008 issued by Agenzia delle Entrate (internal revenue service) and considering the reliable opinions of a leading Tax firm and Trade association, this potential tax liability is unlikely to occur. Finally, the explanations provided by the internal revenue with resolution no. 161/E of 2007 may considerably reduce the amount of the potential/possible debt deriving from the dispute.

14.1 - Deferred tax assets: breakdown

	Ires	Irap	Others	31/12/2009	31/12/2008
Losses on loans and receivables	47.508	265	-	47.773	34.817
Provisions for sundry risks and liabilities	8.490	19	-	8.509	8.652
Depreciation and valuation of buildings	3.380	85	-	3.465	2.000
Sundry administrative expenses	889	9	-	898	801
Writedowns of equity investments	-	-	-	-	-
Personnel expenses	196	-	88	284	1.567
Collective valuations of sureties issued	733	-	-	733	655
Securised recievables	-	-	-	-	1.122
Other assets	4.330	777	-	5.107	4.632
Total deferred tax assets (charged to income statement)	**65.526**	**1.155**	**88**	**66.769**	**54.246**
Depreciation and valuation of buildings	3.155	285	-	3.440	3.409
Measurement of available-for-sale financial assets	148	-	-	148	1.673
Others	-	-	-	-	-
Total deferred tax assets (charged to shareholders' equity)	**3.303**	**285**	**-**	**3.588**	**5.082**

KEY
IRES = Corporation tax
IRAP= Regional business tax

14.1.1 attributable to the banking group

	Ires	Irap	Others	31/12/2009	31/12/2008
Losses on loans and receivables	47.507	265	-	47.772	34.816
Provisions for sundry risks and liabilities	8.489	19	-	8.508	8.652
Depreciation and valuation of buildings	3.374	85	-	3.459	1.992
Sundry administrative expenses	882	9	-	891	797
Writedowns of equity investments	-	-	-	-	-
Personnel expenses	158	-	88	246	1.525
Collective valuations of sureties issued	733	-	-	733	655
Securised recievables	-	-	-	-	1.122
Other assets	3.703	774	-	4.477	3.762
Total deferred tax assets (charged to income statement)	**64.846**	**1.152**	**88**	**66.086**	**53.321**
Depreciation and valuation of buildings	3.155	285	-	3.440	3.409
Measurement of available-for-sale financial assets	103	-	-	103	1.090
Others	-	-	-	-	-
Total deferred tax assets (charged to shareholders' equity)	**3.258**	**285**	**-**	**3.543**	**4.499**

KEY
IRES = Corporation tax
IRAP= Regional business tax

14.1.2 attributable to insurance companies

	Ires	Irap	Others	31/12/2009	31/12/2008
Losses on loans and receivables	1	-	-	1	1
Provisions for sundry risks and liabilities	1	-	-	1	-
Depreciation and valuation of buildings	6	-	-	6	8
Sundry administrative expenses	7	-	-	7	4
Writedowns of equity investments	-	-	-	-	-
Personnel expenses	38	-	-	38	42
Collective valuations of sureties issued	-	-	-	-	-
Securised recievables	-	-	-	-	-
Other assets	627	3	-	630	870
Total deferred tax assets (charged to income statement)	**680**	**3**	**-**	**683**	**925**
Depreciation and valuation of buildings	-	-	-	-	-
Measurement of available-for-sale financial assets	45	-	-	45	583
Others	-	-	-	-	-
Total deferred tax assets (charged to shareholders' equity)	**45**	**-**	**-**	**45**	**583**

KEY
IRES = Corporation tax
IRAP= Regional business tax

14.2 - Deferred tax liabilities: breakdown

	Ires	Irap	Others	31/12/2009	31/12/2008
Gains on sale of available-for-sale financial assets	1.025	-	-	1.025	1.983
Different calculation of depreciation of tangible assets	534	80	1	615	1.124
Different calculation of amortization of intangible assets	87	13	-	100	88
Contributions for training costs	111	-	-	111	110
Discounting to the present of provisions for sundry risks and charges	40	-	-	40	92
Mars mortgage loans	-	-	-	-	1.099
Discounting to the present of severance indemnities	-	-	-	-	4
Capital gain on sale of company division	403	-	-	403	796
Writedowns of receivables	26	4	-	30	-
Other liabilities	752	21	1.568	2.341	3.030
Total deferred taxes (charged to income statement)	**2.978**	**118**	**1.569**	**4.665**	**8.326**
Measurement of available-for-sale financial assets	286	299	-	585	376
Valuation of tangible assets	-	-	-	-	-
Capital gain on sale of company division	195	-	-	195	390
Depreciation and valuation of buildings	768	123	-	891	921
Other liabilities	11	26	-	37	140
Total deferred taxes (charged to shareholders' equity)	**1.260**	**448**	**-**	**1.708**	**1.827**

KEY
IRES = Corporation tax
IRAP= Regional business tax

14.2.1 attributable to the banking group

	Ires	Irap	Others	31/12/2009	31/12/2008
Gains on sale of available-for-sale financial assets	120	-	-	120	193
Different calculation of depreciation of tangible assets	534	80	1	615	1.124
Different calculation of amortization of intangible assets	87	13	-	100	88
Contributions for training costs	111	-	-	111	110
Discounting to the present of provisions for sundry risks and charges	40	-	-	40	92
Mars mortgage loans	-	-	-	-	1.099
Discounting to the present of severance indemnities	-	-	-	-	-
Capital gain on sale of company division	403	-	-	403	796
Writedowns of receivables	26	4	-	30	-
Other liabilities	752	21	1.568	2.341	2.828
Total deferred taxes (charged to income statement)	**2.073**	**118**	**1.569**	**3.760**	**6.330**
Measurement of available-for-sale financial assets	286	299	-	585	376
Valuation of tangible assets	-	-	-	-	-
Capital gain on sale of company division	195	-	-	195	390
Depreciation and valuation of buildings	768	123	-	891	921
Other liabilities	11	26	-	37	140
Total deferred taxes (charged to shareholders' equity)	**1.260**	**448**	**-**	**1.708**	**1.827**

KEY
IRES = Corporation tax
IRAP= Regional business tax

14.2.2 attributable to insurance companies

	Ires	Irap	Others	31/12/2009	31/12/2008
Gains on sale of available-for-sale financial assets	905	-	-	905	1.790
Different calculation of depreciation of tangible assets	-	-	-	-	-
Different calculation of amortization of intangible assets	-	-	-	-	-
Contributions for training costs	-	-	-	-	-
Discounting to the present of provisions for sundry risks and charges	-	-	-	-	-
Mars mortgage loans	-	-	-	-	-
Discounting to the present of severance indemnities	-	-	-	-	4
Capital gain on sale of company division	-	-	-	-	-
Writedowns of receivables	-	-	-	-	-
Other liabilities	-	-	-	-	202
Total deferred taxes (charged to income statement)	**905**	**-**	**-**	**905**	**1.996**
Measurement of available-for-sale financial assets	-	-	-	-	-
Valuation of tangible assets	-	-	-	-	-
Capital gain on sale of company division	-	-	-	-	-
Depreciation and valuation of buildings	-	-	-	-	-
Other liabilities	-	-	-	-	-
Total deferred taxes (charged to shareholders' equity)	**-**	**-**	**-**	**-**	**-**

KEY
IRES = Corporation tax
IRAP= Regional business tax

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

	31/12/2009	31/12/2008
1. Initial amount	**54.246**	**48.236**
2. Increases	**23.524**	**16.700**
2.1 Prepaid taxes recognised during the year	19.747	14.647
a) relating to previous years	103	1.243
b) due to changes in accounting policies	-	-
c) writebacks	58	-
d) others	19.586	13.404
2.2 New taxes or increases of tax rate	-	871
2.3 Other increases	3.777	1.182
3. Decreases	**11.001**	**10.690**
3.1 Prepaid taxes cancelled during the year	9.338	10.170
a) reversals	7.808	10.170
b) writedowns for unrecoverable items	3	-
c) changes in accounting policies	-	-
d) others	1.527	-
3.2 Reductions in tax rates	-	-
3.3 Other changes	1.663	520
4. Final amount	**66.769**	**54.246**

The changes in deferred tax assets recognised as a contra-entry in the income statement do not match the changes reported in tables 20.1 and 21.2 of the Income statement due to the implementation of IAS 8 in some companies of the Group, whose effects were included under item 2.3 for 105 thousand euro.

14.3.1 attributable to the banking group

	31/12/2009	31/12/2008
1. Initial amount	**53.321**	**48.177**
2. Increases	**23.476**	**15.619**
2.1 Prepaid taxes recognised during the year	19.699	14.602
a) relating to previous years	103	1.243
b) due to changes in accounting policies	-	-
c) writebacks	58	-
d) others	19.538	13.359
2.2 New taxes or increases of tax rate	-	871
2.3 Other increases	3.777	146
3. Decreases	**10.711**	**10.475**
3.1 Prepaid taxes cancelled during the year	9.298	9.955
a) reversals	7.768	9.955
b) writedowns for unrecoverable items	3	-
c) changes in accounting policies	-	-
d) others	1.527	-
3.2 Reductions in tax rates	-	-
3.3 Other changes	1.413	520
4. Final amount	**66.086**	**53.321**

14.3.2 attributable to insurance companies

	31/12/2009	31/12/2008
1. Initial amount	**925**	**59**
2. Increases	**48**	**1.081**
2.1 Prepaid taxes recognised during the year	48	45
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) writebacks	-	-
d) others	48	45
2.2 New taxes or increases of tax rate	-	-
2.3 Other increases	-	1.036
3. Decreases	**290**	**215**
3.1 Prepaid taxes cancelled during the year	40	215
a) reversals	40	215
b) writedowns for unrecoverable items	-	-
c) changes in accounting policies	-	-
d) others	-	-
3.2 Reductions in tax rates	-	-
3.3 Other changes	250	-
4. Final amount	**683**	**925**

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

	31/12/2009	31/12/2008
1. Opening balance	**8.326**	**9.043**
2. Increases	**289**	**4.503**
2.1 Deferred taxes recognized during the year	182	3.313
a) relating to previous years	105	476
b) due to changes in accounting policies	-	630
c) others	77	2.207
2.2 New taxes or increases in tax rates	-	3
2.3 Other increases	107	1.187
3. Decreases	**3.950**	**5.220**
3.1 Deferred taxes cancelled during the year	2.169	4.923
a) reversals	2.132	3.903
b) due to changes in accounting policies	-	-
c) others	37	1.020
3.2 Reductions in tax rates	-	-
3.3 Other decreases	1.781	297
4. Final amount	**4.665**	**8.326**

The change in deferred tax assets recognized as a contra-entry in the income statement does not correspond to the change indicated in Tables 20.1 and 21.2 of the Income Statement for the following reasons:

- *application of IAS 8 by a number of Group companies, the effects of which were included in item 3.3 Other decreases of 14 thousand euro;*
- *inclusion in item 3.3 Other decreases of changes for taxes reclassified as "deferred tax liabilities recognised as a contra-entry in shareholders' equity" of 399 thousand euro.*

14.4.1 attributable to the banking group

	31/12/2009	31/12/2008
1. Opening balance	**6.330**	**8.134**
2. Increases	**310**	**3.416**
2.1 Deferred taxes recognized during the year	203	2.226
a) relating to previous years	105	476
b) due to changes in accounting policies	-	630
c) others	98	1.120
2.2 New taxes or increases in tax rates	-	3
2.3 Other increases	107	1.187
3. Decreases	**2.880**	**5.220**
3.1 Deferred taxes cancelled during the year	2.169	4.923
a) reversals	2.132	3.903
b) due to changes in accounting policies	-	-
c) others	37	1.020
3.2 Reductions in tax rates	-	-
3.3 Other decreases	711	297
4. Final amount	**3.760**	**6.330**

14.4.2 attributable to insurance companies

	31/12/2009	31/12/2008
1. Opening balance	**1.996**	**909**
2. Increases	**(21)**	**1.087**
2.1 Deferred taxes recognized during the year	(21)	1.087
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) others	(21)	1.087
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**1.070**	**-**
3.1 Deferred taxes cancelled during the year	-	-
a) reversals	-	-
b) due to changes in accounting policies	-	-
c) others	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	1.070	-
4. Final amount	**905**	**1.996**

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

	31/12/2009	31/12/2008
1. Opening balance	**5.082**	**5.515**
2. Increases	**388**	**2.147**
2.1 Prepaid taxes recognized during the year	388	1.631
a) relating to previous years	388	34
b) due to changes in accounting policies	-	-
c) others	-	1.597
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	516
3. Decreases	**1.882**	**2.580**
3.1 Prepaid taxes cancelled during the year	1.014	1.355
a) reversals	935	928
b) writedowns for unrecoverable items	-	427
c) due to changes in accounting policies	-	-
d) others	79	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	868	1.225
4. Final amount	**3.588**	**5.082**

14.5.1 attributable to the banking group

	31/12/2009	31/12/2008
1. Opening balance	**4.499**	**3.723**
2. Increases	**388**	**1.564**
2.1 Prepaid taxes recognized during the year	388	1.048
a) relating to previous years	388	34
b) due to changes in accounting policies	-	-
c) others	-	1.014
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	516
3. Decreases	**1.344**	**788**
3.1 Prepaid taxes cancelled during the year	1.014	599
a) reversals	935	172
b) writedowns for unrecoverable items	-	427
c) due to changes in accounting policies	-	-
d) others	79	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	330	189
4. Final amount	**3.543**	**4.499**

14.5.2 attributable to insurance companies

	31/12/2009	31/12/2008
1. Opening balance	**583**	**1.792**
2. Increases	**-**	**583**
2.1 Prepaid taxes recognized during the year	-	583
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) others	-	583
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**538**	**1.792**
3.1 Prepaid taxes cancelled during the year	-	756
a) reversals	-	756
b) writedowns for unrecoverable items	-	-
c) due to changes in accounting policies	-	-
d) others	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	538	1.036
4. Final amount	**45**	**583**

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

	31/12/2009	31/12/2008
1. Opening balance	**1.827**	**2.453**
2. Increases	**604**	**410**
2.1 Deferred taxes recognized during the year	255	410
a) relating to previous years	-	46
b) due to changes in accounting policies	-	-
c) others	255	364
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	349	-
3. Decreases	**723**	**1.036**
3.1 Deferred taxes cancelled during the year	195	1.028
a) reversals	195	1.028
b) due to changes in accounting policies	-	-
c) others	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	528	8
4. Final amount	**1.708**	**1.827**

14.6.1 attributable to the banking group

	31/12/2009	31/12/2008
1. Opening balance	**1.827**	**2.453**
2. Increases	**604**	**410**
2.1 Deferred taxes recognized during the year	255	410
a) relating to previous years	-	46
b) due to changes in accounting policies	-	-
c) others	255	364
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	349	-
3. Decreases	**723**	**1.036**
3.1 Deferred taxes cancelled during the year	195	1.028
a) reversals	195	1.028
b) due to changes in accounting policies	-	-
c) others	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	528	8
4. Final amount	**1.708**	**1.827**

Section 15
Non-current assets and groups of assets held for sale and associated liabilities - Item 150 of assets and item 90 of liabilities

15.1 Non current assets and groups of assets held for sale: breakdown by type of asset

	31/12/2009	31/12/2008
A. Single asset		
A.1 Financial assets	-	-
A.2 Equity investments	-	-
A.3 Tangible assets	-	228
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
Total A	**-**	**228**
B. Asset groups (discontinued operations)		
B.1 Financial assets held for trading	-	-
B.2 Financial assets at fair value through profit or loss	-	-
B.3 Financial assets available for sale	-	-
B.4 Financial assets held to maturity	-	-
B.5 Due from banks	-	-
B.6 Due from customers	-	-
B.7 Equity investments	-	-
B.8 Tangible assets	-	-
B.9 Intangible assets	-	-
B.10 Other assets	-	-
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		
D.1 Due to banks	-	-
D.2 Due to customers	-	-
D.3 Securities in issue	-	-
D.4 Financial liabilities held for trading	-	-
D.5 Financial liabilities at fair value through profit or loss	-	-
D.6 Funds	-	-
D.7 Other liabilities	-	-
Total D	**-**	**-**

Section 16
Other assets - Item 160

16.1 Other assets: breakdown

	31/12/2009	31/12/2008
Items receivable in transit	2.241	2.396
Forms in stock	1.612	756
Payment orders to sundry others being debited	62.251	63.476
Countervalues on securities and derivatives trading being settled	11.522	8.954
Matured coupons and securities being settled	162	12.577
Current account cheques drawn against third parties	46.666	50.404
Current account cheques drawn against the bank	21.332	31.067
Commission advances	190	312
Suitable taxes to be recovered from customers	8	11
Advance taxes paid to tax office for third parties	120	53
Regional contributions on work training contracts	-	-
Guarantee deposit on own behalf	73	69
Fees, commissions and other income in the process of collection	27.826	24.392
Expenses for improvements to third-party property	8.296	8.745
Portfolio adjustments	812	25.634
Advances and accounts payable	5.623	8.912
Charges/invoices to be issued towards customers	6.636	1.784
Disputed items not deriving from lending transactions	7.091	7.677
Deferrals on administrative expenses and fees	4.612	5.700
Due from insured	89	770
Due from intermediaries	1.886	1.576
Due from reinsurance companies	375	363
Others	37.234	19.937
Total	**246.657**	**275.565**

PART B
INFORMATION ON THE CONSOLIDATED BALANCE SHEET

LIABILITIES

Section 1
Due to banks - Item 10

1.1 Due to banks: breakdown by type

Type of transaction/Group components	31/12/2009	31/12/2008
1. Due to central banks	**40.101**	**10.077**
2. Due to banks	**226.202**	**304.384**
2.1 Current accounts and demand deposits	52.230	87.795
2.2 Term deposits	42.594	109.205
2.3. Loans and advances	130.988	107.384
2.3.1 financial leasing	251	1.005
2.3.2 others	130.737	106.379
2.4 Payables for own equity instrument repurchase commitments	-	-
2.5 Other payables	390	-
Total	**266.303**	**314.461**
Fair value	**266.303**	**314.461**

Section 2
Due to customers - Item 20

2.1 Due to customers: breakdown by type

Type of transaction/Group components	31/12/2009	31/12/2008
1. Current accounts and demand deposits	7.582.767	7.034.370
2. Term deposits	454.061	497.093
3. Loans and advances	511.995	1.041.948
3.1 repurchase agreement	56.878	539.897
3.2 others	455.117	502.051
4. Payables for own equity instrument repurchase commitments	-	-
5. Other payables	109.716	104.196
Total	**8.658.539**	**8.677.607**
Fair value	**8.658.540**	**8.677.734**

The change in the item “3.1 repurchase agreements” is due to the decrease in customer’s interest in this form of investment.
In particular, this contraction is more evident for repurchase agreements with underlying Italian government securities, as the significant drop in the return recorded in 2009 made them less attractive compared with alternative forms of investment.

2.3 Detail of item 20 "Due to customers": structured debts

	Total 31/12/2009	Total 31/12/2008
- structured debts	20.833	1.018
Total	**20.833**	**1.018**

2.5 Financial leasing debts

	Total 31/12/2009	Total 31/12/2008
- financial leasing debts	19	38
Total	**19**	**38**

Section 3
Outstanding securities - Item 30

3.1 Outstanding securities: breakdown by type

Type of security/Amount	Total 31/12/2009				Total 31/12/2008		
	Book value	Fair value			Book value	Fair value	
		Level 1	Level 2	Level 3		Level 1	Level 2/3
A. Quoted securities							
1. Bonds	1.864.700	500.374	1.376.823	-	2.158.244	832.623	1.311.529
1.1 structured	-	-	-	-	14.410	-	14.769
1.2 others	1.864.700	500.374	1.376.823	-	2.143.834	832.623	1.296.760
2. Other securities	127.182	-	-	127.182	127.916	-	127.916
2.1 structured	-	-	-	-	-	-	-
2.2 others	127.182	-	-	127.182	127.916	-	127.916
Total	**1.991.882**	**500.374**	**1.376.823**	**127.182**	**2.286.160**	**832.623**	**1.439.445**

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

	Total 31/12/2009	Total 31/12/2008
- subordinated securities	455.268	402.171
Total	**455.268**	**402.171**

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

	Total 31/12/2009	Total 31/12/2008
1. Securities subject to micro-hedging of fair value	**192.335**	**49.361**
a) interest rate risk	192.335	49.361
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	**192.335**	**49.361**

Section 4
Financial liabilities held for trading - Item 40

4.1 Financial liabilities held for trading: breakdown by type

Type of transaction/Group components	31/12/2009					31/12/2008			
	VN	FV			FV*	VN	FV		FV*
		L1	L2	L3			L1	L2/3	
A. Cash liabilities									
1. Due to banks	-	-	-	-	-	2	2	-	2
2. Due to customers	27.551	29.311	-	-	29.311	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	X
3.2 Other securities	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	X	-	-	-	X
3.2.2 Others	-	-	-	-	X	-	-	-	X
Total A	**27.551**	**29.311**	**-**	**-**	**29.311**	**2**	**2**	**-**	**2**
B. Derivative instruments									
1. Financial derivatives	X	3.606	13.342	-	X	X	6.355	37.853	X
1.1 Held for trading	X	3.606	12.714	-	X	X	6.355	34.938	X
1.2 Linked to fair value option	X	-	-	-	X	X	-	-	X
1.3 Others	X	-	628	-	X	X	-	2.915	X
2. Credit derivatives	X	-	-	-	X	X	-	75	X
2.1 Held for trading	X	-	-	-	X	X	-	75	X
2.2 Linked to fair value option	X	-	-	-	X	X	-	-	X
2.3 Others	X	-	-	-	X	X	-	-	X
Total B	**X**	**3.606**	**13.342**	**-**	**X**	**X**	**6.355**	**37.928**	**X**
Total A+B	**X**	**32.917**	**13.342**	**-**	**X**	**X**	**6.357**	**37.928**	**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

L2/3 = Level 2/3

The amounts included under cash assets refer to uncovered short positions.

4.4 Cash financial liabilities (excluding "technical overdrafts") held for trading: annual changes

	Due to banks	Due to customers	Outstanding securities	Total 31/12/2009
A. Opening balance	**2**	**-**	**-**	**2**
B. Increases	**-**	**-**	**-**	**-**
B.1 Issues	-	-	-	-
B.2 Sales	-	-	-	-
B.3 Fair value increases	-	-	-	-
B.4 Other changes	-	-	-	-
C. Decreases	**2**	**-**	**-**	**2**
C.1 Purchases	-	-	-	-
C.2 Repayments	-	-	-	-
C.3 Fair value decreases	-	-	-	-
C.4 Other changes	2	-	-	2
D. Closing balance	**-**	**-**	**-**	**-**

Section 5
Financial liabilities at fair value throguh profit or loss - Item 50

5.1 Financial liabilities at fair value through profit or loss: breackdown by type

5.1.2 attributable to insurance companies

Type of transaction/Amount	31/12/2009					31/12/2008			
	VN	FV			FV*	VN	FV		FV*
		L1	L2	L3			L1	L2/3	
1. Due to banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Structured	-	-	-	-	X	-	-	-	X
1.2 Others	-	-	-	-	X	-	-	-	X
2. Due to customers	**484.941**	**401.103**	**83.838**	**-**	**-**	**492.116**	**-**	**492.116**	**-**
2.1 Structured	-	-	-	-	X	-	-	-	X
2.2 Others	484.941	401.103	83.838	-	X	492.116	-	492.116	X
3. Outstanding securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 Structured	-	-	-	-	X	-	-	-	X
3.2 Others	-	-	-	-	X	-	-	-	X
Total	**484.941**	**401.103**	**83.838**	**-**	**-**	**492.116**	**-**	**492.116**	**-**

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
L2/3 = Level 2/3

5.3 Financial liabilities at fair value through profit or loss: annaul changes

5.3.2 attributable to insurance companies

	Due to banks	Due to customers	Outstanding securities	Total
A. Opening balance	**-**	**492.116**	**-**	**492.116**
B. Increases	**-**	**75.993**	**-**	**75.993**
B.1 Issues	-	-	-	-
B.2 Sales	-	-	-	-
B.3 Fair value increases	-	29.557	-	29.557
B.4 Other changes	-	46.436	-	46.436
C. Decreases	**-**	**83.168**	**-**	**83.168**
C.1 Purchases	-	1.324	-	1.324
C.2 Repayments	-	-	-	-
C.3 Fair value decreases	-	18.725	-	18.725
C.4 Other changes	-	63.119	-	63.119
D. Closing balance	**-**	**484.941**	**-**	**484.941**

The increases and decreases recognized under "Other changes " were of the following kinds:

- *the decreases comprise liquidations relating to index contracts classified as "investment" products;*
- *the increases comprise premiums relating to specific asset financing agreements classified as "investment" products.*

Section 6
Hedging derivatives - Item 60

6.1 Hedging derivatives: breakdown by type of hedging and by level

	Fair value 31/12/2009			VN 31/12/2009	Fair value 31/12/2008		VN 31/12/2008
	L1	L2	L3		L1	L2/3	
A. Financial derivatives	**-**	**85.074**	**-**	**1.447.743**	**-**	**71.566**	**1.525.883**
1) Fair value	-	85.074	-	1.447.743	-	71.566	1.525.883
2) Cash flow	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-
2) Cash flow	-	-	-	-	-	-	-
Total	**-**	**85.074**	**-**	**1.447.743**	**-**	**71.566**	**1.525.883**

Key:
VN = Nominal or notional value
L1 = Level 1
L2/3 = Level 2/3

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

Transaction/Type of hedging	Fair value						Cash flows		Foreign investments
	Micro					Macro	Micro	Macro	
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	More than one risk				
1. Financial assets available for sale	-	-	-	-	-	X	-	X	X
2. Receivables	-	-	-	X	-	X	-	X	X
3. Financial assets held to maturity	X	-	-	X	-	X	-	X	X
4. Portfolio	-	-	-	-	-	85.074	-	-	X
5. Other operations	X	X	X	X	X	X	X	X	-
Total assets	**-**	**-**	**-**	**-**	**-**	**85.074**	**-**	**-**	**-**
1. Financial liabilities	-	-	-	X	-	X	-	X	X
2. Portfolio	-	-	-	-	-	-	-	-	X
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**X**
1. Pending transactions	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	-	X	-	-

Section 10
Other liabilities - Item 100

10.1 Other liabilities: breakdown

	31/12/2009	31/12/2008
Items payable in transit	1.009	745
Taxes payable for third parties	21.635	31.483
Adjustments for non-cash portfolio items	91.634	66.843
Countervalues on securities and derivatives trading being settled	8.849	-
Cash available to customers	32.404	32.733
Bank transfers and other payments due	74.360	164.124
Accounts payable and fees payable to sundry third parties	61.976	60.093
Personnel expenses	32.638	34.924
Payables for guarantees and commitments	2.615	2.384
Fees payable to statutory auditors and directors	1.091	3.012
Contributions payable to sundry agencies	9.682	8.197
Deferrals	1.838	4.908
Payments to cover recalled bills	-	63
Special law contributions to be paied to customers	399	470
Advances and due to customers	820	672
Cram in liquidation for liability action	-	-
Debts deriving from direct insurance operations	1.248	842
Debts deriving from reinsurance operations	232	363
Commissions for premiums being collected	259	189
Deferred Income Reserve	1.839	3.193
Others	21.721	10.917
Total	**366.249**	**426.155**

Section 11
Employee severance indemnities - Item 110

11.1 Employee severance indemnities: annual changes

	31/12/2009	31/12/2008
A. Opening balance	**41.207**	**39.709**
B. Increases	**3.857**	**4.907**
B.1 Provision of the year	1.428	4.218
B.2 Other changes	2.429	689
C. Decreases	**4.344**	**3.409**
C.1 Liquidations paid	1.839	2.864
C.2 Other changes	2.505	545
D. Closing balance	**40.720**	**41.207**

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

- *Demographic assumptions*
    - *mortality/disability: in addition to the historical series observed, the 2003 ISTAT tables were adopted, divided by age and gender;*
    - *retirement, resignations/dismissals, expiry of contracts: these causes for exclusion were deduced from the observation of corporate data. The assumed probability of leaving the company is 7.4% per year. For staff with non-permanent contracts, the time period was brought to the expiration of the contract (as no contractual terms guaranteed the continuation of the employment relationship) and no early dismissal was assumed before the expiration of the contract. Actuarial assumptions considered a maximum retirement age of 60 years for women and 65 for men;*
    - *severance indemnity advances: in order to take into account the effects that these advances may have on the timing of the severance pay and the discounting of the company's debt, the probability for the disbursement of a part of accrued amounts was calculated. The annual advance frequency, deduced by observing corporate data, was 1,47%, while the severance indemnity percentage requested as advance was assumed at 70%, that is the maximum percentage provided by governing regulations;*
    - *supplementary social security: those who have always entirely paid their severance indemnity fund to supplementary social security relieve the Company from paying severance indemnities and, therefore, were not evaluated. As regards other employees, the evaluation was carried out considering the choices made by employees at 31 December 2009, communicated by the companies.*

- *Economic/financial assumptions*
    - *inflation: we used the inflationary scenario indicated in the 2010-2013 Economic and Financial Planning Document which envisages planned inflation of 1.5%;*
    - *wage rises: the case was considered taking into account two components: the first is of meritocratic and contractual nature, the second relates to inflation. With reference to the first component, we adopted a zero increase rate. As regards the second component, we considered inflation levels mentioned above;*
    - *discount rates: the rate adopted was determined with reference to the market yield of leading company bonds at the measurement date. In this connection, the Euroswap rate curve was used (source: Bloomberg) with reference to 31 December 2009.*

11.1.1 attributable to the banking group

	31/12/2009	31/12/2008
A. Opening balance	**40.513**	**39.161**
B. Increases	**3.731**	**4.744**
B.1 Provision of the year	1.302	4.055
B.2 Other changes	2.429	689
C. Decreases	**4.264**	**3.392**
C.1 Liquidations paid	1.759	2.847
C.2 Other changes	2.505	545
D. Closing balance	**39.980**	**40.513**

11.1.2 attributable to insurance companies

	31/12/2009	31/12/2008
A. Opening balance	**694**	**548**
B. Increases	**126**	**163**
B.1 Provision of the year	126	163
B.2 Other changes	-	-
C. Decreases	**80**	**17**
C.1 Liquidations paid	80	17
C.2 Other changes	-	-
D. Closing balance	**740**	**694**

Section 12
Provisions for risks and charges - Item 120

12.1 Provisions for risks and charges: breakdown

Item/Component	31/12/2009	31/12/2008
1. Company pension funds	-	-
2. Other provisions for risks and liabilities	53.585	54.300
2.1 Legal disputes and customers complaint	18.359	19.739
2.2 Operational risks	26.448	29.038
2.3 Personnel charges	4.722	1.852
2.4 Supplementary customer allowanceand goodwill compensation for termination of agency relationship	1.828	1.535
2.5 Others	2.228	2.136
Total	**53.585**	**54.300**

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

We highlight the existence of a dispute with the Inland Revenue as regards the application of stamp duties to the day book. The amount of this dispute, including sanctions, interests and collection fees, amounts to about 5.6 million euro. Considering resolution no. 371/E of 2008 issued by Agenzia delle Entrate (internal revenue service) and considering the reliable opinions of a leading Tax firm and Trade association, this potential fiscal is unlikely to occur. Finally, the explanations provided by the internal revenue with resolution no. 161/E of 2007 may considerably reduce the amount of the potential/possible debt deriving from the dispute.

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

12.2 Provisions for risks and charges: annual changes

	Pension funds	Legal disputes and customer complaints	Operational risks	Personnel charges	Supplementary customer allowance and goodwill compensation for termination of agency relationship	Others
A. Opening balance	**-**	**19.739**	**29.038**	**1.852**	**1.535**	**2.136**
B. Increases	**-**	**6.251**	**1.906**	**4.651**	**348**	**951**
B.1 Provisions for the year	-	5.744	465	4.649	348	941
B.2 Changes due to passing of time	-	214	638	1	-	9
B.3 Changes due to fluctuations in discount rate	-	293	803	1	-	1
B.4 Other changes	-	-	-	-	-	-
- business combinations (+)	-	-	-	-	-	-
- exchange difference (+)	-	-	-	-	-	-
- other changes (+)	-	-	-	-	-	-
C. Decreases	**-**	**7.631**	**4.496**	**1.781**	**55**	**859**
C.1 Utilization in the period	-	2.850	2.010	1.744	28	597
C.2 Changes due to fluctuations in discount rate	-	15	-	-	-	-
C.3 Other changes	-	4.766	2.486	37	27	262
- business combinations (+)	-	-	-	-	-	-
- exchange difference (-)	-	-	-	-	-	-
- other changes (-)	-	4.766	2.486	37	27	262
D. Closing balance	**-**	**18.359**	**26.448**	**4.722**	**1.828**	**2.228**

Other decreases mainly refer to surpluses in risk funds set aside in the previous financial years. As regards operating risks, this component includes, for an amount of 802 thousands euro, the effect of the change in estimated provisions.

Section 13
Technical reserves - Item 130

13.1 Technical reserves: breakdown

	Direct work	Indirect work	Total 31/12/2009	Total 31/12/2008
A. Non-life	**1.399**	**-**	**1.399**	**1.433**
A.1 Premium reserves	681	-	681	818
A.2 Claims reserves	311	-	311	318
A.3 Other reserves	407	-	407	297
B. Life business	**522.790**	**-**	**522.790**	**295.900**
B.1 Actuarial reserves	506.760	-	506.760	285.079
B.2 Outstanding claims reserves	3.589	-	3.589	2.998
B.3 Other reserves	12.441	-	12.441	7.823
C. Technical reserves where the investment risk is borne by the policyholders	**151.634**	**-**	**151.634**	**168.487**
C. 1 Reserves relating to investment fund and index-linked contracts	151.634	-	151.634	168.487
C.2 Reserves deriving from the administration of pension funds	-	-	-	-
D. Total technical reserves	**675.823**	**-**	**675.823**	**465.820**

13.2 Technical reserves: annual variations

	Total 31/12/2008	Change	Total 31/12/2009
A. Non-life	**1.433**	**(34)**	**1.399**
A.1 Premium reserves	818	(137)	681
Premium portion reserve	818	(137)	681
Current risks reserve	-	-	-
A.2 Claims reserves	318	(7)	311
Compensations and direct expenses reserve	-	-	-
Settlment costs reserve	-	-	-
Incurred and unreported losses reserve	318	(7)	311
A.3 Other reserves	297	110	407
B. Life business	**295.900**	**226.890**	**522.790**
B.1 Actuarial reserves	285.079	221.681	506.760
B.2 Outstanding claims reserves	2.998	591	3.589
B.3 Other reserves	7.823	4.618	12.441
C. Technical reserves where the investment risk is borne by the policyholders	**168.487**	**(16.853)**	**151.634**
C. 1 Reserves relating to investment fund and index-linked contracts	168.487	(16.853)	151.634
C.2 Reserves deriving from the administration of pension funds	-	-	-
D. Total technical reserves	**465.820**	**210.003**	**675.823**

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

15.1 "Capital" and "Treasury shares": breakdown

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

15.2 Capital - Number of parent company 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	-	-

Other information

1. Guarantees issued and commitments

Transactions	Balance 31/12/2009	Balance 31/12/2008
1) Financial guarantees issued	**93.664**	**74.774**
a) banks	18.297	-
b) customers	75.367	74.774
2) Commercial guarantees issued	**261.457**	**276.374**
a) banks	123	143
b) customers	261.334	276.231
3) Irrevocable commitments to disburse funds	**548.941**	**567.130**
a) banks	150.011	336.515
i) certain to be drawn down	150.011	319.415
ii) not certain to be drawn down	-	17.100
b) customers	398.930	230.615
i) certain to be drawn down	26.133	161.808
ii) not certain to be drawn down	372.797	68.807
4) Commitments underlying credit derivatives: protection sales	**-**	**-**
5) Assets pledged for third party obligations	**46.095**	**62.924**
6) Other commitments	**13.041**	**76.251**
Total	**963.198**	**1.057.453**

2. Assets pledged against own liabilities and commitments

Portfolios	Balance 31/12/2009	Balance 31/12/2008
1. Financial assets held for trading	224.811	316.634
2. Financial assets carried at fair value	-	-
3. Financial assets available for sale	8.543	23.197
4. Financial assets held to maturity	55.224	71.893
5. Due from banks	3.475	8.474
6. Due from customers	1.503	1.514
7. Property, plant and equipment	-	-

The item Financial assets held for trading consists of securities used to guarantee:

- *repurchase agreements.*
- *advances from the Bank of Italy;*
- *derivative transactions.*

The item Financial assets available for sale consists of securities used to guarantee:

- *repurchase agreements.*

The item Financial assets held to maturity consists of securities used to guarantee:

- *repurchase agreements.*
- *bank drafts at the Bank of Italy;*
- *advances from the Bank of Italy;*
- *derivative transactions.*

The item Due to banks consists of securities used to guarantee:

- *repurchase agreements.*

The item Due to customers consists of securities used to guarantee:
- *repurchase agreements.*

REPURCHASE AGREEMENTS
There are no specific clauses and conditions associated with this guarantee.

ISSUE OF BANK DRAFTS
Banks authorised to issue bank drafts are required to lodge a deposit at the Bank of Italy. The minimum value of the deposit lodged is 20% of the amount of drafts in circulation. The Bank of Italy holds the deposits lodged and checks the congruity of the amount with respect to the minimum amount in relation to the circulation of bank drafts and the release of the financial instruments deposited.
Banks with misalignments in the amount of the deposit must take appropriate corrective measures, which, depending on the situation, will consist of rectifying the reports at the first favourable occasion or increasing the deposits, to be implemented within the 5 days following the notification. If they fail to increase the deposits or infringe the regulations on their amount or composition, then the banks may be fined from 516,46 euro to 25.822,84 euro, in accordance with Article 144, paragraph 1, of Legislative Decree 385/93.

ADVANCES FROM THE BANK OF ITALY
For advances granted by the Bank of Italy in order to finance, during the same business day, any temporal misalignments between payments and receipts, the Group banks are required to offer their assets as surety, which are registered in the specific guarantee securities deposit account opened at the Bank of Italy.
If the surety is not lodged within the deadline envisaged, and the misalignment continues, the Bank of Italy may terminate the contract. Such termination entails the immediate closure of the intraday advance account, and consequently an obligation to repay the debt in the said account and reimburse any advances granted.

DERIVATIVE TRANSACTIONS
The Banca Sella Group banks adhere to the guarantee system managed by the Clearing and Guarantee House, through the payment of margins. The final settlement of Contractual Positions on Derivative Financial Instruments may be carried out through differential liquidation in cash or “delivery” of the underlying asset, in accordance with the provisions of the relevant Contractual Schedule.
In the event of default or insolvency, the Clearing and Guarantee House proceeds to close the accounts of the party in default and calculates the charges incurred in this operation.

4. Breakdown of investments relating to unit-linked and index-linked policies

	Balance 31/12/2009	Balance 31/12/2008
I. Lands and buildings	-	-
II. Investments in group companies and subsidary companies	-	-
1. Shares and holdings	-	-
2. Bonds	-	-
3. Loans and advances	-	-
III. Stakes in mutual funds	-	-
IV. Other financial investments	641.822	669.631
1. Shares and holdings	156.224	109.900
2. Bonds and other fixed-income securities	466.955	505.810
3. Deposits with credit institutions	721	31.131
4. Miscellaneous financial investments	17.922	22.790
V. Other assets	-	-
VI. Cash	26.248	-
Total	**668.070**	**669.631**

5. Management and intermediation on third parties behalf

Type of service	Balance 31/12/2009	Balance 31/12/2008
1. Order execution on customers' behalf	***64.308.953***	***117.673.466***
a) Purchases	31.966.072	58.597.514
1. settled	31.773.262	58.509.603
2. not settled	192.810	87.911
b) Sales	32.342.881	59.075.952
1. settled	32.136.039	58.985.519
2. not settled	206.842	90.433
2. Portfolio management	***3.150.026***	***2.829.755***
a) Individual	2.905.295	2.672.621
b) Collective	244.731	157.134
3. Custody and administration of securities		
a) Third-party securities on deposit: connected with role of depositary bank (excluding asset management)	2.048.321	1.846.999
1. securities issued by companies included within consolidation	-	-
2. other securities	2.048.321	1.846.999
b) other third-party securities on deposit (excluding asset management): others	11.064.974	10.275.127
1. securities issued by companies included within consolidation	1.228.791	1.022.868
2. other securities	9.836.183	9.252.259
c) third-party securities deposited with third parties	15.074.315	15.683.641
c) own securities deposited with third parties	1.851.029	1.432.952
4. Other transactions *	***134.810.900***	***252.461.104***

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

- purchases: 67567897
- sales: 67243003

The item 2. Portfolio management does not include the amount of management delegated by Group companies (Banca Patrimoni Sella & C.) as it was already included under the item "third-party portfolio" of other Group companies. The period of comparison was adapted accordingly.
The amount of item 3. b) "Other third-party securities on deposit" does not include asset management, which is reported in the relevant item 2."Asset Management". The period of comparison was adapted accordingly.
In 2009 the securities issued by Group companies held on deposit by other consolidated companies were analysed in depth, allowing to obtain a precise figure for these amounts. The period of comparison was adapted accordingly.
In addition, for financial year 2008, the nominal value of a security related to custodian bank activities was measured correctly.

PART C
INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

Section 1
Interest - Items 10 and 20

1.1 Interest and similar income: breakdown

Item/Technical type	Debt securities	Loans and advances	Other operations	Total 31/12/2009	Total 31/12/2008
1. Financial assets held for trading	27.563	-	1.571	29.134	51.529
2. Financial assets at fair value through profit or loss	14.653	-	4.818	19.471	15.293
3. Financial assets available for sale	12.771	-	-	12.771	11.860
4. Financial assets held to maturity	6.073	-	-	6.073	3.992
5. Due from banks	3.930	13.376	-	17.306	85.014
6. Due from customers	95	397.215	369	397.679	502.229
7. Hedging derivatives	X	X	15.120	15.120	13.390
8. Other assets	X	X	488	488	1.466
Total	**65.085**	**410.591**	**22.366**	**498.042**	**684.773**

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

- *watchlist loans: 2.538,3 thousand euro;*
- *non-performing loans: 291,7 thousand euro (accrued and collected); 13.539,6 thousand euro (accrued and depreciated);*
- *non revoked watchlist loans: 3.689,3 thousand euro.*

1.1.1 attributable to the banking group

Item/Technical type	Debt securities	Loans and advances	Other operations	Total 31/12/2009	Total 31/12/2008
1. Financial assets held for trading	27.475	-	1.571	29.046	51.465
2. Financial assets at fair value through profit or loss	-	-	-	-	-
3. Financial assets available for sale	3.059	-	-	3.059	2.329
4. Financial assets held to maturity	6.073	-	-	6.073	3.992
5. Due from banks	2.885	13.362	-	16.247	84.359
6. Due from customers	95	397.215	369	397.679	502.229
7. Hedging derivatives	X	X	15.120	15.120	13.390
8. Other assets	X	X	488	488	1.466
Total	**39.587**	**410.577**	**17.548**	**467.712**	**659.230**

1.1.2 attributable to insurance companies

Item/Technical type	Debt securities	Loans and advances	Other operations	Total 31/12/2009	Total 31/12/2008
1. Financial assets held for trading	88	-	-	88	64
2. Financial assets at fair value through profit or loss	14.653	-	4.818	19.471	15.293
3. Financial assets available for sale	9.712	-	-	9.712	9.531
4. Financial assets held to maturity	-	-	-	-	-
5. Due from banks	1.045	14	-	1.059	655
6. Due from customers	-	-	-	-	-
7. Hedging derivatives	X	X	-	-	-
8. Other assets	X	X	-	-	-
Total	**25.498**	**14**	**4.818**	**30.330**	**25.543**

1.3 Interest and similar income: other information

1.3.1 Interest income on financial assets in foreign currencies

	Total 31/12/2009	Total 31/12/2008
- on assets in foreign currencies	6.159	32.618

1.3.2 Interest income on financial leasing operations

	Total 31/12/2009	Total 31/12/2008
- on financial leasing operations	50.870	63.643

1.4 Interest and similar expense: breakdown

	Debts	Securities	Other operations	Total 31/12/2009	Total 31/12/2008
1. Due to central banks	131	X	-	131	-
2. Due to banks	4.118	X	-	4.118	37.924
3. Due to customers	67.674	X	1.118	68.792	194.083
4. Outstanding securities	X	51.913	-	51.913	108.553
5. Financial liabilities held for trading	-	-	1.868	1.868	6.665
6. Financial liabilities at fair value through profit or loss	870	-	-	870	-
7. Other liabilities and funds	X	X	149	149	240
8. Hedging derivatives	X	X	53.531	53.531	14.472
Total	**72.793**	**51.913**	**56.666**	**181.372**	**361.937**

1.4.1 attributable to the banking group

	Debts	Securities	Other operations	Total 31/12/2009	Total 31/12/2008
1. Due to central banks	131	X	-	131	-
2. Due to banks	4.117	X	-	4.117	37.924
3. Due to customers	67.674	X	-	67.674	193.074
4. Outstanding securities	X	51.913	-	51.913	108.553
5. Financial liabilities held for trading	-	-	1.868	1.868	6.665
6. Financial liabilities at fair value through profit or loss	-	-	-	-	-
7. Other liabilities and funds	X	X	149	149	211
8. Hedging derivatives	X	X	53.531	53.531	14.472
Total	**71.922**	**51.913**	**55.548**	**179.383**	**360.899**

1.4.2 attributable to insurance companies

	Debts	Securities	Other operations	Total 31/12/2009	Total 31/12/2008
1. Due to central banks	-	X	-	-	-
2. Due to banks	1	X	-	1	-
3. Due to customers	-	X	1.118	1.118	1.009
4. Outstanding securities	X	-	-	-	-
5. Financial liabilities held for trading	-	-	-	-	-
6. Financial liabilities at fair value through profit or loss	870	-	-	870	-
7. Other liabilities and funds	X	X	-	-	29
8. Hedging derivatives	X	X	-	-	-
Total	**871**	**-**	**1.118**	**1.989**	**1.038**

1.5 Interest and similar expense: differences on hedging transactions

1.5.1 attributable to the banking group

Item/Segment	Total 31/12/2009	Total 31/12/2008
A. Positive differences on hedging transactions	15.120	13.390
B. Negative differences on hedging transactions	53.531	14.472
Balance (A-B)	**38.411**	**1.082**

1.6 Interest and similar expense: other information

1.6.1 Interest expense on financial liabilities in foreign currencies

	Total 31/12/2009	Total 31/12/2008
- on liabilities in foreign currencies	5.887	22.663

Section 2
Fees - Items 40 and 50

2.1 Fee income: breakdown

Type of service/Amount	Total 31/12/2009	Total 31/12/2008
a) Sureties issued	3.281	2.984
b) Credit derivatives	-	-
c) Asset management, brokerage and advisory services:	112.630	111.501
1. Financial instruments trading	5.156	5.392
2. Currency trading	918	1.170
3. Portfolio management	43.156	39.705
3.1. individual	21.925	19.090
3.2. collective	21.231	20.615
4. Custody and administration of securities	2.230	1.984
5. Depositary bank	3.184	4.032
6. Placement of securities	6.910	5.266
7. Order reception and transmission activities	37.173	37.829
8. Consultancy activities	459	95
8.1 about investments matters	459	95
8.2 about financial structure matters	-	-
9. Distribution of third party services	13.444	16.028
9.1. Portfolio management	1.763	2.559
9.1.1. individual	1.763	2.558
9.1.2. collective	-	1
9.2. Insurance products	11.681	10.309
9.3. Other products	-	3.160
d) Collection and payment services	96.596	92.926
e) Servicing for securitization transactions	271	315
f) Services for factoring transactions	-	-
g) Tax collection services	-	-
h) Multilateral exchange systems management activities	-	-
i) Current accounts holding and management	23.675	10.347
j) Other services	47.529	36.135
Credit and debit cards	6.813	8.279
Expense recovery on loans to customers	1.134	2.022
Fees and commissions on relations with credit institutions	72	5.209
Safe-deposit box lease	22	20
Recovery of postal, printing and similar expenses.	5.285	6.335
Fees on loans to customers	15.429	78
Others	18.774	14.192
Total	**283.982**	**254.208**

The 1st amendment of 18 November 2009 to circular letter 262/2005 of the Bank of Italy specifies that account expenses fall within the item fee income, sub item i) (previously classified under operating income).
As for financial year 2008 account expenses amounted to 12,1 million euro.

2.1.1 attributable to the banking group

Type of service/Amount	Total 31/12/2009	Total 31/12/2008
a) Sureties issued	3.281	2.984
b) Credit derivatives	-	-
c) Asset management, brokerage and advisory services:	111.459	110.041
1. Financial instruments trading	5.156	5.392
2. Currency trading	918	1.170
3. Portfolio management	41.985	39.705
3.1. individual	21.925	19.090
3.2. collective	20.060	20.615
4. Custody and administration of securities	2.230	1.984
5. Depositary bank	3.184	4.032
6. Placement of securities	6.910	3.806
7. Order reception and transmission activities	37.173	37.829
8. Consultancy activities	459	95
8.1 about investments matters	459	95
8.2 about financial structure matters	-	-
9. Distribution of third party services	13.444	16.028
9.1. Portfolio management	1.763	2.559
9.1.1. individual	1.763	2.558
9.1.2. collective	-	1
9.2. Insurance products	11.681	10.309
9.3. Other products	-	3.160
d) Collection and payment services	96.596	92.926
e) Servicing for securitization transactions	271	315
f) Services for factoring transactions	-	-
g) Tax collection services	-	-
h) Multilateral exchange systems management activities	-	-
i) Current accounts holding and management	23.675	10.347
j) Other services	46.302	34.563
Credit and debit cards	6.813	8.279
Expense recovery on loans to customers	1.134	2.022
Fees and commissions on relations with credit institutions	72	5.209
Safe-deposit box lease	22	20
Recovery of postal, printing and similar expenses.	5.285	6.335
Fees on loans to customers	15.429	78
Others	17.547	12.620
Total	**281.584**	**251.176**

2.1.2 attributable to insurance companies

Type of service/Amount	Total 31/12/2009	Total 31/12/2008
a) Sureties issued	-	-
b) Credit derivatives	-	-
c) Asset management, brokerage and advisory services:	1.171	1.460
1. Financial instruments trading	-	-
2. Currency trading	-	-
3. Portfolio management	1.171	-
3.1. individual	-	-
3.2. collective	1.171	-
4. Custody and administration of securities	-	-
5. Depositary bank	-	-
6. Placement of securities	-	1.460
7. Order reception and transmission activities	-	-
8. Consultancy activities	-	-
8.1 about investments matters	-	-
8.2 about financial structure matters	-	-
9. Distribution of third party services	-	-
9.1. Portfolio management	-	-
9.1.1. individual	-	-
9.1.2. collective	-	-
9.2. Insurance products	-	-
9.3. Other products	-	-
d) Collection and payment services	-	-
e) Servicing for securitization transactions	-	-
f) Services for factoring transactions	-	-
g) Tax collection services	-	-
h) Multilateral exchange systems management activities	-	-
i) Current accounts holding and management	-	-
j) Other services	1.227	1.572
Deposits and current accounts payable	-	-
Credit and debit cards	-	-
Current accounts receivable	-	-
Expense recovery on loans to customers	-	-
Finanziamenti	-	-
Fees and commissions on relations with credit institutions	-	-
Safe-deposit box lease	-	-
Recovery of postal, printing and similar expenses.	-	-
Fees on loans to customers	-	-
Others	1.227	1.572
Total	**2.398**	**3.032**

2.2 Fee expense: breakdown

Service/Amount	Total 31/12/2009	Total 31/12/2008
a) Sureties received	70	32
b) Credit derivatives	-	-
c) Asset management, brokerage and advisory services:	26.863	28.795
1. Financial instruments trading	5.244	5.582
2. Currency trading	2	5
3. Portfolio management	349	56
3.1. own	189	34
3.2. delegated to third parties	160	22
4. Custody and administration of securities	1.352	1.701
5. Placement of fnancial instruments	1.433	1.584
6. Door-to-door sale of securities, products and services	18.483	19.867
d) Collection and payment services	46.578	46.880
e) Other services	3.398	3.732
Total	**76.909**	**79.439**

2.2.1 attributable to the banking group

Service/Amount	Total 31/12/2009	Total 31/12/2008
a) Sureties received	70	32
b) Credit derivatives	-	-
c) Asset management, brokerage and advisory services:	26.792	28.739
1. Financial instruments trading	5.244	5.582
2. Currency trading	2	5
3. Portfolio management	278	-
3.1. own	173	-
3.2. delegated to third parties	105	-
4. Custody and administration of securities	1.352	1.701
5. Placement of fnancial instruments	1.433	1.584
6. Door-to-door sale of securities, products and services	18.483	19.867
d) Collection and payment services	46.547	46.849
e) Other services	3.398	3.719
Total	**76.807**	**79.339**

2.2.2 attributable to insurance companies

Service/Amount	Total 31/12/2009	Total 31/12/2008
a) Sureties received	-	-
b) Credit derivatives	-	-
c) Asset management, brokerage and advisory services:	71	56
1. Financial instruments trading	-	-
2. Currency trading	-	-
3. Portfolio management	71	56
3.1. own	16	34
3.2. delegated to third parties	55	22
4. Custody and administration of securities	-	-
5. Placement of fnancial instruments	-	-
6. Door-to-door sale of securities, products and services	-	-
d) Collection and payment services	31	31
e) Other services	-	13
Total	**102**	**100**

Section 3
Dividends and similar income - Item 70

3.1 Dividends and similar income: breakdown

Item/Income	Total 31/12/2009		Total 31/12/2008	
	Dividends	Income from UCITS units	Dividends	Income from UCITS units
A. Financial assets held for trading	874	3	4.681	247
B. Financial assets available for sale	600	-	7.996	-
C. Financial assets carried at fair value - others	-	-	-	-
D. Equity investments	486	X	-	X
Total	**1.960**	**3**	**12.677**	**247**

It is important to note that the figure at 31/12/2008 included an extraordinary dividend received from Visa of 6.7 million euro.

3.1.1 attributable to the banking group

Item/Income	Total 31/12/2009		Total 31/12/2008	
	Dividends	Income from UCITS units	Dividends	Income from UCITS units
A. Financial assets held for trading	865	3	4.667	247
B. Financial assets available for sale	600	-	7.996	-
C. Financial assets carried at fair value - others	-	-	-	-
D. Equity investments	486	X	-	X
Total	**1.951**	**3**	**12.663**	**247**

3.1.2 attributable to insurance companies

Item/Income	Total 31/12/2009		Total 31/12/2008	
	Dividends	Income from UCITS units	Dividends	Income from UCITS units
A. Financial assets held for trading	9	-	14	-
B. Financial assets available for sale	-	-	-	-
C. Financial assets carried at fair value - others	-	-	-	-
D. Equity investments	-	X	-	X
Total	**9**	**-**	**14**	**-**

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	**7.693**	**37.319**	**5.696**	**6.933**	**32.383**
1.1 Debt securities	6.359	29.627	5.168	4.106	26.712
1.2 Equity securities	618	7.471	91	2.599	5.399
1.3 UCITS units	716	132	437	228	183
1.4 Loans and advances	-	-	-	-	-
1.5 Others	-	89	-	-	89
2. Financial liabilities held for trading	**-**	**80**	**-**	**155**	**(75)**
2.1 Debt securities	-	-	-	-	-
2.2 Debts	-	80	-	155	(75)
2.3 Others	-	-	-	-	-
3. Other financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**5.454**
4. Derivative instruments	**142.075**	**127.494**	**104.026**	**165.902**	**(1.926)**
4.1 Financial derivatives:	142.000	127.494	104.026	165.861	(1.960)
- On debt securities and interest rates	141.704	68.038	103.464	107.469	(1.191)
- On equity securities and share indices	296	59.429	557	58.381	787
- On currencies and gold	X	X	X	X	(1.567)
- Others	-	27	5	11	11
4.2 Credit derivatives	75	-	-	41	34
TOTAL	**149.768**	**164.893**	**109.722**	**172.990**	**35.836**

4.1.1 attributable to the banking group

Transaction/Income component	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net gains/(losses) [(A+B)-(C+D)]
1. Financial assets held for trading	**7.587**	**34.159**	**5.610**	**6.101**	**30.035**
1.1 Debt securities	6.359	29.614	5.168	4.106	26.699
1.2 Equity securities	512	4.324	5	1.767	3.064
1.3 UCITS units	716	132	437	228	183
1.4 Loans and advances	-	-	-	-	-
1.5 Others	-	89	-	-	89
2. Financial liabilities held for trading	**-**	**80**	**-**	**155**	**(75)**
2.1 Debt securities	-	-	-	-	-
2.2 Debts	-	80	-	155	(75)
2.3 Others	-	-	-	-	-
3. Other financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**5.454**
4. Derivative instruments	**142.075**	**127.494**	**104.026**	**165.902**	**(1.926)**
4.1 Financial derivatives:	142.000	127.494	104.026	165.861	(1.960)
- On debt securities and interest rates	141.704	68.038	103.464	107.469	(1.191)
- On equity securities and share indices	296	59.429	557	58.381	787
- On currencies and gold	X	X	X	X	(1.567)
- Others	-	27	5	11	11
4.2 Credit derivatives	75	-	-	41	34
TOTAL	**149.662**	**161.733**	**109.636**	**172.158**	**33.488**

4.1.2 attributable to insurance companies

Transaction/Income component	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net gains/(losses) [(A+B)-(C+D)]
1. Financial assets held for trading	**106**	**3.160**	**86**	**832**	**2.348**
1.1 Debt securities	-	13	-	-	13
1.2 Equity securities	106	3.147	86	832	2.335
1.3 UCITS units	-	-	-	-	-
1.4 Loans and advances	-	-	-	-	-
1.5 Others	-	-	-	-	-
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Debts	-	-	-	-	-
2.3 Others	-	-	-	-	-
3. Other financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**-**
4. Derivative instruments	**-**	**-**	**-**	**-**	**-**
4.1 Financial derivatives:	-	-	-	-	-
- On debt securities and interest rates	-	-	-	-	-
- On equity securities and share indices	-	-	-	-	-
- On currencies and gold	X	X	X	X	-
- Others	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
TOTAL	**106**	**3.160**	**86**	**832**	**2.348**

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

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

Income component/Amount	Total 31/12/2009	Total 31/12/2008
A. Income from:		
A.1 Fair value hedging derivatives	35.665	8.316
A.2 Hedged financial assets (fair value)	8.031	82.158
A.3 Hedged financial liabilities (fair value)	39	-
A.4 Cash flow hedging derivatives	-	-
A.5 Assets and liabilities in foreign currencies	-	-
Total income from hedging activities (A)	**43.735**	**90.474**
B. Expenses for:		
B.1 Fair value hedging derivatives	40.007	78.322
B.2 Hedged financial assets (fair value)	3.767	7.954
B.3 Hedged financial liabilities (fair value)	1.024	2.469
B.4 Cash flow hedging derivatives	-	-
B.5 Assets and liabilities in foreign currencies	-	-
Total expenses for hedging activities (B)	**44.798**	**88.745**
C. Net gains/(losses) on hedging activities (A-B)	**(1.063)**	**1.729**

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

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

Item/Income component	Total 31/12/2009			Total 31/12/2008		
	Gains	Losses	Net gains/(losses)	Gains	Losses	Net gains/(losses)
Financial assets						
1. Due from banks	510	470	40	-	418	(418)
2. Due from customers	896	207	689	-	-	-
3. Financial assets available for sale	12.484	1.407	11.077	1.550	716	834
3.1 Debt securities	4.354	1.263	3.091	495	290	205
3.2 Equity securities	8.130	144	7.986	1.055	426	629
3.3 UCITS units	-	-	-	-	-	-
3.4 Loans and advances	-	-	-	-	-	-
4. Financial assets held to maturity	192	199	(7)	-	-	-
Total assets	**14.082**	**2.283**	**11.799**	**1.550**	**1.134**	**416**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	1.864	-	1.864	-	-	-
3. Outstanding securities	1.215	1.664	(449)	2.383	660	1.723
Total liabilities	**3.079**	**1.664**	**1.415**	**2.383**	**660**	**1.723**

According to item 3. Financial assets available for sale, we point out that during the financial year the interests in London Stock Exchange Group and Visa were partly sold and the interests in Mastercard and Centrale dei Bilanci were entirely sold.

The value of the item Amounts due from customers was increased compared with 2008 following the Bank's repurchase of mezzanine and senior securities of the 2005 Mars 2600 securitisation. The profit was realised as the repurchase took place at prices below par compared with the issue price, and a part of these securities were reimbursed at par afterwards.

6.1.1 attributable to the banking group

Item/Income component	Total 31/12/2009			Total 31/12/2008		
	Gains	Losses	Net gains/(losses)	Gains	Losses	Net gains/(losses)
Financial assets						
1. Due from banks	510	470	40	-	418	(418)
2. Due from customers	896	207	689	-	-	-
3. Financial assets available for sale	11.038	1.352	9.686	1.055	426	629
3.1 Debt securities	2.908	1.208	1.700	-	-	-
3.2 Equity securities	8.130	144	7.986	1.055	426	629
3.3 UCITS units	-	-	-	-	-	-
3.4 Loans and advances	-	-	-	-	-	-
4. Financial assets held to maturity	192	199	(7)	-	-	-
Total assets	**12.636**	**2.228**	**10.408**	**1.055**	**844**	**211**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	1.864	-	1.864	-	-	-
3. Outstanding securities	1.200	1.632	(432)	2.316	660	1.656
Total liabilities	**3.064**	**1.632**	**1.432**	**2.316**	**660**	**1.656**

6.1.2 attributable to insurance companies

Item/Income component	Total 31/12/2009			Total 31/12/2008		
	Gains	Losses	Net gains/(losses)	Gains	Losses	Net gains/(losses)
Financial assets						
1. Due from banks	-	-	-	-	-	-
2. Due from customers	-	-	-	-	-	-
3. Financial assets available for sale	1.446	55	1.391	495	290	205
3.1 Debt securities	1.446	55	1.391	495	290	205
3.2 Equity securities	-	-	-	-	-	-
3.3 UCITS units	-	-	-	-	-	-
3.4 Loans and advances	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	-	-	-
Total assets	**1.446**	**55**	**1.391**	**495**	**290**	**205**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Outstanding securities	15	32	(17)	67	-	67
Total liabilities	**15**	**32**	**(17)**	**67**	**-**	**67**

Section 7
Net gains/(losses) on financial assets and liabilities at fair value through profit or loss - Item 110

7.1 Net change in asset/liabilities at fair value throguh profit or loss: breakdown

Transactions/Income component	Capital gains (A)	Realized profit (B)	Capital losses (C)	Realized losses (D)	Net gains/(losses) [(A+B)-(C+D)]
1. Financial assets	**46.967**	**1.775**	**22.329**	**1.230**	**25.183**
1.1 Debt securities	35.507	1.775	9.378	1.230	26.674
1.2 Share capital securities	1.629	-	11.494	-	(9.865)
1.3 UCITS units	9.831	-	1.457	-	8.374
1.4 Loans and advances	-	-	-	-	-
2. Financial liabilities	**18.725**	**850**	**29.557**	**-**	**(9.982)**
2.1 Debt securities	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	18.725	850	29.557	-	(9.982)
3. Financial assets and liabilities in foreign currency: exchange differences	**X**	**X**	**X**	**X**	**-**
4. Credit and financial derivatives	**-**	**-**	**-**	**-**	**-**
Total	**65.692**	**2.625**	**51.886**	**1.230**	**15.201**

Section 8
Net value adjustments for impairment - Item 130

8.1 Net value adjustments for impairment of loans: breakdown

Transaction/Income component	Writedowns (1)			Writebacks (2)				Total 31/12/2009 (1)-(2)	Total 31/12/2008 (1)-(2)
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Others		From interest	Other writebacks	From interest	Other writebacks		
A. Due from banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Loans and advances	-	-	-	-	-	-	-	-	-
- Debt securities	-	-	-	-	-	-	-	-	-
B. Due from customers	**(19.134)**	**(89.477)**	**(3.714)**	**5.569**	**22.170**	**815**	**-**	**(83.771)**	**(45.932)**
- Loans and advances	(19.134)	(89.477)	(3.714)	5.569	22.170	815	-	(83.771)	(45.932)
- Debt securities	-	-	-	-	-	-	-	-	-
C. Total	**(19.134)**	**(89.477)**	**(3.714)**	**5.569**	**22.170**	**815**	**-**	**(83.771)**	**(45.932)**

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

Transaction/Income component	Writedowns (1)		Writebacks (2)		Total 31/12/2009 (1)-(2)	Total 31/12/2008 (1)-(2)
	Specific		Specific			
	Write-offs	Others	From interest	Other writebacks		
A. Debt securities	-	-	-	-	-	-
B. Equity securities	-	(1.833)	X	X	(1.833)	(27.965)
C. UCITS units	-	-	X	-	-	-
D. Loans and advances to banks	-	-	-	-	-	-
E. Loans and advances to customers	-	-	-	-	-	-
F. Total	**-**	**(1.833)**	**-**	**-**	**(1.833)**	**(27.965)**

The total amount at 31 December 2009 shows the impact of the impairment on some minority interests. In particular, the financial year saw the impairment of investments in Intesa Sanpaolo (for an amount of 1,3 million euro) and Cartalis (for 0,5 thousand euro). The amount at 31 December 2008 was wholly attributable to the decision to book an impairment loss to the equity investment held by the Group in London Stock Exchange Group Plc..

8.4 Net writedowns for impairment of other financial transactions: breakdown

Transaction/Income component	Writedowns (1)			Writebacks (2)				Total 31/12/2009 (1)-(2)	Total 31/12/2008 (1)-(2)
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Others		From interest	Other writebacks	From interest	Other writebacks		
A. Sureties issued	-	(30)	(297)	-	-	-	-	(327)	188
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	-	-	-	-	-	-	-	-
D. Other transactions	(82)	(68)	(319)	50	166	-	-	(253)	(925)
Total	**(82)**	**(98)**	**(616)**	**50**	**166**	**-**	**-**	**(580)**	**(737)**

Section 9
Net premiums - Item 150

9.1 Net premiums: breakdown

Premiums deriving from insurance activity	Direct work	Indirect work	Total 31/12/2009	Total 31/12/2008
A. Life assurance				
A.1 Gross premiums written (+)	235.936	-	235.936	127.947
A.2 Reinsurance premiums ceded (-)	(1.555)	X	(1.555)	(2.735)
A.3 Total	234.381	-	234.381	125.212
B. Non-life assurance				
B.1 Gross premiums written (+)	1.601	-	1.601	1.952
B.2 Reinsurance premiums ceded (-)	(633)	X	(633)	(773)
B.3 Change in the gross amount of the premium reserve (+/-)	137	-	137	221
B.4 Change in the reinsurers' share of premiums reserve (+/-)	(71)	-	(71)	(109)
B.5 Total	1.034	-	1.034	1.291
C. Total net premiums	**235.415**	**-**	**235.415**	**126.503**

Section 10
Balance of other income/expenses from insurance operations - Item 160

10.1 Balance of other income/expenses from insurance operations: breakdown

Item	Total 31/12/2009	Total 31/12/2008
1. Net change in technical reserves	(205.392)	32.052
2. Incurred losses paid during the year	(67.614)	(121.862)
3. Other income/expenses from insurance operations	1.094	1.576
Total	**(271.912)**	**(88.234)**

10.2 Composition of subheading: "Net change in technical reserve"

Net change in technical reserve	Total 31/12/2009	Total 31/12/2008
1. Life assurance		
A. Actuarial reserves	(194.232)	(26.365)
A.1 Gross annual amount	(194.004)	(26.703)
A.2 (-) Reinsurers' shares	(228)	338
B. Other technical reserves	967	(1.111)
B.1 Gross annual amount	1.032	(931)
B.2 (-) Reinsurers' shares	(65)	(180)
C. Technical reserves where the investment risk is borne by the policyholders	(12.085)	59.513
C.1 Gross annual amount	(12.085)	59.513
C.2 (-) Reinsurers' shares	-	-
Total "Life assurance reserves"	**(205.350)**	**32.037**
2. Non-life assurance		
Change in other non-life technical reserves other than loss reserves net of reinsurance assignments	(42)	15

10.3 Composition of subheading: "Losses incurred in the year"

Net change in technical reserve	Total 31/12/2009	Total 31/12/2008
Life assurance: expenses for losses, net of reinsurance assignments		
A. Amounts paid	(66.533)	(120.887)
A.1 Gross annual amount	(66.931)	(121.297)
A.2 (-) Reinsurers' shares	398	410
B. Change in the reserve for outstanding claims	(541)	(391)
B.1 Gross annual amount	(591)	(538)
B.2 (-) Reinsurers' shares	50	147
Total Life assurance losses	**(67.074)**	**(121.278)**
Non-life assurance: expenses for losses, net of recoveries and reinsurance assignments		
C. Amounts paid	(546)	(591)
C.1 Gross annual amount	(768)	(832)
C.2 (-) Reinsurers' shares	222	241
D. Change in recoveries net of reinsurers' shares	-	-
E. Changes in loss reserve	6	7
E.1 Gross annual amount	7	(44)
E.2 (-) Reinsurers' shares	(1)	51
Total Non-life assurance losses	**(540)**	**(584)**

10.4 Composition of subheading: "Other income/expenses from insurance operations"

	Total 31/12/2009	Total 31/12/2008
LIFE ASSURANCE		
Income	**1.083**	**1.634**
- Other technical income net of reinsurance assignments	34	195
- Income and unrealized capital gains on investments in favour of risk-bearing policyholders	-	-
- Change in fees and other acquisition expenses to be amortized	-	-
- Fees and shares of profits received from reinsurers	1.049	1.439
Expenses	**(156)**	**(280)**
- Other technical expenses net of reinsurance assignments	(54)	(211)
- Expenses and unrealized capital losses on investments in favour of risk-bearing policyholders	-	-
- Acquisiton fees	(24)	-
- Other acquisition expenses	-	-
- Collection fees	(78)	(69)
Total Life assurance	**927**	**1.354**
NON-LIFE ASSURANCE		
Income	**289**	**341**
- Other technical income net of reinsurance assignments	10	4
- Change in fees and other acquisition expenses to be amortized	-	-
- Fees and shares of profits received from reinsurers	279	337
Expenses	**(122)**	**(119)**
- Other technical expenses net of reinsurance assignments	(24)	(60)
- Acquisiton fees	(97)	(59)
- Other acquisition expenses	-	-
- Collection fees	(1)	-
Total Non-life assurance	**167**	**222**

Section 11
Administrative expenses - Item 180

11.1 Personnel expenses: breakdown

Type of expense/Amount	Total 31/12/2009	Total 31/12/2008
1) Employees	235.768	238.010
a) Wages and Salaries	174.388	174.921
b) Social security contributions	44.271	44.001
c) Severance indemnities	3.500	5.487
d) Pension expenses	437	412
e) Provision for employees' severance indemnities	1.428	4.219
f) Provision for pension funds and similar:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) Payments into external supplementary pension funds:	8.964	6.634
- defined contribution	8.964	6.634
- defined benefit	-	-
h) Costs deriving from share-based payment agreements	-	-
i) Other employee benefits	2.561	2.059
2) Other working personnel	2.457	908
3) Directors andf statuory auditors	5.882	4.940
4) Non-working personnel	-	-
Total	**243.888**	**243.581**

11.1.1 attributable to the banking group

Type of expense/Amount	Total 31/12/2009	Total 31/12/2008
1) Employees	231.972	234.641
a) Wages and Salaries	171.584	172.616
b) Social security contributions	43.611	43.379
c) Severance indemnities	3.495	5.484
d) Pension expenses	437	412
e) Provision for employees' severance indemnities	1.302	4.056
f) Provision for pension funds and similar:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) Payments into external supplementary pension funds:	8.841	6.492
- defined contribution	8.841	6.492
- defined benefit	-	-
h) Costs deriving from share-based payment agreements	-	-
i) Other employee benefits	2.483	1.925
2) Other working personnel	2.412	544
3) Directors andf statuory auditors	5.505	4.407
4) Non-working personnel	-	-
Total	**239.670**	**239.315**

11.1.2 attributable to insurance companies

Type of expense/Amount	Total 31/12/2009	Total 31/12/2008
1) Employees	3.796	3.369
a) Wages and Salaries	2.804	2.305
b) Social security contributions	660	622
c) Severance indemnities	5	3
d) Pension expenses	-	-
e) Provision for employees' severance indemnities	126	163
f) Provision for pension funds and similar:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) Payments into external supplementary pension funds:	123	142
- defined contribution	123	142
- defined benefit	-	-
h) Costs deriving from share-based payment agreements	-	-
i) Other employee benefits	78	134
2) Other working personnel	45	364
3) Directors andf statuory auditors	377	533
4) Non-working personnel	-	-
Total	**4.218**	**4.266**

11.2 Average number of employees per category

	Total 31/12/2009	Total 31/12/2008
Employees:	4.226	4.293
- Executives	75	96
- Middle management	976	927
- Remaining employees	3.176	3.270
Other personnel	44	23
Total	**4.271**	**4.316**

The number of employees was reclassified in conformity with the amendment to Circular letter 262, according to which the average number is calculated as the weighted mean of employees, where the weight is given by the number of months worked in the year.

11.2.1 attributable to the banking group

	Total 31/12/2009	Total 31/12/2008
Employees:	4.184	4.253
- Executives	66	85
- Middle management	968	921
- Remaining employees	3.151	3.247
Other personnel	44	23
Total	**4.229**	**4.276**

11.2.2 attributable to insurance companies

	Total 31/12/2009	Total 31/12/2008
Employees:	42	40
- Executives	9	11
- Middle management	8	6
- Remaining employees	25	23
Other personnel	-	-
Total	**42**	**40**

11.5 Other administrative expenses: breakdown

Type of expense/Segments	Total 31/12/2009	Total 31/12/2008
Legal and notarial expenses	7.342	8.110
IT assistance and sundry advice	5.028	5.202
Other expenses for professional services	619	494
Printing and stationery	1.854	2.268
Leasing of electronic machines and software licences	1.999	900
Sundry rentals and expenses for services provided by third parties	21.271	23.004
Fees for data transmission	4.962	4.603
Purchase of sundry materials for data processing centre	275	175
Postal and telegraphic expenses	8.340	8.429
Telephone charges	3.028	3.618
Transport expenses	2.920	2.723
Cleaning of premises	1.820	1.711
Surveillance and escort of valuables	3.156	3.706
Electricity and heating	4.776	5.145
Rent of premises	21.379	20.264
Sundry insurance policies	3.135	3.284
Advertising and promotion	2.991	4.095
Entertainment expenses	646	674
Donations	119	210
Membership fees	2.120	1.496
Subscriptions and books	300	291
Gifts to staff	543	599
Personnel studies	1.411	1.934
Information and inspections	4.557	4.374
Travelling expenses	3.133	4.315
Expenses for interbank network service	814	150
Expenses for web site	32	-
Pension expenses for financial promoters	649	651
Other fees payable	3.481	1.553
Others	2.972	3.474
Maintenance and repair expenses	**14.324**	**14.047**
- Properties owned	356	271
- Properties rented	503	510
- Movables	3.660	2.651
- Hardware and software	9.805	10.615
Indirect taxes and duties	**29.271**	**29.419**
- Stamp duty	23.617	25.539
- Substitute tax Pres. Dec. 601/73	1.928	691
- Local property tax	577	577
- Other indirect taxes and duties	3.149	2.612
Total	**159.267**	**160.918**

11.5.1 attributable to the banking group

Type of expense/Segments	Total 31/12/2009	Total 31/12/2008
Legal and notarial expenses	6.932	7.785
IT assistance and sundry advice	4.901	4.968
Other expenses for professional services	210	107
Printing and stationery	1.832	2.244
Leasing of electronic machines and software licences	1.999	900
Sundry rentals and expenses for services provided by third parties	20.881	22.313
Fees for data transmission	4.908	4.580
Purchase of sundry materials for data processing centre	275	175
Postal and telegraphic expenses	8.215	8.296
Telephone charges	2.986	3.550
Transport expenses	2.904	2.706
Cleaning of premises	1.805	1.693
Surveillance and escort of valuables	3.156	3.706
Electricity and heating	4.765	5.131
Rent of premises	21.037	19.972
Sundry insurance policies	3.030	3.186
Advertising and promotion	2.806	3.917
Entertainment expenses	642	672
Donations	116	210
Membership fees	1.992	1.377
Subscriptions and books	298	290
Gifts to staff	542	599
Personnel studies	1.398	1.913
Information and inspections	4.557	4.374
Travelling expenses	3.088	4.232
Expenses for interbank network service	814	150
Expenses for web site	32	-
Pension expenses for financial promoters	649	651
Other fees payable	3.451	1.528
Others	2.652	3.046
Maintenance and repair expenses	**14.090**	**13.886**
- Properties owned	356	271
- Properties rented	503	506
- Movables	3.641	2.634
- Hardware and software	9.590	10.475
Indirect taxes and duties	**29.248**	**28.889**
- Stamp duty	23.616	25.027
- Substitute tax Pres. Dec. 601/73	1.928	691
- Local property tax	577	577
- Other indirect taxes and duties	3.127	2.594
Total	**156.211**	**157.046**

11.5.2 attributable to insurance companies

Type of expense/Segments	Total 31/12/2009	Total 31/12/2008
Legal and notarial expenses	410	325
IT assistance and sundry advice	127	234
Other expenses for professional services	409	387
Printing and stationery	22	24
Sundry rentals and expenses for services provided by third parties	390	691
Fees for data transmission	54	23
Postal and telegraphic expenses	125	133
Telephone charges	42	68
Transport expenses	16	17
Cleaning of premises	15	18
Electricity and heating	11	14
Rent of premises	342	292
Sundry insurance policies	105	98
Advertising and promotion	185	178
Entertainment expenses	4	2
Donations	3	-
Membership fees	128	119
Subscriptions and books	2	1
Gifts to staff	1	-
Personnel studies	13	21
Travelling expenses	45	83
Other fees payable	30	25
Others	320	428
Maintenance and repair expenses	**234**	**161**
- Properties rented	-	4
- Movables	19	17
- Hardware and software	215	140
Indirect taxes and duties	**23**	**530**
- Stamp duty	1	512
- Other indirect taxes and duties	22	18
Total	**3.056**	**3.872**

Section 12
Net provisions for risks and charges - Item 190

12.1 Net provisions for risks and charges: breakdown

	Balances 31/12/2009	Balances 31/12/2008
Relating to risks of legal disputes and customer complaints	6.236	5.272
Relating to operational risk	1.104	(1.446)
Relating to staff expenses	4.651	3.051
Relating to other risks	1.299	1.455
Reattributions to Income Statement relating to risks of legal disputes and customer complaints	(4.800)	(4.727)
Reattributions to Income Statement relating to operational risk	(1.680)	(343)
Reattributions to Income Statement relating to staff expenses	(36)	(16)
Reattributions to Income Statement relating to other risks	(142)	(412)
Total	**6.632**	**2.834**

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

Section 13
Net value adjustments of tangible assets - Item 200

13.1 Net value adjustments of tangible assets: breakdown

Asset/Income components	Amortization (a)	Writedowns for impairment (b)	Writebacks (c)	Net adjustment (a+b-c)
A. Tangible assets				
A.1 Owned	17.359	86	-	17.445
- for business purposes	17.254	86	-	17.340
- for investment	105	-	-	105
A.2 Acquired in financial leasing	2.425	-	-	2.425
- for business purposes	2.425	-	-	2.425
- for investment	-	-	-	-
Total	**19.784**	**86**	**-**	**19.870**

13.1.1 attributable to the banking group

Asset/Income components	Amortization (a)	Writedowns for impairment (b)	Writebacks (c)	Net adjustment (a+b-c)
A. Tangible assets				
A.1 Owned	17.279	86	-	17.365
- for business purposes	17.174	86	-	17.260
- for investment	105	-	-	105
A.2 Acquired in financial leasing	2.425	-	-	2.425
- for business purposes	2.425	-	-	2.425
- for investment	-	-	-	-
Total	**19.704**	**86**	**-**	**19.790**

13.1.2 attributable to insurance companies

Asset/Income components	Amortization (a)	Writedowns for impairment (b)	Writebacks (c)	Net adjustment (a+b-c)
A. Tangible assets				
A.1 Owned	80	-	-	80
- for business purposes	80	-	-	80
- for investment	-	-	-	-
A.2 Acquired in financial leasing	-	-	-	-
- for business purposes	-	-	-	-
- for investment	-	-	-	-
Total	**80**	**-**	**-**	**80**

Section 14
Net value adjustments of intangible assets - Item 210

14.1 Net value adjustments of intangible assets: breakdown

Asset/Income component	Amortization (a)	Writedowns for impairment (b)	Writebacks (c)	Net adjustments (a+b-c)
A. Intangible assets				
A.1 Owned	14.156	158	-	14.314
- Generated internally by the company	-	-	-	-
- Others	14.156	158	-	14.314
A.2 Acquired in financial leasing	-	-	-	-
Total	**14.156**	**158**	**-**	**14.314**

14.1.1 attributable to the banking group

Asset/Income component	Amortization (a)	Writedowns for impairment (b)	Writebacks (c)	Net adjustments (a+b-c)
A. Intangible assets				
A.1 Owned	13.917	158	-	14.075
- Generated internally by the company	-	-	-	-
- Others	13.917	158	-	14.075
A.2 Acquired in financial leasing	-	-	-	-
Total	**13.917**	**158**	**-**	**14.075**

14.1.2 attributable to insurance companies

Asset/Income component	Amortization (a)	Writedowns for impairment (b)	Writebacks (c)	Net adjustments (a+b-c)
A. Intangible assets				
A.1 Owned	239	-	-	239
- Generated internally by the company	-	-	-	-
- Others	239	-	-	239
A.2 Acquired in financial leasing	-	-	-	-
Total	**239**	**-**	**-**	**239**

Section 15
Other operating expenses and income - Item 220

15.1 Other operating expenses: breakdown

	Total 31/12/2009	Total 31/12/2008
Amortization of expenses for improvements on third party assets	2.717	2.255
Losses related to operational risks	3.980	3.827
Refunds of interest on collection and payment transactions	635	2.708
Financial leasing management expenses	896	1.101
Penalties payable for contract defaults	69	33
Expenses for service renderings advanced on behalf of customers	139	421
Insurance premiums advanced on behalf of customers	735	480
Costs advanced on behalf of customers	1.008	2.116
Service renderings related to credit recovery	773	716
Others	7.862	6.966
Total	**18.814**	**20.623**

15.2 Other operating income: breakdown

	Total 31/12/2009	Total 31/12/2008
Rents and instalments receivable	1.376	1.336
Charges to third parties and refunds received:	24.414	25.795
- taxes recovered	23.724	25.308
- insurance premiums and refunds	690	487
Expenses recovered and other revenues on current accounts and deposits	231	12.364
Income from software services	6.275	6.508
Income from securisation oteration	-	718
Recoveries of interest on collection and payment transactions	446	2.400
Income on insurance brokerage activities	2.854	3.000
Rents and income from financial leasing	1.848	2.699
POS fee income	1.500	1.750
Administrative services rendered to third parties	473	582
Penalties receivable for contract defaults	23	121
Expenses and services rendered in advance on behalf of customers	1.203	1.322
Expenses recovered for services rendered in relation to credit recovery	3.075	2.201
Other income	13.066	9.955
Total	**56.784**	**70.751**

The 1st amendment of 18 November 2009 of circular 262/2005 issued by the Bank of Italy specifies that account fees charged to creditors fall within the item fee and commission income, other services, recovery of expenses for loans to customers, instead of other operating income.
Regarding financial year 2008, account fees ammount counted 12,1 million euro.

Section 16
Gains/(Losses) on equity investments - Item 240

16.1 Gains/(losses) on equity investments: breakdown

Income components/Sectors	Total 31/12/2009	Total 31/12/2008
1) Jointly-controlled companies		
A. Income	-	-
1. Revaluations	-	-
2. Gains on sales	-	-
3. Writebacks	-	-
4. Other incomes	-	-
B. Expenses	-	-
1. Devaluations	-	-
2. Impairment losses	-	-
3. Losses on sales	-	-
4. Other expenses	-	-
Net gains/(losses)	**-**	**-**
2) Companies subject to significant influence		
A. Income	483	606
1. Revaluations	475	583
2. Gains on sales	-	23
3. Writebacks	-	-
4. Other incomes	8	-
B. Expenses	1.947	1.682
1. Devaluations	1.444	1.443
2. Impairment losses	412	-
3. Losses on sales	91	85
4. Other expenses	-	154
Net gains/(losses)	**(1.464)**	**(1.076)**
Total	**(1.464)**	**(1.076)**

16.1.1 attributable to the banking group

Income components/Sectors	Total 31/12/2009	Total 31/12/2008
1) Jointly-controlled companies		
A. Income	-	-
1. Revaluations	-	-
2. Gains on sales	-	-
3. Writebacks	-	-
4. Other incomes	-	-
B. Expenses	-	-
1. Devaluations	-	-
2. Impairment losses	-	-
3. Losses on sales	-	-
4. Other expenses	-	-
Net gains/(losses)	**-**	**-**
2) Companies subject to significant influence		
A. Income	483	606
1. Revaluations	475	583
2. Gains on sales	-	23
3. Writebacks	-	-
4. Other incomes	8	-
B. Expenses	809	355
1. Devaluations	718	116
2. Impairment losses	-	-
3. Losses on sales	91	85
4. Other expenses	-	154
Net gains/(losses)	**(326)**	**251**
Total	**(326)**	**251**

16.1.2 attributable to insurance companies

Income components/Sectors	Total 31/12/2009	Total 31/12/2008
1) Jointly-controlled companies		
A. Income	-	-
1. Revaluations	-	-
2. Gains on sales	-	-
3. Writebacks	-	-
4. Other incomes	-	-
B. Expenses	-	-
1. Devaluations	-	-
2. Impairment losses	-	-
3. Losses on sales	-	-
4. Other expenses	-	-
Net gains/(losses)	**-**	**-**
2) Companies subject to significant influence		
A. Income	-	-
1. Revaluations	-	-
2. Gains on sales	-	-
3. Writebacks	-	-
4. Other incomes	-	-
B. Expenses	1.138	1.327
1. Devaluations	726	1.327
2. Impairment losses	412	-
3. Losses on sales	-	-
4. Other expenses	-	-
Net gains/(losses)	**(1.138)**	**(1.327)**
Total	**(1.138)**	**(1.327)**

Section 18
Impaiment of goodwill - Item 260

18.1 Impaiment of goodwill: breakdown

The adjustment of 1.393 thousand euro relative to financial year 2009 refers to the impact of the writedown of the stake held in Banca Monte Parma S.p.A.. For further information on impairment tests on goodwill, please refer to these Notes to the Financial Statements, part B – Information on the Balance Sheet – Assets, section 13 Intangible assets.

The adjustment of 36 thousand euro in financial year 2008 referred to the writedown of goodwill deriving from consolidation of the company Sella Gestioni.

Section 19
Gains (losses) on sales of investments - Item 270

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

Income component/Amount	Total 31/12/2009	Total 31/12/2008
A. Properties	-	5.688
- Gains on sales	-	5.688
- Losses on sales	-	-
B. Altre attività	64	(1.779)
- Gains on sales	87	440
- Losses on sales	23	2.219
Net gains/(losses)	**64**	**3.909**

Section 20
Income taxes for the period on continuing operations - Item 290

20.1 Income taxes for the period on continuing operations: breakdown

Component/Amount	Total 31/12/2009	Total 31/12/2008
1. Current taxes (-)	51.176	50.161
2. Change in current taxes of previous years (+/-)	(4.889)	678
3. Reduction of current taxes for the year (+)	2.074	9.001
4. Change in prepaid taxes (+/-)	(12.628)	(3.885)
5. Change in deferred taxes (+/-)	(3.248)	(2.034)
6. Taxes for the period (-) (-1+/-2+3+/-4+/-5)	28.337	35.919

20.1.1 attributable to the banking group

Component/Amount	Total 31/12/2009	Total 31/12/2008
1. Current taxes (-)	48.071	50.738
2. Change in current taxes of previous years (+/-)	(4.873)	681
3. Reduction of current taxes for the year (+)	2.074	9.001
4. Change in prepaid taxes (+/-)	(12.870)	(4.055)
5. Change in deferred taxes (+/-)	(2.157)	(3.121)
6. Taxes for the period (-) (-1+/-2+3+/-4+/-5)	26.097	35.242

20.1.2 attributable to insurance companies

Component/Amount	Total 31/12/2009	Total 31/12/2008
1. Current taxes (-)	3.105	(577)
2. Change in current taxes of previous years (+/-)	(16)	(3)
3. Reduction of current taxes for the year (+)	-	-
4. Change in prepaid taxes (+/-)	242	170
5. Change in deferred taxes (+/-)	(1.091)	1.087
6. Taxes for the period (-) (-1+/-2+3+/-4+/-5)	2.240	677

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

Description	Taxable income	Rate	Income tax
Profit from continuing operations before taxes	57.419		
Nominal rate (*)		32,32%	18.558
Portion of dividends exempt from tax	(1.032)	-0,58%	(333)
Non-deductible interest expense (the so-called "Robin Hood tax")	5.177	2,48%	1.424
Non-deductible devaluations of equity securities	4.690	2,25%	1.290
Untaxed capital gains on equity	(7.420)	-3,55%	(2.041)
Taxable portion of intragroup dividends	1.171	0,56%	322
Sundry non-deductible costs	2.884	1,38%	793
Losses for the year for which no prepaid taxes have been allocated	1.830	1,03%	591
Positive effect of change in taxes from enfranchisements and previous years' lower taxes		-5,90%	(3.390)
IRES required as refund for previous years IRAP		-3,73%	(2.142)
Other differences		-0,38%	(219)
Adjusted rate		25,87%	14.853
Other differences - Irap taxable base	279.748	23,48%	13.484
Effective rate		49,35%	28.337

(*): IRES rate + average IRAP rate of parent company

Section 22
Profit (loss) for the year pertaining to minority interest - Item 330

22.1 Detail of item 330 "Profit for the year pertaining to minority interest"

	Total 31/12/2009	Total 31/12/2008
Banca Sella Sud Arditi Galati S.p.A	1.309	3.677
Biella Leasing S.p.A.	1.231	924
Banca Patrimoni Sella & C. S.p.A.	275	(1.227)
Banca Sella Nordest Bovio Calderari S.p.A.	(2.708)	(1.626)
Consel S.p.A.	1.013	866
CBA Vita S.p.A.	300	(94)
Sella Gestioni SGR S.p.A.	275	16
Brosel S.p.A.	185	157
Sella Bank AG	295	194
Altre	69	19
Profit for the year pertaining to minority interest	**2.244**	**2.906**

PART D
CONSOLIDATED COMPREHENSIVE INCOME

Detailed statement of consolidated comprehensive income

	Items	Importo lordo	Imposta sul reddito	Importo netto
10.	**Net profit/(Loss) for the year**	**X**	**X**	**(57.362)**
	Other income net of tax			
20.	Financial assets available for sale:	2.993	(919)	2.074
	a) fair value changes	6.946	(969)	5.977
	b) reversal to income statement	(3.747)	50	(3.697)
	- impairment losses	1.243	(77)	1.166
	- gain/losses from disposal	(4.990)	127	(4.863)
	c) other changes	(206)	-	(206)
30.	Tangible assets	-	-	-
40.	Intangible assets	-	-	-
50.	Hedges on foreign investments:	-	-	-
	a) fair value changes	-	-	-
	b) reversal to income statement	-	-	-
	c) other changes	-	-	-
60.	Hedges on cash flows:	-	-	-
	a) fair value changes	-	-	-
	b) reversal to income statement	-	-	-
	c) other changes	-	-	-
70.	Foreign exchange differences:	-	-	-
	a) fair value changes	-	-	-
	b) reversal to income statement	-	-	-
	c) other changes	-	-	-
80.	Non-current assets held for sale:	-	-	-
	a) fair value changes	-	-	-
	b) reversal to income statement	-	-	-
	c) other changes	-	-	-
90.	Actuarial Gains (Losses) on defined benefit plans	-	-	-
100.	Share of valuation reserves connected with investments carried at equity:	-	-	-
	a) fair value changes	-	-	-
	b) reversal to income statement	-	-	-
	- impairment losses	-	-	-
	- gain/losses from disposal	-	-	-
	c) other changes	-	-	-
110.	**Total other income net of tax**	**2.993**	**(919)**	**2.074**
120.	**Comprehensive profit (Item 10+110)**	**X**	**X**	**(55.288)**
130	Consolidated comprehensive profit pertaining to minority ionterest	X	X	(1.843)
140	**Consolidated comprehensive profit pertaining to Parent Company**	**X**	**X**	**(53.445)**

PART E
INFORMATION ON RISKS AND ASSOCIATED HEDGING POLICIES

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

Section 1
Banking group risks

1.1 CREDIT RISK

QUALITATIVE INFORMATION

1. General aspects

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

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

2. Credit risk management policies

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

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

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

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

2.1 Organizational Aspects

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

In the process of credit disbursement, applications must first be assessed by a specific decisionmaking structure in the branch. In support of the assessment process, for Retail and Small Business customers the bank developed an automatic acceptance scoring instrument.

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

Depending on the amount and type of credit requested, applications for loans or advances are decided by different bodies within the structure of each Group bank, from the branches up to the Board of Directors. With specific reference to mortgage loans, applications are initially assessed by a central office which analyses the documentation and the objective characteristics of the property to be financed, and the creditworthiness of the customer. This process culminates in the formulation of an opinion in support of the decision-making process.

If the procedure provides for the acquisition of guarantees in the form of pledges, sureties or mortgages, the process requires detailed examination of the documents acquired. The conclusion of this examination is necessary for the application process to be completed and for the guarantees themselves to be used for the weighting of capital absorption.

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

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

2.2 Systems of management, measurement and control

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

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

As regards the assessment of the risk of default, the Group 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 Bank of Italy Circular 263/2006. The customer segmentation makes it possible, among other things, to divide enterprises into four size classes, labelled in ascending order: small businesses, small and medium enterprises, corporate enterprises and large corporate enterprises.

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

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

- Statutory accounting rating: this component assesses the risk of default based only on an analysis of the customer's accounting data. The statutory accounting rating may be calculated for every customer or potential customer. An indispensable premise for calculation of the statutory accounting rating is possession of financial statements containing a Balance Sheet and an Income Statement. 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 statutory accounting score is also the maximum level of detail obtainable for the following categories of customer: financial companies, leasing companies, factoring companies, holdings and property companies.
- Enterprise rating: a combination of the statutory accounting rating and the qualitative component deriving from compilation of a specific questionnaire by the account manager. Like the statutory accounting 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 statutory accounting rating is opportunely limited to no more than one class.
- Overall rating: a combination of the enterprise rating and a behavioural component (data from the Central Credit Register and internal performance information). It is the most detailed assessment possible of the creditworthiness of a customer. Unlike the statutory accounting rating and the enterprise rating, it can only be calculated on companies which have been customers for at least three months.

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

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

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

The new regulatory standards, known as Basel 2, were immediately interpreted by the Banca Sella Group 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 Group is also aware of the importance of all the risk factors that are connected with credit risk but not measured by the instruments provided in the First Pillar of Basel 2, such as the concentration risk (in its dual single-name and 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, the Parent Company has defined precise guidelines designed to mitigate concentration risk through fragmentation, both at the level of single entities, and in terms of business sector/geographical area. 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 by the Parent Company with the purpose to check the acceptability of guarantees according to each specific and general requirement prescribed by the Supervisory Authority.

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

In the month of April the Parent Company's Credit Quality Service was moved to the newly established Sella Servizi Bancari. All Italian banks of the Group are provided with a Credit Quality Service dedicated to the assessment of individual customer relations.

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

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

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

- Credit Alarm procedure (first issue in 2005). The procedure is aimed at reporting individual trend anomalies that may concern customer accounts. This report concerns the anomaly, regardless of a risk class connected with the customer account assessed as a whole. Depending on the alarms, they may recur daily, weekly or monthly;
- Cadr procedure – Automatic risk classification (first issue 2008). With the purpose to improve the management of the most irregular accounts by sharing actions between customer managers and credit quality staff, the Cadr procedure (whose calculation criteria are integrated with rating and scoring systems for determining insolvency probability) classifies loan portfolios according to the credit risk associated to customers. The Cadr procedure classifies each customer under one of four risk levels: different types of action are identified on the basis of the seriousness corresponding to the Cadr value. The value is updated monthly;

- ISA – *Indice sintetico di anomalia* (Synthetic anomaly index, introduced in 2009). Such index is aimed at identifying the customer accounts that present greater trend anomalies within the Cadr classes. Report addressees and frequency are the same as those mentioned for the Cadr procedure;
- *Tableau de bord* (introduced in 2009). This instrument monitors at a Group level individual trend variables, with the possibility to divide portfolio reports into different levels.

2.3 Credit risk mitigation techniques

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

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

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

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

The specific admission requirements for lenders of personal guarantees are quite strict and, substantially, they exclusively recognize guarantees issued by sovereign states, public bodies, multilateral development banks, supervised brokers and companies with good credit rating for the purposes of capital requirement mitigation against credit risk. In 2009, Italian ministerial decree of 25 March 2009 explicitly stated that the actions of the Guarantee Fund for small and medium enterprises (established as per section. 2, sub-paragraph 100, letter a, of law no. 662/1996) are in turn assisted by Italian government guarantee as a last resort. Since the bank makes use of the Guarantee Fund for small and medium enterprises, beginning from the financial statements at 31 December 2009, the Italian government falls within the types of guarantors as counter-guarantor. With the conviction that the personal guarantees issued by entities that do not fall within the standard list may as well provide effective credit risk mitigation for management purposes, the bank may also accept natural persons or companies without external rating as guarantors, if necessary.

As a general rule, the credit disbursement procedure does not include the purchase of guarantees involving contractual obligations that may undermine their validity. The checking process for guarantee acceptability includes the analysis of contracts by legal experts with the purpose to identify, among other things, the presence of such obligations.

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

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

2.4 Impaired financial assets

Sella Servizi Bancari S.C.p.A, which manages the work of recovery of disputed loans for the Banca Sella Group, works on an outsourcing basis for the following companies: Banca Sella S.p.A., Banca Sella Sud Arditi Galati S.p.A., Biella Leasing S.p.A., Banca Sella Holding S.p.A.. In 2010 the loan recovery management unit of Banca Sella Nordest Bovio Calderari S.p.A. is deemed to be transferred, too.

Alongside its management functions, following the contractual terms for the task received, the service is responsible for:

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

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

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

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

The forecast of recoverability of the credit takes account of:

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

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

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

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

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

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

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

Portfolio/Quality	Banking group					Other companies		Total
	Non-performing exposures	Watchlist exposures	Restructured exposures	Past due exposures	Other assets	Impaired	Other	
1. Financial assets held for trading	-	-	-	-	1.468.914	-	61.142	1.530.056
2. Financial assets available for sale	-	-	2.470	-	307.586	-	399.164	709.220
3. Financial assets held to maturity	-	-	-	-	220.932	-	-	220.932
4. Due from banks	-	-	-	-	905.074	-	27.952	933.026
5. Due from customers	126.652	110.333	8.247	98.156	8.078.369	-	614	8.422.371
6. Financial assets at fair value through profit or loss	-	-	-	-	-	-	668.070	668.070
7. Financial assets held for sale	-	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	3.037	-	-	3.037
Total 31/12/2009	**126.652**	**110.333**	**10.717**	**98.156**	**10.983.912**	**-**	**1.156.942**	**12.486.712**
Total 31/12/2008	**92.148**	**97.243**	**10.876**	**46.944**	**11.518.973**	**-**	**934.071**	**12.700.255**

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	-	-	-	1.468.914	-	1.468.914	1.468.914
2. Financial assets available for sale	2.470	-	2.470	307.586	-	307.586	310.056
3. Financial assets held to maturity	-	-	-	220.932	-	220.932	220.932
4. Due from banks	-	-	-	905.075	1	905.074	905.074
5. Due from customers	698.101	354.713	343.388	8.124.887	46.518	8.078.369	8.421.757
6. Financial assets at fair value through profit or loss	-	-	-	-	-	-	-
7. Financial assets held for sale	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	3.037	-	3.037	3.037
Total A	**700.571**	**354.713**	**345.858**	**11.030.431**	**46.519**	**10.983.912**	**11.329.770**
B. Other companies included in the consolidation							
1. Financial assets held for trading	-	-	-	61.142	-	61.142	61.142
2. Financial assets available for sale	-	-	-	399.164	-	399.164	399.164
3. Financial assets held to maturity	-	-	-	-	-	-	-
4. Due from banks	-	-	-	27.952	-	27.952	27.952
5. Due from customers	-	-	-	614	-	614	614
6. Financial assets at fair value through profit or loss	-	-	-	668.070	-	668.070	668.070
7. Financial assets held for sale	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-	-
Total B	**-**	**-**	**-**	**1.156.942**	**-**	**1.156.942**	**1.156.942**
Total 31/12/2009	**700.571**	**354.713**	**345.858**	**12.187.373**	**46.519**	**12.140.854**	**12.486.712**
Total 31/12/2008	**537.597**	**290.386**	**247.211**	**12.496.733**	**43.689**	**12.453.044**	**12.700.255**

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

Exposure type/amount	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. CASH EXPOSURES				
a) Non-performing exposures	-	-	X	-
b) Watchlist exposures	-	-	X	-
c) Restructured exposures	-	-	X	-
d) Past due exposures	-	-	X	-
e) Other assets	1.472.331	X	1	1.472.330
TOTAL A	**1.472.331**	**-**	**1**	**1.472.330**
B. OFF BALANCE SHEET EXPOSURE				
a) Impaired	-	-	-	-
b) Others	178.081	X	54	178.027
TOTAL B	**178.081**	**-**	**54**	**178.027**
TOTAL A+B	**1.650.412**	**-**	**55**	**1.650.357**

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

Exposure type/Value	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. CASH EXPOSURE				
a) Non-performing exposures	453.346	326.694	X	126.652
b) Watchlist exposures	135.586	25.253	X	110.333
c) Restructured exposures	12.144	1.427	X	10.717
d) Past due exposures	99.495	1.339	X	98.156
e) Other assets	9.569.964	X	46.518	9.523.446
TOTAL A	**10.270.535**	**354.713**	**46.518**	**9.869.304**
B. OFF BALANCE SHEET EXPOSURES				
a) Impaired	5.548	33	-	5.515
b) Others	807.823	X	2.528	805.295
TOTAL B	**813.371**	**33**	**2.528**	**810.810**
TOTAL (A+B)	**11.083.906**	**354.746**	**49.046**	**10.680.114**

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

Description/Category	Non-performing exposures	Watchlist exposures	Restructured exposures	Past due exposures
A. Initial gross exposure	**345.652**	**132.493**	**11.173**	**48.279**
- of which: exposures sold but not derecognized	212	725	-	-
B. Increases	**171.814**	**127.900**	**3.682**	**71.593**
B.1 Inflows from performing loans	46.343	104.713	2.400	70.304
B.2 Transfers from other categories of impaired exposures	107.024	11.475	-	425
B.3 Other increases	18.447	11.712	1.282	864
C. Decreases	**64.120**	**124.807**	**2.711**	**20.377**
C.1 Outflows to performing loans	845	6.271	-	4.615
C.2 Write-offs	34.186	141	1.832	29
C.3 Collections	27.974	12.376	743	2.777
C.4 Realizations through sales	-	-	-	-
C.5 Transfers to other categories of impaired exposures	-	105.968	-	12.956
C.6 Other decreases	1.115	51	136	-
D. Final gross exposure	**453.346**	**135.586**	**12.144**	**99.495**
- of which: exposures sold but not derecognized	602	442	-	411

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

Description/Category	Non-performing exposures	Watchlist exposures	Restructured exposures	Past due exposures
A. Initial total adjustments	**253.504**	**35.250**	**297**	**1.335**
- of which: exposures sold but not derecognized	-	-	-	-
B. Increases	**128.324**	**16.835**	**3.068**	**3.316**
B.1 Writedowns	103.368	13.951	3.068	3.298
B.2 Transfers from other categories of impaired exposures	22.626	2.884	-	18
B.3 Other increases	2.330	-	-	-
C. Decreases	**55.134**	**26.832**	**1.938**	**3.312**
C.1 Writebacks on valuation	10.688	2.561	106	35
C.2 Writebacks on collection	9.764	939	-	244
C.3 Write-offs	34.186	141	1.832	29
C.4 Transfers to other categories of impaired exposures	-	22.523	-	3.004
C.5 Other decreases	496	668	-	-
D. Final total adjustments	**326.694**	**25.253**	**1.427**	**1.339**
- of which: exposures sold but not derecognized	160	2	-	-

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

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

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

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

Exposures	External Rating Classes						Unrated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Cash exposures	**45.862**	**60.923**	**5.368**	**11**	**-**	**-**	**11.229.470**	**11.341.634**
B. Derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**25.639**	**25.639**
B.1 Financial derivatives	-	-	-	-	-	-	25.639	25.639
B.2 Credit derivatives	-	-	-	-	-	-	-	-
C. Guarantees issued	**-**	**-**	**-**	**-**	**-**	**-**	**355.121**	**355.121**
D. Commitments to disburse funds	**-**	**-**	**-**	**-**	**-**	**-**	**548.941**	**548.941**
Total	**45.862**	**60.923**	**5.368**	**11**	**-**	**-**	**12.159.171**	**12.271.335**

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 in all the italian banks of the Group 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 in bonis customers, from AAA (the less risky) to C (the riskiest). At present, internal ratings are not used for calculating capital requirements.

The table below shows the distribution of exposures by rating classes of the business customer companies of Gruppo Banca Sella SpA. The "Unrated" column includes both exposures to companies with no internal rating and exposures to customers belonging to a different segment from the "companies" segment.

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

Exposures	Internal rating classes								
	AAA	AA	A	BBB	BB	B	CCC	CC	C
A. Cash exposures	**8.619**	**128.921**	**364.978**	**592.359**	**608.820**	**564.748**	**530.973**	**110.986**	**22.757**
B. Derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Financial derivatives	-	-	-	-	-	-	-	-	-
B.2 Credit derivatives	-	-	-	-	-	-	-	-	-
C. Guarantees issued	**9.904**	**38.079**	**28.741**	**70.916**	**27.294**	**26.179**	**17.372**	**3.152**	**468**
D. Commitments to disburse funds	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**18.523**	**167.000**	**393.719**	**663.275**	**636.114**	**590.927**	**548.345**	**114.138**	**23.225**

A.3 Distribution of guaranteed exposures by type of guarantee

A.3.1 Banking group - Guaranteed credit exposure to banks

		Real guarantees (1)			Personal guarantees (2)									
					Credit derivatives					Guaranteed loans				
						Other derivatives								
	Net exposure value	Real estate	Securities	Other real guarantees	CLN	Governments and central banks	Other public bodies	Banks	Other subjects	Governments and central banks	Other public bodies	Banks	Other subjects	Total (1)+(2)
1. Guaranteed cash exposure:														
1.1 Totally guaranteed	1.205	1.205	-	-	-	-	-	-	-	-	-	-	-	1.205
- of wich: impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 Partially guaranteed	177	-	-	176	-	-	-	-	-	-	-	-	-	176
- of wich: impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Guaranteed "off balance sheet" exposure														
2.1 Totally guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of wich: impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Partially guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of wich: impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A.3.2 Banking group - Guaranteed credit exposure to customers

	Net exposure value	Real guarantees (1)			Personal guarantees (2)									Total (1)+(2)
					Credit derivatives					Guaranteed loans				
						Other derivatives								
		Real estate	Securities	Other real guarantees	CLN	Governments and central banks	Other public bodies	Banks	Other subjects	Governments and central banks	Other public bodies	Banks	Other subjects	
1. Guaranteed cash exposure:														
1.1 Totally guaranteed	4.583.731	2.889.415	97.477	257.509	-	-	-	-	-	-	717	8.921	1.330.578	4.584.617
- of wich: impaired	187.109	104.972	1.280	9.822	-	-	-	-	-	-	-	-	70.142	186.216
1.2 Partially guaranteed	471.188	81.089	17.478	255.528	-	-	-	-	-	-	-	756	19.431	374.282
- of wich: impaired	23.953	2.215	552	13.092	-	-	-	-	-	-	-	23	2.823	18.705
2. Guaranteed "off balance sheet" exposure														
2.1 Totally guaranteed	226.581	544	8.426	8.438	-	-	-	-	-	-	17	-	81.190	98.615
- of wich: impaired	1.335	-	11	24	-	-	-	-	-	-	-	-	897	932
2.2 Partially guaranteed	32.882	-	2.348	1.239	-	-	-	-	-	-	-	-	8.500	12.087
- of wich: impaired	2	-	-	-	-	-	-	-	-	-	-	-	1	1

B. CREDIT EXPOSURES DISTRIBUTION AND CONCENTRATION

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

Exposure/Counterparty	Governments and Central Banks			Other public bodies			Financial companies			Insurance companies			Non-financial companies			Other subjects		
	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments
A. Cash exposures																		
A.1 Non-performing exposures	-	-	X	-	23	X	2.936	2.667	X	-	-	X	69.030	163.294	X	54.686	160.710	X
A.2 Watchlist exposures	-	-	X	-	-	X	39	22	X	3	8	X	72.943	13.026	X	37.348	12.197	X
A.3 Restructured exposures	-	-	X	-	-	X	-	-	X	-	-	X	7.715	1.175	X	3.002	252	X
A.4 Past due exposures	-	-	X	58	-	X	166	2	X	-	-	X	46.761	683	X	51.171	654	X
A.5 Other exposures	1.202.141	X	-	14.843	X	1	233.644	X	18	38.879	X	-	4.609.691	X	33.034	3.424.248	X	13.465
Total A	**1.202.141**	**-**	**-**	**14.901**	**23**	**1**	**236.785**	**2.691**	**18**	**38.882**	**8**	**-**	**4.806.140**	**178.178**	**33.034**	**3.570.455**	**173.813**	**13.465**
B. "Off balance sheet" exposures																		
B.1 Non-performing	-	-	X	-	-	X	3	-	X	-	-	X	572	-	X	55	-	X
exposures	-	-	X	-	-	X	-	-	X	-	-	X	3.880	4	X	562	-	X
B.2 Watchlist exposures																		
B.3 Other impaired assets	-	-	X	-	-	X	-	-	X	-	-	X	416	-	X	27	29	X
B.4 Other exposures	2	X	-	1.756	X	-	127.642	X	-	2.815	X	-	539.472	X	243	133.608	X	2.285
Total B	**2**	**-**	**-**	**1.756**	**-**	**-**	**127.645**	**-**	**-**	**2.815**	**-**	**-**	**544.340**	**4**	**243**	**134.252**	**29**	**2.285**
Total (A+B) 31/12/2009	**1.202.143**	**-**	**-**	**16.657**	**23**	**1**	**364.430**	**2.691**	**18**	**41.697**	**8**	**-**	**5.350.480**	**178.182**	**33.277**	**3.704.707**	**173.842**	**15.750**
Total (A+B) 31/12/2008	**865.601**	**-**	**-**	**16.723**	**22**	**-**	**408.807**	**3.979**	**22**	**3.051**	**-**	**-**	**4.944.274**	**135.937**	**29.174**	**3.587.838**	**145.030**	**16.978**

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

Exposure/Geographical area	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. Cash exposures										
A.1 Non-performing exposures	122.399	(324.350)	4.222	(2.107)	13	(169)	5	(11)	13	(57)
A.2 Watchlist exposures	110.299	(25.106)	19	(136)	6	(8)	9	(3)	-	-
A.3 Restructured exposures	10.717	(1.427)	-	-	-	-	-	-	-	-
A.4 Past due exposures	98.092	(1.339)	57	-	5	-	1	-	1	-
A.5 Other transactions	9.461.471	(46.251)	57.360	(207)	3.602	(43)	110	-	902	(17)
TOTAL A	**9.802.978**	**(398.473)**	**61.658**	**(2.450)**	**3.626**	**(220)**	**125**	**(14)**	**916**	**(74)**
B. Off balance sheet exposures										
B.1 Non-performing exposures	630	-	-	-	-	-	-	-	-	-
B.2 Watchlist exposures	4.442	(4)	-	-	-	-	-	-	-	-
B.3 Other impaired assets	443	(29)	-	-	-	-	-	-	-	-
B.4 Other exposures	785.998	(2.528)	16.814	-	1.875	-	20	-	588	-
TOTAL B	**791.513**	**(2.561)**	**16.814**	**-**	**1.875**	**-**	**20**	**-**	**588**	**-**
TOTAL (A+B) 31/12/2009	**10.594.491**	**(401.034)**	**78.472**	**(2.450)**	**5.501**	**(220)**	**145**	**(14)**	**1.504**	**(74)**
TOTAL (A+B) 31/12/2008	**9.570.284**	**(332.098)**	**234.919**	**(4.066)**	**15.225**	**(192)**	**152**	**(5)**	**5.714**	**(79)**

The following table provides details concerning espositions in Italy:

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

Exposure/Geographical area	NORTH WEST		NORTH EAST		CENTER		SOUTH AND ISLANDS	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. Cash exposures								
A.1 Non-performing exposures	66.362	(178.677)	14.365	(35.293)	9.988	(33.163)	31.684	(77.217)
A.2 Watchlist exposures	45.832	(11.932)	29.894	(4.623)	9.651	(2.706)	24.922	(5.845)
A.3 Restructured exposures	9.340	(1.411)	931	(13)	-	-	446	(3)
A.4 Past due exposures	47.485	(582)	24.187	(212)	9.174	(247)	17.246	(298)
A.5 Other transactions	4.238.610	(22.820)	1.437.780	(8.597)	2.184.183	(6.008)	1.600.898	(8.826)
TOTAL A	**4.407.629**	**(215.422)**	**1.507.157**	**(48.738)**	**2.212.996**	**(42.124)**	**1.675.196**	**(92.189)**
B. Off balance sheet exposures								
B.1 Non-performing exposures	517	-	63	-	44	-	6	-
B.2 Watchlist exposures	3.520	-	443	-	37	-	442	(4)
B.3 Other impaired assets	433	(27)	10	(2)	-	-	-	-
B.4 Other exposures	442.845	(2.049)	96.193	(236)	152.608	-	94.352	(243)
TOTAL B	**447.315**	**(2.076)**	**96.709**	**(238)**	**152.689**	**-**	**94.800**	**(247)**
TOTAL (A+B) 31/12/2009	**4.854.944**	**(217.498)**	**1.603.866**	**(48.976)**	**2.365.685**	**(42.124)**	**1.769.996**	**(92.436)**

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

Exposure/Geographical area	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. Cash exposures										
A.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
A.2 Watchlist exposures	-	-	-	-	-	-	-	-	-	-
A.3 Restructured exposures	-	-	-	-	-	-	-	-	-	-
A.4 Past due exposures	-	-	-	-	-	-	-	-	-	-
A.5 Other transactions	1.202.515	(1)	255.800	-	13.244	-	726	-	45	-
TOTAL A	**1.202.515**	**(1)**	**255.800**	**-**	**13.244**	**-**	**726**	**-**	**45**	**-**
B. Off balance sheet exposures										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Watchlist exposures	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	160.352	-	17.409	(54)	252	-	14	-	-	-
TOTAL B	**160.352**	**-**	**17.409**	**(54)**	**252**	**-**	**14**	**-**	**-**	**-**
TOTAL (A+B) 31/12/2009	**1.362.867**	**(1)**	**273.209**	**(54)**	**13.496**	**-**	**740**	**-**	**45**	**-**
TOTAL (A+B) 31/12/2008	**2.758.966**	**(1)**	**229.429**	**(18)**	**11.213**	**-**	**2.760**	**-**	**276**	**-**

The following table provides details concerning espositions in Italy:

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

Exposure/Geographical area	NORTH WEST		NORTH EAST		CENTER		SOUTH AND ISLANDS	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. Cash exposures								
A.1 Non-performing exposures	-	-	-	-	-	-	-	-
A.2 Watchlist exposures	-	-	-	-	-	-	-	-
A.3 Restructured exposures	-	-	-	-	-	-	-	-
A.4 Past due exposures	-	-	-	-	-	-	-	-
A.5 Other transactions	568.338	(1)	245.049	-	327.889	-	61.239	-
TOTAL A	**568.338**	**(1)**	**245.049**	**-**	**327.889**	**-**	**61.239**	**-**
B. Off balance sheet exposures								
B.1 Non-performing exposures	-	-	-	-	-	-	-	-
B.2 Watchlist exposures	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-
B.4 Other exposures	140.300	-	1.823	-	18.229	-	-	-
TOTAL B	**140.300**	**-**	**1.823**	**-**	**18.229**	**-**	**-**	**-**
TOTAL (A+B) 31/12/2009	**708.638**	**(1)**	**246.872**	**-**	**346.118**	**-**	**61.239**	**-**

C. SECURITIZATION TRANSACTIONS AND ASSET TRANSFERS

C.1 Securization transactions

QUALITATIVE INFORMATION

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

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

On 4 April 2008 and 2 January 2009 Banca Sella S.p.A. completed two securitization transaction, again of performing mortgage loans.

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

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

Banca Sella S.p.A., as originator of the transactions, subscribed the entire amount of the junior notes issued in relation to the various securitizations. As regards Banca Sella S.p.A, the securities are still held by the bank.

Moreover, as regards the 2008 securitization, Banca Sella S.p.A., in view of the particular markets conditions, subscribed the entire amount of the securities issued. These securities are being used for repurchase agreements with the ECB.

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

For the first transaction completed before 31 December 2003 the effects of the sale made in previous periods were preserved, while for the operations concluded in 2005 and 2008, the assets sold continue to be accounted for in the consolidated financial statements, because the sale did not substantially transfer the risk to third parties.

A brief account of the securitization transactions is provided below.

a) Banca Sella S.p.A. securitization of performing loans – 2000

The operation was completed in two stages: on 28 December 2000 the contract to purchase the loans was completed by the special purpose vehicle Secursel S.r.l. (a company belonging to the Banca Sella Group), while the securities by means of which the acquisition was funded were issued on 26 April 2001.

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

The transaction involved the sale without recourse to the special purpose vehicle of mortgagebacked loans for a total of 203,7 million euro, equivalent to their book value at the date of sale. The transaction price was 208 million euro, including the interest accrued at the date of sale.

In exchange Secursel S.r.l. issued senior securities (Class A Notes) amounting to 184,4 million euro, mezzanine securities (Class B Notes) amounting to 17,3 million euro and junior securities (Class C Notes) amounting to 2,052 million euro.

The Class A and B notes are quoted on the Luxembourg stock exchange. The Class A Notes were given an A rating by the Moody's agency while the Class B Notes were given an A2 rating upgraded during 2005 to Aa2; the Class C Notes are not quoted and were all subscribed by Banca Sella S.p.A.: in the year 2009 they earned interest of 1,02 million euro.

The planned repayment of the principal of the Class A Notes continued and at 31 December 2009 7,3 million euro remained to be reimbursed. The repayment of the mezzanine and junior securities had not yet commenced.

Banca Sella S.p.A. is responsible for collecting the receivables sold and for the cash desk and payment services under the terms of a servicing agreement which as consideration provides for a servicing fee, to be paid twice a year, equivalent to 0,50% annually of the amount of principal managed. During 2009 the servicing fees were 0,15 million euro.

When the securities were issued Secursel S.r.l. signed a series of interest-rate swap contracts with Banca Sella, through Credit Agricol S.I.B. and Banca Sella Holding in order to hedge the interest rate risk inherent in the structure and due to the difference between the indexing parameter of the securities issued and the different indexing parameters of the portfolio acquired.

Banca Sella provided Secursel S.r.l. with a cash facility amounting to 5,2 million euro, at 6-month Euribor + 0,25 bp. This can be used by the special purpose vehicle if the twice-yearly revenues available at each date of payment of the interest on the securities are insufficient to cover the costs as set forth in the Payment Priority Order. This facility was never used and during 2008 it was revoked as the special purpose vehicle had set aside provisions of the same amount.

b) Banca Sella S.p.A. securitization of performing loans – 2005

The operation was completed in two stages: the agreement to purchase the loans was entered into by the special purpose vehicle Mars 2600 S.r.l. on 4 October 2005, while the securities financing the acquisition were issued on 20 October 2005.

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

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

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

The Class A, B and C notes are quoted on the Luxembourg stock exchange. Moody's agency gave an Aaa rating to the Class A notes; A1 to the Class B notes; and Baa2 to the Class C notes. As at 31 December 2009 class A-B-C notes earned interests for 2,7 million euro. The Class D are not quoted and were subscribed by Banca Sella S.p.A.: they earned interest in 2009 of 1,88 million euro.

Banca Sella S.p.A. is responsible for collecting the receivables sold and for the cash desk and payment services under the terms of a servicing agreement which as consideration provides for a servicing fee, to be paid twice a year, equivalent to 0,45% quarterly of the amount of collections of the performing monetary receivables. During 2008 the servicing fees collected by Banca Sella S.p.A. were 0,13 million euro.

When the securities were issued Mars 2600 S.r.l. entered into an interest-rate swap contract with Banca Sella, through B.N.P. Paribas and Banca Sella Holding, in order to hedge the interest rate risk inherent in the structure and due to the diffe rence between the indexing parameter of the securities issued and the different indexing parameters of the portfolio acquired.

No guarantees or credit facilities are envisaged for this operation.

c) Banca Sella S.p.A. securitization of performing loans – 2008

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

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

The transaction entailed the sale without recourse to the special purpose vehicle, of receivables guaranteed by mortgages for a total of 217,4 million euro, inclusive of the principal amount of the loans and the interest accrued up to the date of sale.

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

The Class A, B and C notes are quoted on the Luxembourg stock exchange. Moody's agency gave an Aaa rating to the Class A notes; A2 to the Class B notes; and Baa2 to the Class C notes. The Class D notes are not quoted.

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

At 31 December 2009 the Class A-B-C notes have earned interest of 5,1 million euro. The Class D notes earned interest of 1,4 million euro. Banca Sella S.p.A. is responsible for collecting the receivables sold and for the cash desk and payment services under the terms of a servicing agreement which as consideration provides for a servicing fee, to be paid twice a year, equivalent to 0,45% quarterly of the amount of collections of the performing monetary receivables. At 31 December 2009 the servicing fees collected by Banca Sella S.p.A. were 0,14 million euro.

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

No guarantees or credit facilities are envisaged for this operation.

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

The operation was completed in two stages: the purchase of the loans was completed by the special purpose vehicle Mars 2600 S.r.l. on 8 January 2009, while the securities were issued on 29 January 2009.

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

The transaction entailed the sale without recourse to the special purpose vehicle, of receivables guaranteed by mortgages for a total of 226,6 million euro, inclusive of the principal amount of the loans and the interest accrued up to the date of sale.

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

The Class A, B and C notes are quoted on the Luxembourg stock exchange. The Moody's agency gave an Aaa rating to the Class A notes; A1 notes, to the Class B and Baa2 notes to the Class C notes. The Class D notes are not quoted.

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

At 31 December 2009 the Class A-B-C notes earned interest of 6,6 million euro. Class D notes earned interests of 3 million euro in 2009. Banca Sella S.p.A. is responsible for collecting the receivables sold and for the cash desk and payment services under the terms of a servicing agreement which as consideration provides for a servicing fee, to be paid twice a year, equivalent to 0,45% quarterly of the amount of collections of the performing monetary receivables. At 31 December 2009 the servicing fees collected by Banca Sella S.p.A. were 0,2 million euro.

When the securities were issued Mars 2600 S.r.l. entered into an interest-rate swap contract with Banca Sella, through Banca Sella Holding S.p.A., in order to hedge the interest rate risk inherent in the structure and due to the difference between the indexing parameter of the securities issued and the different indexing parameters of the portfolio acquired.

No guarantees or credit facilities are envisaged for this operation

"THIRD PARTY' SECURIZATION OPERATION

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

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

QUANTITATIVE INFORMATION

C.1.1 Banking group - 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	-	14.535	-	8.026	5.552	12.448	-	-	-	-	-	-	-	-	-	-	-	-
b) With third party underlying assets																		
a) Impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) Others	8.762	8.762	1.904	1.904	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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

Type of securized assets/ Exposures	Cash exposures						Guarantees given						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks
A. Subject to total derecognition																		
A.1 Securs el S.r.l.																		
- Performing loans	-	-	4.638	-	8.948	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Securs el S.r.l.																		
- Leasing instalments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Subject to partial derecognition	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C. Not derecognized																		
C.1 Mars 2600 S.r.l.																		
- Performing loans	14.535	-	3.388	-	3.500	-	-	-	-	-	-	-	-	-	-	-	-	-

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

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

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

Exposure/ Portfolio	Financial assets held for trading	Financial assets at fair value through profit or loss	Financial assets available for sale	Financial assets held to maturity	Loans & receivables	Total 31/12/2009	Total 31/12/2008
1. Cash exposure							
- " Senior"	3.132	-	-	-	5.630	**8.762**	**-**
- " Mezzanine"	-	-	4.638	-	1.904	**6.542**	**-**
- " Junior"	-	-	8.948	-	-	**8.948**	**9.861**
2. Off balance sheet exposures							
- " Senior"	-	-	-	-	-	**-**	**-**
- " Mezzanine"	-	-	-	-	-	**-**	**-**
- " Junior"	-	-	-	-	-	**-**	**-**

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

Assets/Amount	Traditional securizations	Synthetinc securizations
A. Own underlying assets		
A. 1 Subject to total derecognition		
1. Non performing exposures	1.055	X
2. Watchlist exposures	-	X
3. Restructured exposures	-	X
4. Past due exposures	-	X
5. Other assets	24.740	X
A.2 Subject to partial derecognition		
1. Non performing exposures	-	X
2. Watchlist exposures	-	X
3. Restructured exposures	-	X
4. Past due exposures	-	X
5. Other assets	-	X
A.3 Not derecognized		
1. Non performing exposures	336	-
2. Watchlist exposures	408	-
3. Restructured exposures	-	-
4. Past due exposures	224	-
5. Other assets	132.819	-
B. Third parties' underlying assets		
B.1 Non performing exposures	-	-
B.2 Watchlist exposures	-	-
B.3 Restructured exposures	-	-
B.4 Past due exposures	-	-
B.5 Other assets	-	-

C.1.6 Banking group - Interests in vehicle companies

Company name	Headquarter	Interest %
Vehicle company - Securs el Srl	Milan	80,00%
Vehicle company - Mars Srl	Treviso	10,00%

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

Servicer	Vehicle company	Securized assets (end of period data)		Recievables collected during the year		Percentage redemptions (end of period data)					
						Senior		Mezzanine		Junior	
		Impaired	Performing	Impaired	Performing	Impaired assets	Performing assets	Impaired assets	Performing assets	Impaired assets	Performing assets
Banca Sella S.p.A.	**Securs el Srl**	1.055	24.740	-	10.733	-	1	-	-	-	-
Banca Sella S.p.A.	**Mars Srl**	968	132.819	-	37.919	-	-	-	-	-	-

C.2 Sale transactions

C.2.1 Banking group - Financial assets sold but not derecognized

Technical type / Portfolio	Financial assets held for trading			Financial assets at fair value through profit or loss			Financial assets available for sale			Financial assets held to maturity			Due from banks			Due from customers			Total	
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	31/12/2009	31/12/2008
A. Cash assets																				
1. Debt securities	36.394	-	-	-	-	-	1.853	-	-	14.308	-	-	-	-	-	-	-	-	52.555	262.012
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	579.326	-	-	579.326	393.633
B. Derivative instruments	-	-	-	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	-	-
Total 31/12/2009	**36.394**	**-**	**-**	**-**	**-**	**-**	**1.853**	**-**	**-**	**14.308**	**-**	**-**	**-**	**-**	**-**	**579.326**	**-**	**-**	**631.881**	**-**
of wich impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.292	-	-	1.292	-
Total 31/12/2008	**414.332**	**-**	**-**	**-**	**-**	**-**	**24.776**	**-**	**-**	**9.778**	**-**	**-**	**305.460**	**-**	**-**	**392.765**	**-**	**-**		**655.645**
of wich impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	868	-	-		143

KEY

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

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

C= partially recognized financial assets (full value)

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

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	37.161	-	1.849	13.670	-	-	52.680
b) against partially recognized assets	-	-	-	-	-	-	-
2. Due to banks							
a) against fully recognized assets	40.101	-	-	251	-	-	40.352
b) against partially recognized assets	-	-	-	-	-	-	-
3. Outstanding securities							
a) against fully recognized assets	-	-	-	-	-	-	-
b) against partially recognized assets	-	-	-	-	-	-	-
Total 31/12/2009	**77.262**	**-**	**1.849**	**13.921**	**-**	**-**	**93.032**
Total 31/12/2008	**216.666**	**-**	**27.302**	**9.921**	**4.626**	**-**	**258.515**

1.2 BANKING GROUP - MARKET RISK

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

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

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

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

For the purposes of measurement of risks and quantification of internal capital, market risk is measured by the Banca Sella Group applying the "standardized approach" defined by Bank of Italy Circular no. 263/2006. It follows that the quantification of internal capital for market risk consists of the sum of the capital requirements to cover the single risks that make up market risk on the basis of the so-called "building-block approach".

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

VaR Decomposition - Banca Sella Holding at 31.12.09

Holding period 10 days, confidence range 99%

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

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

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

1.2.1 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 (cf. Circular no. 155 of 18 December 1991 "Instructions for the compilation of reports on the regulatory capital and prudential coefficients" issued by the Bank of Italy and following amendments).

QUALITATIVE INFORMATION

A. General aspects

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

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

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

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

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

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

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

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

In order to measure the interest rate and price risks inherent in the regulatory trading book, the Banca Sella Group applies the "standardized approach" defined in Bank of Italy Circular No. 263/2006.

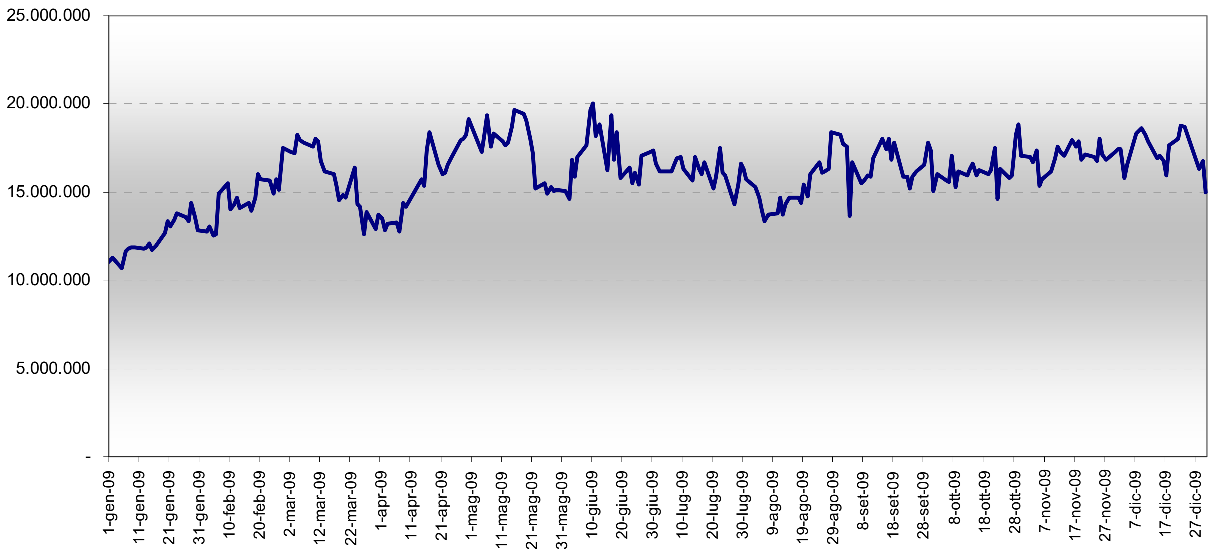
For operating purposes, in any case, the Group Risk Management Unit measures the VaR (horizon 10 days and 3 months and confidence margin 99%) of the Banca Sella Group portfolios, and analyzes sensitivity factors, namely: portfolio duration, effects of sudden interest rate shocks and finally the check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

The average duration of the Banca Sella Holding trading book is equal to 0,7 years while sensitivity, estimated on a parallel movement of +100 basis points in the yield curve, is approximately 13,23 million euro (about 0,73% of the portfolio).

In order to measure the price risk in the regulatory trading book, the Banca Sella Group applies the "standardized approach" defined in Bank of Italy Circular No. 263/2006.

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

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



QUANTITATIVE INFORMATION

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

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

1.2.2 Interest rate and price risks - banking book

QUALITATIVE INFORMATION

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

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

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

Interest rate risk is mainly generated by deposits and loans to customers, bank portfolio fixed-rate securities and interbank deposits (made and received), as well as derivative instruments created to mitigate exposure to the fair value rate risk generated by them. The Group's policy is to provide a high hedge to fixed-rate items, while strategic and management choices are aimed at minimising the volatility of the total economic value when the rate structure changes.

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

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

The sensitivity analysis figures at 31/12/2009 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	42,6	990,8	23,3

Amounts in euro Millions

The price risk of the portfolio is attributable mainly to equity interests held by the Parent Company and Banca Patrimoni Sella & C. for long-term investment purposes. These positions are adopted following the provisions of the Board of Directors and managed by the Finance business area of the Parent company on the basis of the provisions of the Board of Directors itself.

B. Fair value hedging activity

Hedging transaction strategies are mainly aimed at mitigating the exposure to interest rate risk inherent in financial instruments, deriving predominantly from forms of disbursement of credit (general hedges, such as mortgage loans and consumer credit, and regular leasing instalments) or bond loans issued by the Banca Sella Group, held in the banking book (specific hedges).

Exposure to interest rate risk inherent in the disbursement of credit is hedged by derivative instruments such as amortizing interest rate swaps and cap options, on the basis of the amount of the loan portfolio disbursed and the average maturities of this portfolio. Other interest rate swaps were implemented when fixed-rate bonded loans are issued. Further hedging is put in place, with third parties, with the aim of mitigating the interest rate risk or the exchange rate risk of simple derivatives such as domestic currency swaps, currency options, overnight interest swaps traded by customers of the Group's banks.

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

C. Cash flow hedging activities

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

D. Foreing investment hedging activities

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

1.2.3 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 Bank of Italy Circular No. 263/2006, which during the year never showed an absorption greater the 2% of Shareholders' Equity.

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

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

B. Exchange rate risk hedging activities

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

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

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	**82.876**	**52.737**	**23.596**	**14.626**	**1.002**	**15.480**
A.1 Debt securities	40	2.843	-	-	1	-
A.2 Equity securities	2.810	1	-	9.663	-	-
A.3 Loans and advances to bank	58.792	28.334	12.390	3.675	693	13.499
A.4 Loans and advances to custc	21.234	21.559	11.206	1.288	308	1.981
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**11.893**	**44.327**	**808**	**1.440**	**686**	**2.802**
C. Financial liabilities	**264.453**	**23.922**	**1.836**	**15.940**	**4.133**	**8.988**
C.1 Due to banks	35.004	237	-	1.334	11	166
C.2 Due to customers	229.449	23.685	1.836	14.606	4.122	8.822
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**12.401**	**2.349**	**713**	**731**	**573**	**3.725**
E. Financial derivatives	**180.081**	**(32.177)**	**(23.457)**	**8.824**	**2.021**	**(5.733)**
- Options	-	-	-	(47)	11	-
+ Long positions	27.001	-	1.403	631	102	-
+ Short positions	27.001	-	1.403	678	91	-
- Others	180.081	(32.177)	(23.457)	8.871	2.010	(5.733)
+ Long positions	368.543	20.148	17.685	15.445	6.857	10.746
+ Short positions	188.462	52.325	41.142	6.574	4.847	16.479
Total assets	**490.313**	**117.212**	**43.492**	**32.142**	**8.647**	**29.028**
Total liabilities	**492.317**	**78.596**	**45.094**	**23.923**	**9.644**	**29.192**
Imbalance (+/-)	**(2.004)**	**38.616**	**(1.602)**	**8.219**	**(997)**	**(164)**

1.2.4 Derivative instruments

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

A. FINANCIAL DERIVATIVES

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

Ulderlying assets/Type of derivatives	Total 31/12/2009		Total 31/12/2008	
	Over the counter	Central counterparts	Over the counter	Central counterparts
1. Debt securities and interest rates	1.274.378	127.700	1.304.432	859
a) Options	333.511	-	290.678	-
b) Swap	940.867	-	1.013.754	-
c) Forward	-	-	-	-
d) Futures	-	127.700	-	859
e) Others	-	-	-	-
2. Equity securities and equity indices	-	135.922	443	152.717
a) Options	-	133.452	443	144.507
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	2.470	-	8.210
e) Others	-	-	-	-
3. Currencies and gold	321.012	-	666.792	-
a) Options	109.503	-	110.934	-
b) Swap	120.751	-	313.820	-
c) Forward	67.367	-	73.327	-
d) Futures	-	-	-	-
e) Others	23.391	-	168.711	-
4. Goods	-	-	-	-
5. Other underlying assets	-	-	-	-
Total	**1.595.390**	**263.622**	**1.971.667**	**153.576**
Average amounts	**1.695.177**	**208.821**	**1.638.538**	**339.279**

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

A.2.1 For heging

Ulderlying assets/Type of derivatives	Total 31/12/2009		Total 31/12/2008	
	Over the counter	Central counterparts	Over the counter	Central counterparts
1. Debt securities and interest rates	1.682.284	-	1.682.462	-
a) Options	-	-	-	-
b) Swap	1.682.284	-	1.682.462	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
2. Equity securities and equity indices	-	-	-	-
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
3. Currencies and gold	-	-	-	-
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Goods	-	-	-	-
5. Other underlying assets	-	-	-	-
Total	**1.682.284**	**-**	**1.682.462**	**-**
Average amounts	**1.333.288**	**-**	**1.435.448**	**-**

A.2.2 Other derivatives

Ulderlying assets/Type of derivatives	Total 31/12/2009		Total 31/12/2008	
	Over the counter	Central counterparts	Over the counter	Central counterparts
1. Debt securities and interest rates	328.676	-	163.492	-
a) Options	328.676	-	163.492	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
2. Equity securities and equity indices	-	-	3.179	-
a) Options	-	-	3.179	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
3. Currencies and gold	295.700	-	2.050	-
a) Options	89.346	-	2.050	-
b) Swap	490	-	-	-
c) Forward	205.864	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Goods	-	-	-	-
5. Other underlying assets	-	-	-	-
Total	**624.376**	**-**	**168.721**	**-**
Average amounts	**511.082**	**-**	**324.258**	**-**

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

Portfolios/Type of derivatives	Positive fair value			
	Total 31/12/2009		Total 31/12/2008	
	Over the counter	Central counterparts	Over the counter	Central counterparts
A. Regulatory trading book	18.833	3.528	35.792	3.720
a) Options	5.683	3.528	7.815	3.720
b) Interest rate swap	8.341	-	6.992	-
c) Cross currency swap	1.582	-	2.666	-
d) Equity swap	-	-	-	-
e) Forward	2.634	-	6.004	-
f) Futures	-	-	-	-
g) Others	593	-	12.315	-
B. Banking book - hedging	3.037	-	4.457	-
a) Options	-	-	-	-
b) Interest rate swap	3.037	-	4.457	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
C. Banking book - other derivatives	222	-	1.554	-
a) Options	165	-	825	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	57	-	729	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
Total	**22.092**	**3.528**	**41.803**	**3.720**

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

Portfolios/Type of derivatives	Negative fair value			
	Total 31/12/2009		Total 31/12/2008	
	Over the counter	Central counterparts	Over the counter	Central counterparts
A. Regulatory trading book	9.628	3.606	51.033	6.355
a) Options	2.667	3.606	5.071	6.355
b) Interest rate swap	5.526	-	17.727	-
c) Cross currency swap	167	-	14.243	-
d) Equity swap	-	-	-	-
e) Forward	739	-	3.459	-
f) Futures	-	-	-	-
g) Others	529	-	10.533	-
B. Banking book - hedging	85.074	-	71.526	-
a) Options	-	-	-	-
b) Interest rate swap	85.074	-	71.526	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
C. Banking book - other derivatives	4.149	-	3.190	-
a) Options	3.566	-	2.910	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	583	-	280	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
Total	**98.851**	**3.606**	**125.749**	**6.355**

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

Contracts not covered by netting agreements	Governments and central banks	Other public boduies	Banks	Financial companies	Insurance companies	Non financial companies	Oter subjects
1) Debt securities and interest rates	**-**	**-**	**689.855**	**406.054**	**5.511**	**191.746**	**2.163**
- notional value	-	-	685.662	392.579	5.000	189.025	2.113
- positive fair value	-	-	4.107	6.675	-	1.465	-
- negative fair value	-	-	-	5.438	436	762	41
- future exposure	-	-	86	1.362	75	494	9
2. Equity securities and equity indices	**-**	**-**	**-**	**11.119**	**-**	**-**	**-**
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	3.507	-	-	-
- negative fair value	-	-	-	3.606	-	-	-
- future exposure	-	-	-	4.006	-	-	-
3. Currencies and gold	**25.834**	**-**	**119.773**	**31.694**	**441**	**128.899**	**26.981**
- notional value	25.834	-	114.457	30.378	441	124.148	25.753
- positive fair value	-	-	2.182	791	-	1.437	314
- negative fair value	-	-	1.205	131	-	1.359	256
- future exposure	-	-	1.929	394	-	1.955	658
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	**-**	**1.652**	**1.940.646**	**-**	**62**	**20.237**	**157.497**
- notional value	-	1.647	1.835.009	-	62	19.969	154.273
- positive fair value	-	-	3.037	-	-	1	-
- negative fair value	-	5	85.075	-	-	171	3.224
- future exposure	-	-	17.525	-	-	96	-
2. Equity securities and equity indices	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3. Currencies and gold	**-**	**-**	**276.015**	**-**	**-**	**12.304**	**11.314**
- notional value	-	-	273.329	-	-	11.697	10.674
- positive fair value	-	-	1.938	-	-	57	108
- negative fair value	-	-	748	-	-	-	-
- future exposure	-	-	-	-	-	550	532
4) Other values	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

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

Underlying asset/Residual life	Up to 1 year	From 1 year to 5 years	More than 5 years	Total
A Regulatory trading book				
A.1 Financial derivatives on debt securities and interest rates	687.025	263.068	324.285	1.274.378
A.2 Financial derivatives on equity securities and equity indices	-	-	-	-
A.3 Financial derivatives on exchange rates and gold	321.012	-	-	321.012
A.4 Financial derivatives on other securities	-	-	-	-
B. Banking book				
B.1 Financial derivatives on debt securities and interest rates	305.484	737.512	967.964	2.010.960
B.2 Financial derivatives on equity securities and equity indices	-	-	-	-
B.3 Financial derivatives on exchange rates and gold	295.700	-	-	295.700
B.4 Financial derivatives on other securities	-	-	-	-
Total 31/12/2009	**1.609.221**	**1.000.580**	**1.292.249**	**3.902.050**
Total 31/12/2008	**1.711.688**	**1.134.193**	**976.969**	**3.822.850**

B. CREDIT DERIVATIVES

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

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

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

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

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

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

1.3 BANKING GROUP - LIQUIDITY RISK

QUALITATIVE INFORMATION

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

The liquidity risk corresponds to the risk arising from the inability to meet promises to pay, which may be caused by the inability to raise funds (funding liquidity risk) or by the presence of asset liquidity limits (market liquidity risk)[1].

Liquidity monitoring and management operations for Banca Sella Holding are formalized in the Group's Liquidity Policy, which contains both liquidity risk management guidelines and the strategies to be followed in critical situations. Such strategies are an integral part of the emergency plan called *Contingency Liquidity Plan.*

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

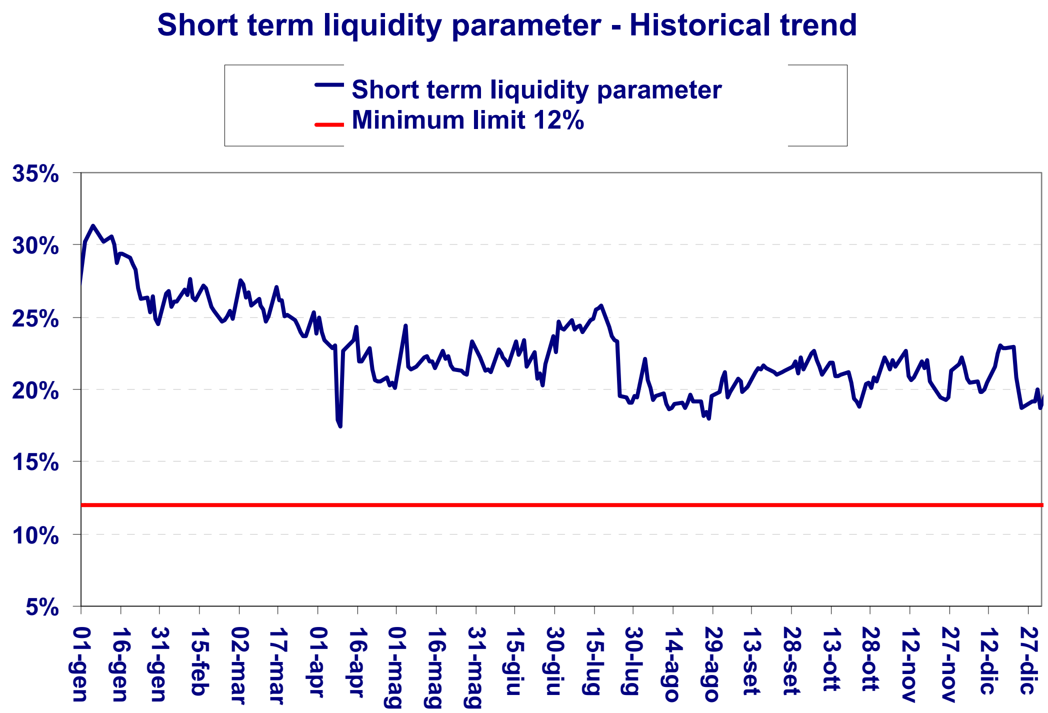
- conformity of liquidity risk management and monitoring processes and methods with prudential regulatory indications;
- decision-sharing and distinction of responsibilities among management, controlling and operating bodies;

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

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

Below is the trend of the Banca Sella Group short-term liquidity indicator, which provides indications about the ability to fulfil the obligations taken both with regular customers and banks in case of a sudden liquidity strain. The minimum limit of this indicator is prudentially established at 12%; the level of this indicator has always considerably exceeded that threshold during the financial year.

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



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

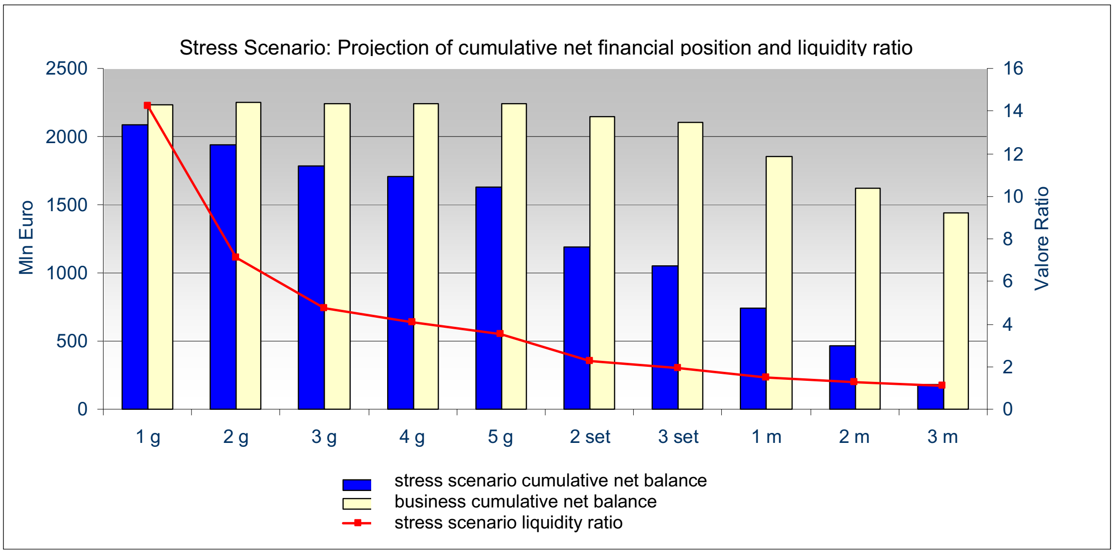
The approach underlying the stress analysis consists in assessing, through the use of a Maturity Ladder[2], the ability to withstand a liquidity crisis (measured in days), of the entire Banca Sella Group if a systemic or specific crisis situation arises. The ability to withstand is calculated with the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

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

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

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

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



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

Item/Time band	On demand	More than 1 day to 7 days	More than 7 day to 15 days	More than 15 days to 1 month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year to 5 years	More than 5 years	No fixed term
Cash assets	**1.576.239**	**123.146**	**183.536**	**414.408**	**1.224.145**	**783.761**	**945.098**	**3.390.444**	**2.419.507**	**35.943**
A.1 Government securities	-	566	969	763	116.073	156.806	159.376	502.271	266.717	-
A.2 Other debt securities	805	19.587	2.000	78.478	90.846	77.414	201.874	244.455	78.952	-
A.3 UCITS units	6.523	-	-	-	-	-	-	-	-	10.128
A.4 Loans and advances	1.568.911	102.993	180.567	335.167	1.017.226	549.541	583.848	2.643.718	2.073.838	25.815
- Banks	282.236	23.961	25.000	57.556	269.517	45.133	50.109	1.019	201	-
- Customers	1.286.675	79.032	155.567	277.611	747.709	504.408	533.739	2.642.699	2.073.637	25.815
Cash liabilities	**7.667.897**	**51.874**	**194.103**	**145.182**	**443.467**	**282.242**	**253.301**	**1.287.904**	**374.421**	**-**
B.1 Deposits and current accounts	7.623.071	14.134	65.496	59.143	117.582	64.201	42.254	154	7.549	-
- Banks	38.378	484	500	4.090	6.085	485	325	-	7.546	-
- Customers	7.584.693	13.650	64.996	55.053	111.497	63.716	41.929	154	3	-
B.2 Debt securities	582	13.020	57.563	21.589	80.885	55.432	157.527	1.261.294	364.092	-
B.3 Other liabilities	44.244	24.720	71.044	64.450	245.000	162.609	53.520	26.456	2.780	-
Off balance sheet transactions	**713.839**	**413.149**	**90.968**	**25.715**	**86.573**	**134.841**	**131.992**	**368.320**	**396.980**	**7.274**
C.1 Financial derivatives with equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	4.100	177.504	28.335	4.766	45.911	58.202	32.472	123.305	123.084	-
- Short positions	123.600	224.047	59.300	19.664	20.750	35.997	27.520	19.626	101.894	-
C.2 Financial derivatives without equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	-	7.205	1.646	544	10.043	18.700	30.774	80.305	36.526	-
- Short positions	-	4.370	1.678	623	8.410	14.708	23.776	58.325	21.529	-
C.3 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	210.917	-	-	-	438	5.520	7.104	74.046	78.592	-
- Short positions	369.329	-	-	-	16	-	-	-	-	7.274
C.5 Financial guaranties issued	5.893	23	9	118	1.005	1.714	10.346	12.713	35.355	-

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

Item/Time band	On demand	More than 1 day to 7 days	More than 7 day to 15 days	More than 15 days to 1 month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year to 5 years	More than 5 years	No fixed term
Cash assets	**40.788**	**1.843**	**3.967**	**12.644**	**14.374**	**6.373**	**64**	**25**	**1**	**-**
A.1 Government securities	-	-	-	-	-	-	-	2	-	-
A.2 Other debt securities	-	-	-	-	13	1	-	23	1	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	40.788	1.843	3.967	12.644	14.361	6.372	64	-	-	-
- Banks	36.653	-	-	6.942	9.322	5.913	-	-	-	-
- Customers	4.135	1.843	3.967	5.702	5.039	459	64	-	-	-
Cash liabilities	**149.672**	**7.378**	**15.494**	**24.612**	**55.206**	**8.026**	**4.063**	**-**	**-**	**-**
B.1 Deposits and current accounts	148.595	7.378	15.494	24.612	55.206	8.026	4.063	-	-	-
- Banks	13.888	6.182	2.346	2.884	6.979	2.724	-	-	-	-
- Customers	134.707	1.196	13.148	21.728	48.227	5.302	4.063	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	1.077	-	-	-	-	-	-	-	-	-
Off balance sheet transactions	**5.819**	**139.770**	**80.929**	**29.399**	**63.671**	**31.583**	**16.790**	**164**	**434**	**-**
C.1 Financial derivatives with equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	-	83.160	59.271	25.702	30.474	8.729	7.537	82	217	-
- Short positions	-	50.791	21.658	3.697	33.197	22.854	9.253	82	217	-
C.2 Financial derivatives without equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-
- Long positions	-	5.553	-	-	-	-	-	-	-	-
- Short positions	5.553	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	266	-	-	-	-	-	-	-	-	-
- Short positions	-	266	-	-	-	-	-	-	-	-
C.5 Financial guaranties issued	-	-	-	-	-	-	-	-	-	-

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

Item/Time band	On demand	More than 1 day to 7 days	More than 7 day to 15 days	More than 15 days to 1 month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year to 5 years	More than 5 years	No fixed term
Cash assets	**4.431**	**3.356**	**7.658**	**2.802**	**28.194**	**256**	**1.450**	**2.576**	**2.014**	**-**
A.1 Government securities	-	-	-	-	-	-	1.394	1.449	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	4.431	3.356	7.658	2.802	28.194	256	56	1.127	2.014	-
- Banks	4.012	57	4.887	674	18.705	-	-	-	-	-
- Customers	419	3.299	2.771	2.128	9.489	256	56	1.127	2.014	-
Cash liabilities	**20.232**	**-**	**-**	**109**	**259**	**654**	**2.667**	**-**	**-**	**-**
B.1 Deposits and current accounts	20.213	-	-	109	259	654	2.667	-	-	-
- Banks	-	-	-	-	-	-	236	-	-	-
- Customers	20.213	-	-	109	259	654	2.431	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	19	-	-	-	-	-	-	-	-	-
Off balance sheet transactions	**1.325**	**18.667**	**-**	**-**	**18.199**	**-**	**775**	**-**	**-**	**-**
C.1 Financial derivatives with equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	-	18.465	-	-	1.348	-	-	-	-	-
- Short positions	-	49	-	-	16.851	-	775	-	-	-
C.2 Financial derivatives without equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	739	-	-	-	-	-	-	-	-	-
- Short positions	586	153	-	-	-	-	-	-	-	-
C.5 Financial guaranties issued	-	-	-	-	-	-	-	-	-	-

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

Item/Time band	On demand	More than 1 day to 7 days	More than 7 day to 15 days	More than 15 days to 1 month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year to 5 years	More than 5 years	No fixed term
Cash assets	**966**	**5.371**	**3.114**	**7.938**	**5.595**	**489**	**22**	**101**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	966	5.371	3.114	7.938	5.595	489	22	101	-	-
- Banks	589	4.656	1.125	5.558	462	-	-	-	-	-
- Customers	377	715	1.989	2.380	5.133	489	22	101	-	-
Cash liabilities	**1.837**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits and current accounts	1.647	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	1.647	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	190	-	-	-	-	-	-	-	-	-
Off balance sheet transactions	**-**	**47.591**	**1.550**	**7.133**	**-**	**2.100**	**-**	**-**	**-**	**-**
C.1 Financial derivatives with equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	-	15.741	154	-	-	1.050	-	-	-	-
- Short positions	-	31.850	1.396	7.133	-	1.050	-	-	-	-
C.2 Financial derivatives without equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guaranties issued	-	-	-	-	-	-	-	-	-	-

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

Item/Time band	On demand	More than 1 day to 7 days	More than 7 day to 15 days	More than 15 days to 1 month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year to 5 years	More than 5 years	No fixed term
Cash assets	**3.165**	**291**	**615**	**559**	**287**	**45**	**-**	**-**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	3.165	291	615	559	287	45	-	-	-	-
- Banks	3.055	281	-	338	-	-	-	-	-	-
- Customers	110	10	615	221	287	45	-	-	-	-
Cash liabilities	**11.421**	**80**	**384**	**55**	**2.849**	**35**	**1.115**	**-**	**-**	**-**
B.1 Deposits and current accounts	11.413	80	384	55	2.849	35	1.115	-	-	-
- Banks	49	-	1	-	1.283	-	-	-	-	-
- Customers	11.364	80	383	55	1.566	35	1.115	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	8	-	-	-	-	-	-	-	-	-
Off balance sheet transactions	**-**	**3.683**	**3.396**	**449**	**191**	**388**	**338**	**-**	**-**	**-**
C.1 Financial derivatives with equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	-	189	707	449	191	316	169	-	-	-
- Short positions	-	3.494	2.689	-	-	72	169	-	-	-
C.2 Financial derivatives without equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guaranties issued	-	-	-	-	-	-	-	-	-	-

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

Item/Time band	On demand	More than 1 day to 7 days	More than 7 day to 15 days	More than 15 days to 1 month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year to 5 years	More than 5 years	No fixed term
Cash assets	**565**	**41**	**270**	**125**	**-**	**-**	**-**	**1**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	1	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	565	41	270	125	-	-	-	-	-	-
- Banks	564	4	-	125	-	-	-	-	-	-
- Customers	1	37	270	-	-	-	-	-	-	-
Cash liabilities	**3.672**	**-**	**-**	**115**	**-**	**16**	**330**	**-**	**-**	**-**
B.1 Deposits and current accounts	3.672	-	-	115	-	16	330	-	-	-
- Banks	11	-	-	-	-	-	-	-	-	-
- Customers	3.661	-	-	115	-	16	330	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off balance sheet transactions	**-**	**3.747**	**193**	**187**	**219**	**219**	**-**	**314**	**-**	**-**
C.1 Financial derivatives with equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	-	182	102	-	-	219	-	157	-	-
- Short positions	-	3.565	91	187	219	-	-	157	-	-
C.2 Financial derivatives without equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guaranties issued	-	-	-	-	-	-	-	-	-	-

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

Item/Time band	On demand	More than 1 day to 7 days	More than 7 day to 15 days	More than 15 days to 1 month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year to 5 years	More than 5 years	No fixed term
Cash assets	**6.832**	**922**	**181**	**-**	**5.852**	**746**	**739**	**-**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	6.832	922	181	-	5.852	746	739	-	-	-
- Banks	6.715	885	181	-	5.506	-	-	-	-	-
- Customers	117	37	-	-	346	746	739	-	-	-
Cash liabilities	**8.131**	**-**	**110**	**243**	**332**	**21**	**105**	**-**	**-**	**-**
B.1 Deposits and current accounts	7.921	-	110	243	332	21	105	-	-	-
- Banks	121	-	-	-	-	-	-	-	-	-
- Customers	7.800	-	110	243	332	21	105	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	210	-	-	-	-	-	-	-	-	-
Off balance sheet transactions	**-**	**13.868**	**-**	**1.525**	**5.639**	**-**	**530**	**-**	**-**	**-**
C.1 Financial derivatives with equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	-	6.204	-	768	81	-	265	-	-	-
- Short positions	-	7.664	-	757	5.558	-	265	-	-	-
C.2 Financial derivatives without equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guaranties issued	-	-	-	-	-	-	-	-	-	-

1.4 BANKING GROUP - OPERATIONAL RISKS

QUALITATIVE INFORMATION

A. General aspects, management processes and methods for measuring operational risk

Operational risk is the risk of suffering losses deriving from the inadequacy or failure of procedures, human resources and internal systems, or from external events. This type includes, among others, losses deriving from internal/external frauds, human errors, business interruptions, unavailability of systems, contractual non-fulfilment and natural catastrophes. Operational risk includes legal risk, but does not include strategic and reputational risks.

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

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

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

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

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

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

The Risk Self Assessment (RSA) is a qualitative and quantitative analysis for operational risk exposure, whose added value consists of estimating the Group's expected and unexpected losses (quantification of possible risk events both in terms of economic impact and frequency of occurrence) attributed to the various corporate processes mapped and validated at the Group's Company.

In 2009 the Risk Self Assessment was carried out for the second time, improving the data collection method used the previous year. This work, which is coordinated by the Parent Company's Risk Management and Audit Service, actively involved all the departments/services of the Holding and

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

the Group Companies, which provided an estimate of the average frequency of occurrence of the average economic impact of potential events associated with the processes for which it is responsible, assessing in particular low-frequency high-impact events.

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

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

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

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

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

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

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

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

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

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

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

QUANTITATIVE INFORMATION

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

The capital requirement calculated on the intermediation margin for the 2007-2009 period is 81,7 million euro.

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

Section 2
Insurance companies risks

The Banca Sella Group has a majority equity interest in two insurance companies located respectively in Ireland and in Italy that specialize in categories of product and customer. The former caters for private customers offering products that will best meet their need for diversified investments, whilst the latter company caters for a wide range of customers through a comprehensive catalogue that therefore includes the risks connected with the term of human life.

Sella Life Ltd.

Sella Life's business concerns only life assurance of the third kind, that is to say linked policies. By their nature, such products do not entail a financial risk for the Company as the risk is transferred completely to the Policyholder.

The insurance covers provided by the company for the products it sells amount to at the most 101% of the value of the policy and therefore the risk of mortality is covered by the Company's own assets.

C.B.A. Vita S.p.A.

C.B.A. Vita operates mainly in the life assurance field and to a small extent in the accident and health insurance fields.

The main risks assumed by the Company in the course of its business, and the processes adopted for the assumption and management of such risks, are described below.

MORTALITY RISK

It is the risk of the unfavourable trend recorded in the actual loss ratio compared with the trend estimated when the policy premium was calculated.

CBA Vita has a diversified risk assumption policy according to the type of premium. Particular caution is exercised when accepting temporary life-assurance policies for which the procedures in place lay down precise acceptance criteria dependent on the amount of capital to be insured and the age of the policyholder, within predetermined limits of age and capital.

CBA Vita provides life-assurance reinsurance cover that is commensurate with the products marketed and conservation levels that are more than adequate for the Company's capital structure (in compliance with the framework directive issued by the Board of Directors in accordance with the provisions of ISVAP memorandum 574/D of 2005).

The quality of the assumption is given by a comparison between the actual mortality and the theoretical mortality of the portfolio, which in 2009 showed actual mortality lower than theoretical mortality.

MORBIDITY RISK

It is the risk of the unfavourable trend recorded in the actual morbidity ratio compared with the trend estimated when the policy premium is calculated and new invalidating pathologies arise.

CBA Vita has a diversified risk assumption policy depending on the type of premium. Particular attention is paid when accepting temporary life-assurance policies for which the procedures adopted require precise acceptance criteria.

CBA Vita sets aside a part of the premium collected to face up to the worsening of the risk associated with the ageing of policyholders in order to cope with the obligations deriving from insurance activities (setup of aging reserve).

CBA Vita provides an assurance cover that is commensurate with the products marketed and conservation levels that are more than adequate for the Company's capital structure (in compliance with the framework directive adopted by the Board of Directors in accordance with the provisions of ISVAP memorandum no. 574/D of 2005).

LONGEVITY RISK

It is the risk due to the trend of increasing life expectancy on life assurance policies which directly provide an income or, when they mature, permit customers to opt for an annuity instead of cashing in the accrued capital with preset conversion ratios.

Some life-assurance policies provide an income directly or, when they mature, permit the customer to opt for an annuity instead of cashing in the accrued capital. In the case of such policies the Company is therefore exposed to a longevity risk due to the trend of increasing life expectancy. For some years now this risk has been limited in new policies with an annuity option, by postponing the calculation of the conversion ratio to the moment when the annuity option is taken up.

For contracts already in the portfolio, with guaranteed annuity ratio calculated on the basis of demographic projections that have not been updated, the mathematical reserves have been supplemented.

FINANCIAL RISK

CBA Vita markets, among other things, products with bonuses based on the profits achieved by their Separate Investments, with a guaranteed minimum.

The company is thus exposed to the risk of obtaining profits from the underlying investments that are lower than those guaranteed to the policyholders.

The risk connected with these policies is periodically monitored and assessed to ensure optimum allocation of financial resources, with a view to ALM (Asset-Liability Management)

In order to cover the risk of a possible disparity between the expected rates of return of the assets hedging the technical reserves connected to the separate investments and the undertakings given, the mathematical reserves of the Company have been increased by 1,328 million in compliance with the provisions of Isvap Regulation 21 of 28 March 2008.

The Liability Adequacy Test is conducted using the modelling that has already been set up for the analysis pursuant to Regulation 21 with an extension of the assessments to the contractual maturity of the portfolio. It has shown that the additional reserves calculated using local principles are adequate.

Lastly, financial risks include a limited number of index-linked policies that were taken out in past years, where the counterparty risk is borne by the Company.

REASSURANCE RISK

As a general rule, the reinsurers with which CBA Vita works must meet quality, commitment and solvency requirements. In particular, the selection criteria for reinsurance partners imply the choice of high-rated reinsurers and a continuous monitoring of the total exposure for individual reinsurers, grouped by consistent rating classes. The Risk Management Service ensures that the company's exposure to individual reinsurers complies with the following limits, established by the Board of Directors:

- 75% of the total exposure or 10 millions for reinsurers with an A or higher rating;
- 25% of the total exposure or 3 millions for reinsurers whose rating is lower than A.

Section 3
Risks of other companies

This type of company does not exist within the Banca Sella Group.

PART F
INFORMATION ON CAPITAL

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

Section 1
Consolidated capital

A. QUALITATIVE INFORMATION

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

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

- pay out policies;
- issues of subordinated bonds.

As of 31 December 2009, the excess Regulatory Capital with respect to the compulsory levels is of an amount in line with the risk profile adopted by the Bank, permitting development in keeping with the expected growth targets.

B. QUANTITATIVE INFORMATION

B.1 Consolidated equity: breakdown by type of company

	Banking group	Insurance companies	Other companies	Consolidation Eliminations and adjustments	Total
Capital	620.418	56.300	-	(523.365)	153.353
Share premiums	274.944	-	-	(176.923)	98.021
Reserves	472.160	(1.347)	-	(69.488)	401.325
Equity instruments	-	-	-	-	-
(Treasury shares)	-	-	-	-	-
Valuation reserves:	10.951	78	-	(168)	10.861
- Financial assets available for sale	5.999	(95)	-	(216)	5.688
- Tangible assets	-	-	-	-	-
- Intangible assets	-	-	-	-	-
- Foreign investments hedges	-	-	-	-	-
- Cash flow hedges	-	-	-	-	-
- Exchange rate differences	-	-	-	-	-
- Non current assets held for sale	-	-	-	-	-
- Actuarial profits (losses) on defined benefit pension plans	-	-	-	-	-
- Quote of valuation reserves for minority equity interests accounted with equity method	-	173	-	48	221
- Special revaluation laws	4.952	-	-	-	4.952
Profit (loss) for the year (+/-) of the group and of third parties	44.456	2.098	-	(17.472)	29.082
Shareholders' equity	**1.422.929**	**57.129**	**-**	**(787.416)**	**692.642**

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

Asset/Amount	Banking group		Insurance companies		Other companies		Consolidation Eliminations and adjustments		Total	
	Pos.	Neg.	Pos.	Neg.	Pos.	Neg.	Pos.	Neg.	Pos.	Neg.
1. Debt securities	536	253	-	95	-	-	-	216	536	564
2. Equity securities	5.716	-	-	-	-	-	-	-	5.716	-
3. UCITS units	-	-	-	-	-	-	-	-	-	-
4. Loans and advances	-	-	-	-	-	-	-	-	-	-
Total 31/12/2009	**6.252**	**253**	**-**	**95**	**-**	**-**	**-**	**216**	**6.252**	**564**
Total 31/12/2008	**4.508**	**2.091**	**-**	**1.220**	**-**	**-**	**148**	**163**	**4.656**	**3.474**

Key
Pos. = Positive reserve
Neg. = Negative reserve

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

	Debt securities	Equity securities	UCITS units	Loans and advances
1. Opening balance	**(3.354)**	**4.535**	**-**	**-**
2. Increases	**6.406**	**6.645**	**-**	**-**
2.1 Increases in fair value	5.972	5.352	-	-
2.2 Reversal to income statement of negative reserves	434	127	-	-
- following impairment	-	-	-	-
- following realization	434	127	-	-
2.3 Other changes	-	1.166	-	-
3. Decreases	**3.080**	**5.464**	**-**	**-**
3.1 Reductions in fair value	3.080	-	-	-
3.2 Impairment losses	-	-	-	-
3.3 Reversal to income statement from positive reserves: following realization	-	5.464	-	-
3.4 Other changes	-	-	-	-
4. Closing balance	**(28)**	**5.716**	**-**	**-**

Section 2
Bank regulatory capital and capital ratios

2.1 Scope of application of the regulation

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

Application of the instructions contained in the said circular involves a different method of consolidation for insurance companies included in Consolidated Financial Statements. Hence the said companies, consolidated using the line-by-line method for the financial statements, have been consolidated using the net equity method for the purposes of the capital and prudential ratios.

2.2 Bank regulatory capital

A. QUALITATIVE INFORMATION

1. Tier 1 capital

This comprises:

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

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

2. Tier 2 and Tier 3 capital

This comprises:

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

Issuer	Interest rate	Interest type	Issue date	Maturity date	Currency	Original amount *(euro thousand)*	Contribution to regulatory capital *(euro thousand)*
Banca Sella Holding S.p.A.	1,35%	variable	16-Sep-02	16-Mar-13	Euro	50.000	49.991
Banca Sella Holding S.p.A.	1,30%	variable	1-Sep-03	1-Sep-14	Euro	24.612	24.542
Banca Sella Holding S.p.A.	1,50%	variable	15-Jul-04	15-Jul-15	Euro	18.560	18.510
Banca Sella S.p.A.	1,82%	variable	3-Jun-09	3-Jun-19	Euro	850	850
Banca Sella S.p.A.	1,54%	variable	15-Jul-09	15-Jul-19	Euro	438	438
Banca Sella S.p.A.	1,42%	variable	10-Sep-09	10-Dec-19	Euro	10.000	9.995
Banca Sella S.p.A.	4,10%	fixed	15-Oct-09	15-Jan-20	Euro	5.000	5.000
Banca Sella S.p.A.	4,10%	fixed	26-Oct-09	26-Jan-20	Euro	5.000	5.000
Banca Sella S.p.A.	4,10%	fixed	29-Oct-09	29-Jan-20	Euro	10.000	9.995
Banca Sella S.p.A.	4,00%	fixed	16-Dec-09	16-Mar-20	Euro	3.238	3.238
Banca Sella S.p.A.	4,10%	fixed	23-Nov-09	23-Feb-20	Euro	5.000	4.999
Banca Sella Nord Est - Bovio Calderari S.p.A.	1,41%	variable	16-Sep-09	16-Dec-19	Euro	930	930
Banca Sella Sud Arditi Galati S.p.A.	1,42%	variable	4-Sep-09	4-Dec-19	Euro	2.500	2.500
Banca Sella Sud Arditi Galati S.p.A.	4,075%	fixed	4-Sep-09	4-Dec-19	Euro	1.000	1.000
Banca Sella Sud Arditi Galati S.p.A.	4,10%	fixed	26-Oct-09	26-Jan-20	Euro	2.500	2.500
Banca Sella Sud Arditi Galati S.p.A.	4,10%	fixed	5-Oct-09	5-Jan-20	Euro	2.500	2.500
Banca Sella Sud Arditi Galati S.p.A.	1,42%	variable	31-Jul-09	31-Jul-19	Euro	2.500	701
Total hybrid instruments (Upper Tier II)							**142.689**
Banca Sella Holding S.p.A.	1,20%	variable	14-Nov-05	14-Nov-11	Euro	8.000	7.977
Banca Sella Holding S.p.A.	1,864%	variable	15-Dec-04	15-Dec-14	Euro	50.000	50.000
Banca Sella Holding S.p.A.	1,217%	variable	28-Nov-06	28-Nov-16	Euro	50.000	50.000
Banca Sella Holding S.p.A.	1,11%	variable	21-Jun-07	21-Jun-17	Euro	10.000	2.450
Banca Sella Holding S.p.A.	1,51%	variable	27-Dec-07	27-Dec-17	Euro	30.000	21.500
Banca Sella Holding S.p.A.	1,02%	variable	6-Jun-08	6-Jun-14	Euro	13.900	11.450
Banca Sella S.p.A.	1,54%	variable	15-Jul-09	15-Jul-19	Euro	1.692	1.665
Banca Sella S.p.A.	1,82%	variable	3-Jun-09	3-Jun-19	Euro	3.450	2.800
Banca Sella S.p.A. (*)	1,26%	variable	4-Jan-06	4-Jan-13	Euro	80.000	0
Banca Sella S.p.A.	1,00%	variable	24-Jun-08	24-Jun-14	Euro	50.000	42.359
Banca Sella S.p.A.	1,06%	variable	30-Sep-08	30-Sep-16	Euro	30.000	23.226
Banca Sella S.p.A.	1,51%	variable	16-Mar-09	16-Mar-15	Euro	20.000	18.581
Banca Sella S.p.A.	3,45%	fixed	18-Feb-09	18-Feb-15	Euro	10.000	9.915
Banca Sella Nord Est - Bovio Calderari S.p.A.	1,54%	variable	15-Jul-09	15-Jul-19	Euro	210	190
Banca Sella Nord Est - Bovio Calderari S.p.A.	1,20%	variable	1-Dec-04	1-Dec-10	Euro	600	572
Banca Sella Nord Est - Bovio Calderari S.p.A. (*)	1,215%	variable	23-Nov-06	23-Nov-12	Euro	4.500	0
Banca Sella Nord Est - Bovio Calderari S.p.A.	1,29%	variable	27-Jun-08	27-Jun-14	Euro	10.000	9.620
Banca Sella Nord Est - Bovio Calderari S.p.A.	1,42%	variable	27-Oct-08	27-Oct-14	Euro	7.500	6.243
Banca Sella Nord Est - Bovio Calderari S.p.A.	1,88%	variable	5-Mar-09	5-Mar-15	Euro	6.000	5.949
Banca Sella Sud Arditi Galati S.p.A.	1,30%	variable	22-Sep-03	22-Sep-11	Euro	880	865
Banca Sella Sud Arditi Galati S.p.A.	4,10%	fixed	18-Sep-03	18-Sep-10	Euro	5.000	1.000
Banca Sella Sud Arditi Galati S.p.A.	4,55%	fixed	25-May-09	25-May-19	Euro	1.000	1.000
Banca Sella Sud Arditi Galati S.p.A.	4,10%	variable	18-Sep-03	18-Sep-10	Euro	2.479	496
Banca Sella Sud Arditi Galati S.p.A.	1,15%	variable	1-Dec-04	1-Dec-10	Euro	400	376
Banca Sella Sud Arditi Galati S.p.A.	5,30%	fixed	16-Jul-08	16-Jul-15	Euro	10.000	9.393
Banca Sella Sud Arditi Galati S.p.A.	4,90%	fixed	22-Sep-08	22-Sep-14	Euro	10.000	8.465
Banca Sella Sud Arditi Galati S.p.A.	4,00%	fixed	15-Dec-08	15-Dec-14	Euro	2.500	2.184
Banca Sella Sud Arditi Galati S.p.A.	4,00%	fixed	12-Jan-09	12-Jan-15	Euro	2.500	1.964
Banca Sella Sud Arditi Galati S.p.A.	3,50%	fixed	24-Feb-09	24-Feb-15	Euro	2.500	1.962
Banca Sella Sud Arditi Galati S.p.A.	3,90%	fixed	6-Feb-09	6-Feb-15	Euro	2.500	2.355
Banca Sella Sud Arditi Galati S.p.A.	3,50%	fixed	21-May-09	21-May-16	Euro	5.000	4.990
Banca Sella Sud Arditi Galati S.p.A.	1,42%	variable	31-Jul-09	31-Jul-19	Euro	2.500	1.769
Sella Bank Luxembourg S.A. (*)	3,90%	fixed	2-May-05	2-May-15	Euro	5.000	0
Total eligible subordinated (Lower Tier II)							**301.316**
Banca Sella Holding S.p.A.	1,05%	variable	4-apr-08	4-apr-11	Euro	20.000	19.133
Total 3rd tier subordinated (Upper Tier III)							**19.133**
Total							**463.138**

(*) Subscribed by other Group companies and hence not ascibable to Group regulatory capital.

Hybrid instruments (Upper Tier 2)

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

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

Lower Tier 2 subordinated liabilities

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

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

Lower Tier 3 subordinated liabilities

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

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

B. QUANTITATIVE INFORMATION

	Total 2009	Total 2008
A. Tier 1 capital before application of prudential filters	**585.775**	**547.023**
B. Tier 1 capital prudential filters:	(163)	(3.697)
B.1 Positive IAS/IFRS prudential filters (+)	199	-
B.2 Negative IAS/IFRS prudential filters (-)	(362)	(3.697)
C. Tier 1 capital including ineligible items (A + B)	**585.612**	**543.326**
D. Tier 1 capital ineligible items	5.357	5.089
E. Total Tier 1 capital (C - D)	**580.255**	**538.237**
F. Tier 2 capital before the application of prudential filters	**445.931**	**374.313**
G. Tier 2 capital prudential filters	(3.001)	(2.268)
G.1 Positive IAS/IFRS prudential filters (+)	-	-
G.2 Negative IAS/IFRS prudential filters (-)	(3.001)	(2.268)
H. Tier 2 capital including ineligible items (F + G)	**442.930**	**372.045**
I. Tier 2 capital ineligible items	5.357	5.089
L. Total Tier 2 capital (H - I)	**437.573**	**366.956**
M. Total Tier 1 and 2 capital ineligible items	42.401	36.575
N. Regulatory capital (E + L - M)	**975.427**	**868.618**
O. Tier 3 capital	14.801	9.842
P. Regulatory capital including Tier 3 (N + O)	**990.228**	**878.460**

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

It should be noted that the regulatory capital at 31 December 2008 was recalculated due to the application of IAS 8 as illustrated in Part A of the Notes to the financial statements and a better classification of valuation reserves for assets available for sale on debt securities.

2.3 Capital adequacy

A. QUALITATIVE INFORMATION

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

As can be seen from the quantitative information presented in the table showing the risk assets and prudential capital requirements, the company exhibits a ratio between Tier 1 capital and risk weighted assets of 6,84% and a ratio between total regulatory capital and risk weighted assets of 11,67%, well above the minimum requirement of 8%.

Periodically, patrimonial adequacy and respect for requested requisites is monitored by the Asset and Liability Management Committee.

B. QUANTITATIVE INFORMATION

Category/Amount	Non-weighted amounts		Weighted amounts/requirements	
	31/12/2009	31/12/2008	31/12/2009	31/12/2008
A. RISK ASSETS				
A.1 Credit and counterparty risk	**16.944.333**	**18.259.085**	**7.202.997**	**6.817.503**
1. Standardized approach	16.935.299	18.244.642	7.194.238	6.636.965
2. Internal rating based approach		-	-	-
2.1 Basic				
2.2 Advanced		-		-
3. Securitizations	9.034	14.443	8.759	180.538
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk	x	x	**576.240**	**538.779**
B.2 Markets risks			**20.730**	**13.785**
1. Standardized approach	x	x	20.730	13.785
2. Internal models	x	x		-
B.3 Operational risk			**81.698**	**81.363**
1. Basic approach	x	x	81.698	81.363
2. Standardized approach	x	x		
3. Advanced approach	x	x	-	-
B.4 Other capital requirements	x	x	-	-
B.5 TOTAL CAPITAL REQUIREMENTS (B1+B2+B3+B4)	x	x	**678.668**	**633.927**
C. RISK ASSETS AND CAPITAL RATIOS	x	x		
C.1 Risk weighted assets	x	x	8.483.347	7.924.089
C.2 Tier 1 capital/Risk weighted assets (Tier 1 capital ratio)	x	x	6,84%	6,79%
C.3 Regulatory capital including Tier 3/Risk weighted assets (Total capital ratio)	x	x	11,67%	11,09%

It should be noted that risk assets at 31 December 2008 were recalculated taking into account the right, unexercised that year, to cancel intragroup items for weighing credit risk.

Following capital recalculation, as explained in the note on the previous page, and risk asset recalculation, as described above, the ratios at 31 December 2008 went up from 6,76% to 6,79% for Tier 1 and from 10,98% to 11,09% for Tier 2.

Section 3
Insurance regulatory capital and capital ratios

The solvency margin, calculated in accordance with the law, amounted to 26,110 million euro for life insurance. As for non-life insurance, the solvency margin amounted to 2,3 million euro, that is equal to the minimum guarantee fund provided under section 46 of Italian Legislative Decree 209 dated 17 September 2005 and sections 5 and 11 of Isvap Regulation no. 19 dated 14 March 2008 and adjusted according to Isvap provision no. 2768 of 29/12/2009. These amounts are fully hedged by the Company's equity with an excess of 13,676 million euro for life insurance and Capitalisation and 2,039 million euro for non-life insurance.

SOLVENCY MARGIN
At 31 December 2009 the solvency margin to be set up, the guarantee fund and the total components of the margin itself, separately for non-life and life insurance items, consisted of the following amounts:

Solvency margin

(euro thousands)	**31/12/2009**
Life insurance	
Solvency margin to be set up	26.110
Guarantee fund	8.704
Margin components	39.786
Non-life	
Solvency margin to be set up	2.300
Guarantee fund	2.300
Margin components	4.339

At the end of the financial year life insurance solvency margin components amounted to 39,786 million euro against an amount to be set up of 26,110 million euro; non-life solvency margin components amounted to 4,339 million euro against an amount to be set up of 2,300 million euro.

Adjusted solvency
The assessment of adjusted solvency at 31/12/2009, provided under section 217 of Leg. Dec. 209/2005 and implemented according to the provisions of Isvap regulation no. 18 dated 12 March 2008, showed the following situation:

(euro thousands)	**31/12/2009**
Required amount for adjusted solvency margin	33.625
Total components	37.809
Excess	4.184

PART G
AGGREGATION OPERATIONS REGARDING COMPANIES OR BUSINESS LINES

During the year no operations regarding companies or business lines took place.

PART H
RELATED PARTY TRANSACTIONS

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

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

1. Information on directors' and managers' remuneration

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

Fees paid as of 31 december 2009 to the above-mentioned key company personnel in the parent company are set out in the following table:

Fees paid to managers with strategic responsibilities (including directors)	
(amounts in euro thousands)	**31 December 2009**
a) short-term employee benefits	4.422,3
b) post-employment benefits	-
c) other long-term benefits	-
d) severance indemnities	121,6
e) share-based payments	-
Total	**4.543,9**

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

Fees received in financial year 2009	
(amounts in euro thousands)	
Directors	2.460,0
Statutory Auditors	616,4

2. Information on related party transactions

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

Intra-group transactions were carried out following assessments of mutual benefit, in line with market terms, with the aim of creating value within the Group.

In preparing the consolidated financial statements, transactions and existing balances with intra-group related parties are eliminated.

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

Related-party transactions *(amounts in euro thousands)*	**Subsidiaries**	**Associated companies**	**Directors and Managers**
Loans & Receivables	-	1.987,5	1.048,5
Payables	-	2.554,3	2.797,3
Guarantees given	-	-	75,0
Guarantees received by the Group	-	550	81,8

PART I
PAYMENT AGREEMENTS BASED ON OWN EQUITY INSTRUMENTS

Thr Banca Sella Group has not carried out this type of operation.

PART L
SEGMENT REPORTING

In accordance with the provisions of accounting principle IFRS 8, the segment report was prepared with reference to the Group's operational features and to the organisational and management structure.

Segment reporting – breakdown by business area

The "operating segments" identified at group level are the following:

NETWORKS DEPARTMENT

The mission of the Networks Department is to develop and manage relations with Group customers, to learn about customers' needs and anticipate their expectations in order to achieve the income and growth targets set, coordinating distribution activities and commercial and marketing initiatives.

It therefore includes the following companies: Banca Sella, Banca Sella Sud Arditi Galati, Banca Sella Nordest Bovio Calderari, Banca Patrimoni Sella & C., Sella Bank AG, Biella Leasing, Consel, Selfid, Sella Bank Luxembourg and Secursel.

PRODUCT COMPANIES

The Product Companies comprise the entities whose business is mainly focused on the creation of products or the provision of specialist services.

It therefore includes the following companies: Sella Gestioni, Cba Vita, Sella Life, Brosel and Selgest.

FINANCE DEPARTMENT

The task of the Finance department is to direct, coordinate and control the financial activities of the Banca Sella Group, pursuing careful risk management and a solid liquidity position.

The Finance department also oversees own account trading activities carried out by the trading room of the business segment, and manages Parent company's Own Securities Portfolio and Corporate Finance.

The Finance department therefore comprises the corresponding "operating segment" of Banca Sella Holding.

BANKING SERVICES

The mission of the Banking Services Department is to provide the Group with an adequate technical and organizational structure characterized by efficiency, excellence, innovation and the highest quality. It also coordinates the development of a number of specific businesses associated with this operational activity. Its task is also, therefore, to provide IT systems and the products and services it performs to the Group banks and companies in outsourcing.

As these activities can also be offered to institutional operators external to the Banca Sella Group (banks, brokerages, AMCs, etc…), one of the Department's tasks is to offer its services also outside the Group.

This department comprises the group's service companies (Sella Servizi Bancari, Immobiliare Lanificio M. Sella, Immobiliare Sella, Sella Synergy India, Selir and Easy Nolo) and the Institutional Service segment of Banca Sella Holding, which includes the following services: Payment Systems, Depositary Bank, Trading, Banca Sella Holding Customers and Market Access.

CENTRAL STRUCTURE AND OTHER SERVICES

The main component consists of bodies performing duties relating to the governance, support and auditing of the Group's other business sectors.

The central structure also comprises holding companies and companies in liquidation.

In addition to the Group's Central Management Department and staff and co-ordination units of the Parent company, the central unit also includes the following companies: Sella Holding NV and Sella Capital Management.

Criteria for the calculation of profitability for operating segments:

The income statement of operating segments has been drawn up using the following methods:

- *in the case of operating segments whose operations are carried on at the levels of both the parent company and the subsidiaries, the single areas were assigned the relevant proportion of the items of the parent company on the basis of the following principles:*
    - *net interest income was calculated using appropriate internal transfer rates;*
    - *in addition to actual fees, notional fees were also quantified in relation to services rendered by one business unit to another;*
    - *the direct costs of each segment were calculated, and the costs of the central structures other than those specific to the holding function were attributed to the areas.*
- *The income statements of the single companies were indicated in the case of sectors whose business is carried on solely by subsidiary companies.*

The condensed income statement is reclassified the same way as in the Directors' Report.
Where considered significant, for a better understanding of the income statement and balance sheet, 2008 figures were redetermined to make them comparable with the classification at 31 December 2009, also considering the adjustments made following the implementation of IAS 8 in some companies of the Group.

Below is the table on segment reporting – breakdown by business area:

Segment report statement - breakdown by business area (amounts in euro millions)

	NETWORKS DEPARTMENT	PRODUCT COMPANIES	BANKING SERVICES	FINANCE DEPARTMENT	CENTRAL STRUCTURE	TOTAL
INCOME STATEMENT:						
NET INTEREST INCOME [(1)]						
year 2009	268,9	1,8	3,0	19,0	-2,3	290,3
year 2008	300,1	2,1	1,7	10,1	-2,7	311,3
NET INCOME FROM SERVICES						
year 2009	171,8	19,4	36,5	21,6	-0,4	248,9
year 2008	141,9	12,6	37,1	4,8	0,7	197,1
NET BANKING AND INSURANCE INCOME						
year 2009	440,7	21,1	39,4	40,7	-2,8	539,2
year 2008	442,0	14,8	38,7	14,9	-2,0	508,4
OPERATING COST						
year 2009	-321,5	-15,5	-32,5	-10,7	-26,9	-407,1
year 2008	-308,3	-15,7	-45,1	-5,8	-19,9	-394,7
of wich VALUE ADJUSTMENTS ON TANGIBLE AND INTANGIBLE ASSETS						
year 2009	-8,7	-0,7	-22,6	-0,4	-1,8	-34,2
year 2008	-10,1	-0,7	-20,2	-0,3	-1,0	-32,3
OPERATING PROFIT/(LOSS)						
year 2009	119,2	5,6	7,0	29,9	-29,7	132,1
year 2008	133,7	-0,9	-6,4	9,2	-21,9	113,7
NET VALUE ADJUSTMENTS FOR IMPAIRMENT OF LOANS AND RECEIVABLES						
year 2009	-83,4	0,0	0,0	0,0	-0,4	-83,8
year 2008	-45,5	0,0	0,1	0,0	-0,5	-45,9
PROFIT/(LOSS) FROM CONTINUING OPERATIONS BEFORE TAXES						
year 2009	35,2	6,2	5,1	29,8	-26,7	49,7
year 2008	82,4	-1,3	-6,7	9,2	-42,4	41,2
PROFIT/(LOSS) FOR THE PERIOD (including minority interest)						
year 2009	19,0	3,5	2,5	19,0	-14,9	29,1
year 2008	46,8	-1,7	-4,3	6,3	-33,9	13,2
OTHER INFORMATION:						
TOTAL ASSETS (before cancellations)						
year 2009	14.089	1.329	239	3.950	936	
year 2008	14.169	1.081	165	5.481	1.001	
DUE FROM CUSTOMERS (before cancellations)						
year 2009	8.636	11	70	1.318	-	
year 2008	8.153	0	54	1.599	-	
DUE TO CUSTOMERS (before cancellations)						
year 2009	8.747	28	110	-	-	
year 2008	8.741	36	129	-	-	
OUTSTANDING SECURITIES (before cancellations)						
year 2009	2.276	-	-	1.204	-	
year 2008	2.008	-	-	1.623	-	
NO. EMPLOYEES						
year 2009	2.742	119	1.342	53	173	4.429
year 2008	2.792	142	1.304	50	168	4.456

[(1)] *Interest income are reported net of interest payable in the item Net iterest income (IFRS 8 paragraph 23)*

Segment reporting – breakdown by geographical area

The segment reporting by geographical areas required under IFRS 8 contains a condensed outline the main operating figures for Italy, which is where most of the Group's business was carried out, and the Rest of the world.

Below is the table on segment reporting – breakdown by geographical area:

Segment report statement - geographical breakdown (amounts in euro millions)

	Italy	Rest of the world	Total
INCOME STATEMENT:			
NET INTEREST INCOME [1]			
year 2009	286,8	3,5	290,3
year 2008	307,1	4,3	311,3
NET INCOME FROM SERVICES			
year 2009	236,8	12,1	248,8
year 2008	185,1	11,9	197,1
NET BANKING AND INSURANCE INCOME			
year 2009	523,6	15,6	539,1
year 2008	492,2	16,2	508,4
OPERATING COST			
year 2009	-392,6	-14,5	-407,1
year 2008	-375,1	-19,6	-394,7
of wich VALUE ADJUSTMENTS ON TANGIBLE AND INTANGIBLE ASSETS			
year 2009	-33,1	-1,1	-34,2
year 2008	-30,2	-2,3	-32,4
OPERATING PROFIT/(LOSS)			
year 2009	131,0	1,1	132,1
year 2008	117,1	-3,4	113,7
NET VALUE ADJUSTMENTS FOR IMPAIRMENT OF LOANS AND RECEIVABLES			
year 2009	-85,4	1,7	-83,8
year 2008	-42,9	-3,0	-45,9
PROFIT/(LOSS) FROM CONTINUING OPERATIONS BEFORE TAXES			
year 2009	46,3	3,4	49,7
year 2008	45,1	-3,9	41,2
PROFIT/(LOSS) FOR THE PERIOD			
year 2009	27,0	2,1	29,1
year 2008	17,6	-4,4	13,2
OTHER INFORMATION:			
TOTAL ASSETS (before cancellations)			
year 2009	19.716	828	
year 2008	21.066	832	
DUE FROM CUSTOMERS (before cancellations)			
year 2009	9.984	51	
year 2008	9.769	37	
DUE TO CUSTOMERS (before cancellations)			
year 2009	8.603	283	
year 2008	8.641	265	
OUTSTANDING SECURITIES (before cancellations)			
year 2009	3.475	5	
year 2008	3.625	5	
NO. EMPLOYEES			
year 2009	3.953	476	4.429
year 2008	3.966	490	4.456

[1] *Interest income are reported net of interest payable in the item Net iterest income (IFRS 8 paragraph 23)*

INDEPENDENT AUDITORS' REPORT

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

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

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

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

   The audit on the consolidated financial statement as of December 31 2009 has been performed in accordance with the legal requirements in force during that period.

   For the opinion on the prior year's consolidated financial statements, whose data presented for comparative purposes have been reclassified to take account of the change in presentation of financial statements introduced by IAS 1 and Circular n.262 dated December 22, 2005 (1st update dated November 18, 2009), reference should be made to our auditors' report issued on April 10, 2009.

3. In our opinion, the consolidated financial statements give a true and fair view of the financial position of Banca Sella Group of December 31, 2009, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art.9 of the Italian Legislative Decree n.38/2005.

4. The Directors of Banca Sella Holding S.p.A. are responsible for the preparation of the report on operations in accordance with the applicable law and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the specific section on the corporate governance, with reference to the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998, paragraph 2, letter b), with the consolidated financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by Consob. In our opinion the report on operations and the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998 paragraph 2, letter b) included in the specific section on corporate governance are consistent with the consolidated financial statements of Banca Sella Group as of December 31, 2009.

DELOITTE & TOUCHE S.p.A.

Signed by
Vittorio Frigerio
Partner

Turin, Italy
April 14, 2010