BANCA SELLA HOLDING

Established in 1886

ANNUAL REPORT

2010

124th FINANCIAL YEAR

Joint stock company
Parent company of Gruppo Banca Sella.
Head office in Biella– Share capital and reserves € 467.841.405
Member of the Deposit scheme
and of the National Guarantee Fund
Registered on the Banks and Banking Groups Roll
TAX and VAT number 01709430027

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Tel. 015.35011 – Telefax 015.351767 – Swift SELB IT 22
Web site www.gruppobancasella.it

This in an English translation of the Italian Original “BANCA SELLA HOLDING – RELAZIONE E BILANCIO 2010”. It contains the Consolidated Financial Statements at 31 December 2010, consisting of the balance sheet, the income statement, the statement of changes in shareholders' equity, the cash flow report, the statement of comprehensive income and the notes to the statements, accompanied by the report on operations. In case of doubt, the Italian version prevails.

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

Contents

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

BOARD OF DIRECTORS
in office up to the approval of the 2012 financial statements

Chairman	Maurizio Sella
Deputy chairman	Franco Sella
" "	Lodovico Sella
Chief Executive Officer and General Manager	Pietro Sella
Co-General Manager	Attilio Viola
Director	Mario Cattaneo
"	Anna Maria Ceppi
"	Massimo Condinanzi
"	Mario Deaglio
"	Ernesto Rizzetti
"	Caterina Sella
"	Federico Sella
"	Giacomo Sella
"	Sebastiano Sella
"	Marco Weigmann
"	Giovanni Zanetti

AUDIT COMMITTEE

Member - Chairman	Marco Weigmann
"	Mario Cattaneo
"	Giovanni Zanetti

REMUNERATION COMMITTEE

Member - Chairman	Mario Cattaneo
"	Mario Deaglio
"	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

INDEPENDENT AUDITORS
Deloitte & Touche S.p.A.

Correspondent Banks of Banca Sella Holding

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

Please 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 must be made through Banca Sella Holding (Swift Code SELB IT 22).

CURRENCY	BANK	SWIFT CODE
AUD	AUSTRALIA AND NEW ZEALAND BANKING GROUP	ANZBAU3M
CAD	CANADIAN IMPERIAL BANK OF COMMERCE	CIBCCATT
CHF	SELLA BANK (EX I.B.Z. INVESTMENT BANK ZURICH)	SLBACHZZ
CZK	CESKONSLOVENSKA OBCHODNI BANKA	CEKOCZPP
DKK	DANSKE BANK A/S	DABADKKK
GBP	HSBC BANK PLC	MIDLGB22
HKD	THE HONG KONG AND SHANGHAI BANKING CORP. LTD	HSBCHKHH
HUF	MKB BANK ZRT	MKKBHUHB
JPY	THE BANK OF TOKYO MITSUBISHI LTD	BOTKJPJT
NOK	DANSKE BANK A/S	DABANO22
NZD	ANZ NATIONAL BANK LIMITED	ANZBNZ22
PLN	BANK HANDLOWY W WARSZAVIE S.A.	CITIPLPX
SEK	DANSKE BANK A/S	DABASESX
SGD	THE HONG KONG AND SHANGHAI BANKING CORP. LTD	HSBCSGSG
USD	UBS AG	UBSWUS33
USD	HSBC BANK USA	MRMDUS33
SEK	DANSKE BANK A/S	DABASESX
ZAR	STANDARD BANK OF SOUTH AFRICA LTD	SBZAZAJJ
EUR	HSBC BANK (MASTERCARD)	MIDLGB22

Ordinary Shareholders’ Meeting

CONVENING OF ORDINARY SHAREHOLDERS’ MEETING

The Shareholders are called to the Ordinary Meeting, to be held in Biella, Piazza Gaudenzio Sella 1, at 9:30am on 28 April 2011 in first call, and, if necessary, on 02 May 2011, at the same place and time, in second call, to discuss and resolve on the following

Agenda

1) Decisions pursuant to Article 2364, 1st subparagraph, point 1), of the Italian Civil Code;
2) Decisions pursuant to Articles 2380 bis and 2364, 1st subparagraph, points 2) and 3) of the Italian Civil Code;
3) Appointment of Independent auditors to whom to assign External Audit task;
4) Acknowledgment of Board of Directors’ Report on corporate governance;
5) Acknowledgment of Board of Directors’ Report on the implementation of remuneration policies;
6) Acknowledgment of the review of the internal audit work on the methods for ensuring the compliance of remuneration policies with the regulatory context;
7) Amendments and additions to the document on Banca Sella Group remuneration policies.

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

Best regards.

Biella, 19 April 2011

BANCA SELLA HOLDING
The Chairman

REPORT ON OPERATIONS

» INTRODUCTION

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

Please refer to the consolidated report on operations as regards:

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

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

- information concerning operations and Bank related party transactions, which are described in part H;
- information on financial and operating risks, which are illustrated in part E;
- the list of subsidiaries, under joint control and those subject to significant influence as of 31 December 2010, which is given in Part B.

» MAIN FIGURES AND INDICATORS

SUMMARY DATA *(euro millions)*				
Item	**31/12/2010**	**31/12/2009**	**Change**	
			absolute	**%**
BALANCE SHEET				
Total assets	3.710.332,3	4.900.805,0	(1.190.472,7)	-24,3%
Cash loans[1]	901.849,1	1.388.212,8	(486.363,7)	-35,0%
Guarantees given	10.177,7	10.105,7	72,0	0,7%
Financial assets	1.002.281,5	1.177.695,9	(175.414,4)	-14,9%
Equity investments	732.460,8	760.056,1	(27.595,3)	-3,6%
Tangible and intangible fixed assets	48.385,2	49.073,0	(687,8)	-1,4%
Direct deposit[2] (excluding repurchase agreements)	1.216.821,5	1.314.013,5	(97.192,0)	-7,4%
Indirect deposit [3]	15.472.173,7	15.236.029,8	236.143,9	1,5%
Total deposit	16.688.995,2	16.550.043,3	138.951,9	0,8%
Regulatory capital	651.588,1	671.493,0	(19.904,9)	-3,0%
INCOME STATEMENT[4]				
Net interest income	35.336,8	43.040,2	(7.703,4)	-17,9%
Net income from services	52.721,8	59.799,0	(7.077,1)	-11,8%
Net banking income	88.058,7	102.839,2	(14.780,5)	-14,4%
Operating costs [5]	67.422,2	74.890,7	(7.468,5)	-10,0%
Operating profit	20.636,4	27.948,5	(7.312,0)	-26,2%
Net value adjustments for impairment losses	(146,7)	(401,3)	254,6	-63,5%
Income tax	(795,7)	(1.262,5)	466,8	-37,0%
Profit for the year (net)	4.219,2	23.073,2	(18.854,0)	-81,7%

[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 represents the sum of the following items from the Liabilities section of the Balance Sheet: 20 Due to customers and 30 Securities in issue

[3] The aggregate does not include the item "cash", relating to asset management, wich is included in the item "direct deposit". It instead includes the item related to income from insurance activities, as indicated in the note at the foot of the table on Management and Broking for third parties.

[4] As per items reported in the reclassified consolidated income statement.

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

STAFF AND BRANCHES				
Items	**31/12/2010**	**31/12/2009**	**Change**	
			absolute	**%**
Employees	312	343	-31	-9,0%
Branches	1	1	-	-

ALTERNATIVE PERFORMANCE INDICATORS		
Item	**31/12/2010**	**31/12/2009**
PROFITABILITY RATIOS *(%)*		
R.O.E. (return on equity) [1]	0,9%	5,2%
R.O.A. (return on assets) [2]	0,1%	0,5%
Net interest income[3] / Net banking and insurance income[3]	40,1%	41,9%
Net income from services [3] / Net banking and insurance income [3]	59,9%	58,1%
Cost to income [4]	73,5%	70,4%
PRODUCTIVITY RATIOS *(in euro thousand)*		
Net banking and insurance income [3] / Average number of employees	268,9	136,8
Gross operating profit [3] / Average number of employees	63,0	37,2
Cash loans / Number of employees at year end	2.890,5	4.047,3
Direct deposit / Number of employees at year end	3.900,1	3.830,9
Total deposit / Number of employees at year end	53.490,4	48.250,9
BALANCE SHEET RATIOS *(%)*		
Cash loans / Direct deposit	74,1%	105,6%
Cash loans / Total assets	24,3%	28,3%
Direct deposit / Total assets	32,8%	26,8%
CREDIT RISK RATIOS *(%)*		
Impaired assets / Cash loans	0,0%	0,0%
Net value adjustments to loans / Cash loans	0,0%	0,0%
SOLVENCY RATIOS *(%)*		
Tier 1 capital ratio	45,95%	42,04%
Total Capital Ratio	65,07%	61,69%

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

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

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

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

» OPERATIONS MANAGEMENT

Finance Area

DEALING AND MARKET TRADING

In 2010 the Bank's trading and dealing activity in the market, on its own behalf and on behalf of third parties (including On Line Trading), recorded the following market shares (the table below shows a comparison with 2009 figures):

DEALING AND TRADING ACTIVITY	2010	2009
MTA	1,52%	1,54%
(*trading after hours)*	4,56%	4,78%
SeDeX	0,56%	0,69%
Domestic MOT	12,96%	12,90%
EuroMOT	24,76%	17,79%
IDEM – FTSE MIB Future	5,17%	6,40%
IDEM – MINI/Future	19,12%	20,07%
IDEM – FTSE MIB Option	8,82%	9,93%

(*Assosim data*)

As compared with the last financial period, the market shares recorded in 2010 are slightly down in the share division (cash and derivatives) and up in the bond division.

TRADING IN FINANCIAL INSTRUMENTS ON OWN BEHALF AND TREASURY BUSINESS

During the financial year 2010, the activity of trading on own behalf provided a growing contribution to the income statement. The Bank kept its status as Primary Dealer on the Electronic Government Securities Market (MTS), with a market share of around 2,3% (2,8% in 2009).

During the financial year dealing activities on our own behalf in the electronic bond market (MOT) recorded substantially stable volumes, with a market share settling at 22,94% (23,02% in 2009), while the EuroMOT division saw strongly growing volumes, with a market share of 51,78% (38,92% in 2009)[1]. All bond trading desks achieved excellent results, growing on the previous financial year.

Total volumes traded in 2010 on the electronic share market (MTA), deriving from trading activities on own behalf alone, saw a drop compared with the previous financial years, with a market share decreasing from 0,46% in 2009 to 0,29%[2].

Trading of derivative products focused mainly on instruments quoted on the regulated markets IDEM (Italian Derivatives Market) Eurex and MEFF RV. The activity on derivative instruments quoted on IDEM recorded a drop compared with financial year 2009: the market share of dealings on own behalf relative to Future in the FTSE MIB Index went from 7,66% in 2009 to 5,32% in 2010; the share relative to MiniFuture in the FTSE MIB Index went from 28,83% in 2009 to 26,32% in 2010; the share relative to Options in the FTSE MIB Index went from 6,33% in 2009 to 3,20% in 2010[3].

As to the IDEM market, the Equity Derivatives desk maintained its role of Primary Market Maker for FTSE MIB Stock market Index options and MiniFuture options in the same Stock market Index, achieving results that are slightly down compared with the last financial year.

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

Trading on the spot and forward foreign exchange market, implemented to meet the customers' demands, shows a predominance of trading on the spot market with volumes traded of about 6,3 billion euro.

With reference to the treasury, the Bank's business on the interbank deposits market was basically in line with that of the previous year, settling at relatively low levels, owing to the contraction of volumes on this market following the continued climate of mistrust due to the financial crisis that has not yet been overcome (total volumes with counterparties outside the Group, excluding the Central Bank, on the e-MID and OTC markets, of 12,8 billion euro, of which a residual share was obtained on the MIC division, that is collateralised). Dealings on the REPO market were in line with those of 2009 (overall Repo volumes on MTS of 106 billion euro, almost all of it falling due overnight).

In 2010 the available and readily available liquidity position of the Bank and of the whole Banca Sella Group always recorded considerably positive balances. The liquidity position management policy, in fact, has always been based on criteria of extreme prudence, above all at times of strong turbulence on the financial markets such as that seen during recent years.

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

CORPORATE FINANCE

The corporate finance division of Banca Sella Holding (SCF) closed the period with total revenues of 676 thousand euro, slightly up over 2009 figures. Advisory services provided in favour of the Banca Sella Group ("corporate development") increased significantly in a great many transactions, producing total revenues above those of 2009, particularly due to the positive conclusion of some of the transactions involving the assistance of SCF.

Corporate finance advisory services for external customers saw SCF involved in a great many mandates, which, however, were not concluded during the year. Consequently, revenues are down. There are, however, good prospects that some of the transactions monitored in 2010 shall be concluded in 2011, allowing for the realisation of the related economic benefits.

Institutional Service Area

PAYMENT SYSTEMS

As regards the P.O.S. service, the credit card acquiring activity recorded a growth in volumes of +5,83% on the previous year; during the financial year the migration of terminals towards the new microcircuit technology (currently more than 92% of terminals installed at our customers' have been adapted to the new technology) proceeded in order to reduce the frauds deriving from tampering with magnetic stripe terminals.

The debit and credit card business grew in terms of turnover generated, +6,7% over the previous year. A particular note should be taken of the new "Carta Corrente Prepagata" (prepaid current account card), which has enjoyed widespread interest amongst customers.

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

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

BANCA SELLA HOLDING CUSTOMERS

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

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

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

CUSTODIAN BANK AND LOCAL PAYING AGENT

In 2010, despite the negative trend of deposits of Sella Gestioni SGR, the deposit bank services recorded net interest and other banking income similar to that of last year, mainly thanks to the reduction (-39,9%) of commission expense paid to the overall custodian bank for depositary and payment services. Net interest and other banking income for 2010 stood at 1,5 million euro, up 0,35% on the result of the previous year, against a reduction of 23% in the net interest income and 4,5% in income.

Local paying agent services (correspondent Bank) of foreign UCITs instead recorded a significant increase in net interest and other banking income, which settled at 1,260 million euro, up 75% on last year, with administered deposits going from 825 million euro to 1.485 million euro (+80%).

We also note that on 26 October 2010, the Bank signed an agreement with ICBPI (the Central Institute of Italian Popular Banks), which, subject to obtaining authorisation from the Bank of Italy, provided for the subscription by Banca Sella holding of a share capital increase reserved to it by means of the conferral of the business unit acting as custodian bank. By virtue of this agreement, which took effect on 31 December 2010, Banca Sella Holding acquired a total share of 0,96% in the capital of ICBPI.

The transaction, which had been forecast in the 2010-2012 Strategic Plan, was completed in accordance with the provisions of the agreement and pursued the aim of strengthening the Group equity through the disposal of an asset that was not strictly strategic. This allowed for the acquisition of an investment of strategic value in ICBPI, the pole of reference in the Securities Services sector, thereby strengthening existing collaborations.

SECURITIES TRADING FOR THIRD PARTIES - TRADITIONAL TRADING

2010 was marked by a slight reduction in income from pure trading as compared with a very positive 2009. This trend is due to various factors: first and foremost, the world economic situation of uncertainty and difficulties linked to the continued crisis kept interest rates low; this caused customers to seek alternative products or leave liquid funds in the current account. In addition to this, a deposit strategy focused more significantly on other types of investments, such as mutual funds, asset management and insurance management in addition to high remuneration current accounts.

The reduction of market volatility has not favoured investment, particularly on share markets, where 2010 recorded dishomogenous annual performance (e.g. FTSE MIB Index -13,23%; DAX Index +16,06%[4]).

The low interest rates and the drop in performance during the first part of the year contributed to the reduction of income on the bond markets (down 15% on 2009). The strong trend reducing the requests for BOT subscription by administered customers continued in 2010 due to the low interest rates offered.

The high percentage of lesser securities expiring as compared with 2009 (approx. 50% fewer securities due as compared with 2009, with regards to bond stocks) contributed to the reduction in bond flows deriving from the renewal of securities and consequently the reduction of commission on this sector.

Income from managed savings decreased by virtue of the continued switch process towards new,

[4] *Bloomberg data*

products free of transmission fees (the Equilibrio range).

On the other hand, the following were positive aspects for the period:

- increased total volumes traded;
- the hold of direct income deriving from the activity of institutional investors, in particular on foreign share markets;
- the success of the public listings of the Enel bond in February, and the Enel Green Power shares in October.

Some of the above-listed factors will take effect during 2011, when traditional trading will presumably be operating in a scenario marked by:

- continued deposit strategy providing for new deposits, focused more greatly on instruments other than investment in securities;
- fewer security due dates for approximately 10/15% as compared with the amount due in 2010 on administered stock securities;
- current breakdown of stock concentrated on fixed rate bond securities with duration of less than 3 years and therefore difficult to move;
- probable stability or slight growth in volatility, influenced in particular by concern linked to the tension on sovereign debt, the risks of a "bubble" on commodities and the difficulties of the euro;
- forecasts on bond markets down by virtue of a forecast increase in rates and share markets undergoing slight growth;
- reduction of net margins in relation to the increased market costs, regulation costs and regulatory constraints;
- continued short-term rates, albeit forecast for slight growth, at "low" levels, such as to cause customers to seek forms of savings allocation other than investment in short-term securities.

The constant monitoring of the average commission, the continuous improvement of the service to meet all types of demands by increasingly demanding customers, the search for new markets and products to be offered to customers, investment in the excellence of human resources, will all prove to be key aspects by which to achieve the pre-established economic objectives.

» RESULTS FOR THE YEAR
INCOME DATA

RECLASSIFIED INCOME STATEMENT *(euro thousand)*			
Item	**31/12/2010**	**31/12/2009**	**% Change over 2009**
10 Interest and similar income	49.445,7	85.728,7	-42,3%
20 Interest and similar expenses	(28.013,7)	(67.417,7)	-58,4%
70 Dividends and similar income	13.904,8	24.729,2	-43,8%
NET INTEREST INCOME AND DIVIDENDS	**35.336,8**	**43.040,2**	**-17,9%**
40 Fee income	98.723,7	90.729,4	8,8%
50 Fee expenses	(60.726,7)	(56.207,1)	8,0%
80 Net gains/(losses) on trading activities	14.721,8	25.310,7	-41,8%
90 Net gains/(losses) on hedging activities	3,0	(34,0)	-
Net income from service	**52.721,8**	**59.799,0**	**-11,8%**
NET INTEREST AND OTHER BANKING INCOME	**88.058,7**	**102.839,2**	**-14,4%**
150 Administrative expenses:			
a) Personnel expenses	(26.250,2)	(38.869,4)	-32,5%
IRAP on personnel and seconded personnel expenses (1)	(969,9)	(1.434,5)	-32,4%
b) Other administrative expenses	(48.694,5)	(50.073,3)	-2,8%
Recovery of stamp duty and other taxes (2)	447,5	204,2	119,2%
170 Value adjustments on tangible assets	(2.171,0)	(3.953,8)	-45,1%
180 Value adjustments on intangible assets	(1.481,5)	(4.110,5)	-64,0%
190 Other operating expense/income (after deducting "Recovery of stamp duty and other taxes")	11.697,4	23.346,6	-49,9%
Operating costs	**(67.422,2)**	**(74.890,7)**	**-10,0%**
OPERATING PROFIT/(LOSS)	**20.636,4**	**27.948,5**	**-26,2%**
160 Net provisions for risks and charges	(645,7)	(1.086,7)	-40,6%
130 Net value adjustments for impairment on:			
- loans and receivables	(146,7)	(401,3)	-63,5%
- financial assets available for sale	(293,3)	(1.816,0)	-83,8%
- other financial transactions	33,7	(36,4)	-
100 Gains/(losses) on sale or repurchase of:			
- loans and receivables	963,6	959,0	0,5%
- financial assets available for sale	3.631,9	7.888,1	-54,0%
- financial liabilities	69,3	32,4	114,2%
210 Gains/(losses) on equity investments	(14.135,8)	(9.155,1)	54,4%
230 Impairment of goodwill	-	-	-
240 Gain/(loss) on disposal of investments	(0,0)	3,3	-
PROFIT FROM CONTINUING OPERATIONS BEFORE TAXES	**10.113,5**	**24.335,7**	**-58,4%**
260 Income taxes for the period on continuing operations (after deducting "IRAP on personnel and seconded personnel expenses")	(795,7)	(1.262,5)	-37,0%
PROFIT FROM CONTINUING OPERATIONS AFTER TAXES	**9.317,8**	**23.073,2**	-59,6%
280 Profit/(losses) on asset disposal groups held for sale after tax	(5.098,7)	-	-
PROFIT/ (LOSS) FOR THE YEAR	**4.219,2**	**23.073,2**	**-81,7%**

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

2010 recorded income of 4,2 million euro, down 81,7% on the income of 23,1 million euro recorded as of 31 December 2009.

The level of R.O.E. at the end of 2010 was 0,9%, while in the previous year it had been 5,2%.

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

NET INTEREST INCOME

Net interest income amounted to 35,3 million euro, down by 17,9% compared with the previous year, in which it totalled 43 million euro. This trend is the result of opposite dynamics recorded by the two main components:

- "pure" interest income, seen as the difference between increases and decreases, rose by 3,1 million euro (+17%) on 2009;
- dividends received went from 24,7 million euro for 2009 to 13,9 million euro in 2010, dropping 10,8 million euro in relation to the less favourable results achieved by the subsidiaries in 2009.

NET INCOME FROM SERVICES

Net income from services amounted to a total of 52,7 million euro, down sharply by 11,8% from the previous year, in which it was 59,8 million euro.

As can be seen from the table below, this result was above all affected by the trend of the component relating to trading and hedging, which, after the excellent result recorded by the Finance area in 2009 has come back into line with those of previous years, settling at 14,7 million euro, down 41,7% as compared with 31 December 2009.

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

Items	31/12/2010	31/12/2009	variation %
Payment services	33.631	31.365	7,2%
Trading for third parties and order collection	4.910	4.458	10,1%
Custodian Bank	1.495	1.571	-4,8%
Trading and hedging activities	14.725	25.277	-41,7%
Other	-2.039	-2.872	-29,0%
Total	**52.722**	**59.799**	**-11,8%**

NET INTEREST AND OTHER BANKING INCOME

Net income from money management, together with net income from services, led to total income of 88,1 million euro, a decrease of 14,4% compared with the figure at 31 December 2009, which was 102,8 million euro.

OPERATING COSTS

Operating costs amounted to 67,4 million euro, net of the positive contribution of 11,7 million euro of the item "Other operating expenses/income". The aggregate is 10% below that recorded on 31 December 2009, when operating costs settled at 74,9 million euro, thanks also to the limitation of costs that took place during the year.

The component of operating costs, furthermore, has been directly affected by the sale of the business unit to Sella Servizi Bancari (described in full in the annual Report on Operations as of 31 December 2009), which entailed substantial changes to the bank's operations and cost structure. This transaction took place as from 1 April 2009, with its effects therefore only partially influencing the results of last year, meaning that a comparison of the two years is not homogenous.

More specifically, within costs, we note:

- a 32,5% decrease on personnel expenses, the amount of which, inclusive of related IRAP, went from 40,3 million euro for last year to 27,2 million euro, owing not only to the effects of the disposal of the business unit, as specified above, but also to the decrease in the number of personnel at year end by 31 resources;
- a decrease of 54,7% in adjustments on tangible and intangible assets, which stood at 3,7 million euro, over 8,1 million in 2009;
- a drop of 49,9% in the positive contribution made by the item "Other operating expenses/income", whose total amount, minus the Recovery of stamp duties and other taxes, fell from 23,3 million at 31 December 2009 to 11,7 million euro.

Other operating expenses included other administrative expenses, which, net of the recovery of stamp duties and other taxes amounted to 48,2 million euro, slightly decreasing compared with the 49,9 million euro of financial year 2009.

OPERATING PROFIT

As a result of the trends examined above, gross operating profit stood at 20,6 million euro, 26,2% below the 27,9 million euro recorded in 2009.

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

Net provisions for risks and charges were 0,6 million euro as compared with the 1,1 million euro recorded last year.

Net value adjustments on loans amounted to 0,1 million euro, down on the 0,4 million euros recorded for financial year 2009, testifying to the low credit risk assumed by the company.

The item "Net value adjustments for impairment on financial assets available for sale" shows the impact of the impairment on some minority interests. More specifically, during the year, the investments held in Carta Lis (for 279 thousand euro) and SACE (15 thousand euro) were impaired. 2009 instead saw the impairment of investments in Intesa Sanpaolo (for 1,3 million euro) and Carta Lis (for 0,5 thousand euro).

The item gains on sale of financial assets held for sale settled at 3,6 million euro, by virtue of the partial sales of investments in the London Stock Exchange Group and Visa and the sale of the entire investment held in Pro Mac and Key Client Cards & Solutions. The aggregate was 54% lower than the 7,9 million euro recorded last year.

The item Profits/losses on equity investments includes again the impact of the impairment of investments in Banca Sella Nordest Bovio Calderari, Selgest, Sella Bank Luxembourg (from 1 July 2010 Miret) and Agata. For further information on the impairment test on minority interests, please refer to the Notes to the Financial Statements, part B – Information on the Balance Sheet – Assets.

INCOME TAXES

The percentage incidence of income taxes (excluding reclassified IRAP relative to staff costs increasing this component) on the income deriving from continuing operations before taxes stands at 7,9%.

This percentage is influenced by the fact that a significant amount of the company's revenues is made up of dividends on investments having the features provided under section 89 subparagraph 2 of Italian Presidential Decree 917/86, which are almost totally tax-free.

The tax rate also suffered a negative impact against non-deductible impairment on investments having the requirements provided under art. 87 of Italian Presidential Decree no. 917/1986 in addition to the positive effects deriving from capital gains on investments meeting the requirements pursuant to art. 87 of

Italian Presidential Decree no. 917/1986 and capital gains on conferral of the business unit pursuant to art. 176 of Italian Presidential Decree no. 917/1986.

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

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

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

The item Profits/(losses) on asset disposal groups held for sale net of taxes includes the economic effects of impairment of the investment held in Banca Monte Parma for an amount of 5,1 million euro.

We note the classification of the investment in Banque BPP and Banca Monte Parma as assets held for sale does not involve impact of an economic nature in addition to the impairment of Banca Monte Parma mentioned beforehand, already envisaged by the impairment testing.

Comprehensive income

Reclassified statement of comprehensive income *(in euro thousand)*

Items	31/12/2010	31/12/2009	Changes	
			absolute	%
Net income (loss)	**4.219,2**	**23.073,2**	**(18.854,0)**	**-81,7%**
Other comprehensive income (net of tax)				
Financial assets available for sale	(4.104,6)	710,5	(4.815,1)	-
TOTAL COMPREHENSIVE INCOME	**114,6**	**23.783,7**	**(23.669,1)**	**-99,5%**

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

In any case, it is considered that the impairment of securities shall be recovered in the coming years. In the analysis of the aggregate trend, in fact, it is important to remember that in 2010, great tension was recorded on the financial markets, caused by an intensification of concern on the sustainability of the public debt of some economies of the euro area (for more information, refer to the chapter entitled "Macroeconomic reference scenario" of the Report on Operations). This has resulted in a depreciation of the assets held in the portfolio in relation to debt securities, particularly due to the fact that the above macroeconomic dynamics also concerned Italy, with a consequent impact on the spread between the Bund and the Italian securities.

As such, also in relation to the Group regulations, which establishes that at least 50% of the portfolio shall be invested in Italian government securities, it has been decided not to sell securities whose listing is temporarily compressed by market contexts.

» RESULTS FOR THE YEAR
BALANCE SHEET DATA

RECLASSIFIED BALANCE SHEET *(euro thousand)*			
ASSETS	**31/12/2010**	**31/12/2009**	**Variazione % su 2009**
Financial assets [1]	1.002.281,5	1.177.695,9	-14,9%
Due from banks	951.382,3	1.471.723,9	-35,4%
Cash loans[2]	901.849,1	1.388.212,8	-35,0%
Equity investments	732.460,8	760.056,1	-3,6%
Tangible and intangible fixed assets [3]	48.385,2	49.073,0	-1,4%
Tax assets	14.210,1	14.622,5	-2,8%
Non current assets and asset groups held for sale	14.958,3	-	-
Other assets [4]	44.804,9	39.420,7	13,7%
TOTAL ASSETS	**3.710.332,3**	**4.900.805,0**	**-24,3%**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Due to banks	1.763.030,9	2.859.453,7	-38,3%
Direct deposit [5]	1.216.821,5	1.314.013,5	-7,4%
Financial liabilities hel for trading	136.038,9	139.037,1	-2,2%
Tax liabilities	2.799,5	4.915,6	-43,0%
Other liabilities [6]	97.865,4	82.537,1	18,6%
Provisions for specific purposes [7]	24.025,3	28.723,1	-16,4%
Shareholders' equity [8]	469.750,9	472.124,8	-0,5%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**3.710.332,3**	**4.900.805,0**	**-24,3%**

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

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

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

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

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

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

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

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

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

At end 2010, total assets of Banca Sella Holding, settling at 3.710,2 million euro recorded a drop of 24,3% as compared with the 4.900,8 million recorded as of 31 December 2009.

The banking business with customers

The banking business with customers saw a drop in loans of 35% (901,8 million euro as compared with the 1.388,2 million euro recorded at the end of last year), as a consequence of the supply by Banca Sella of some loans supplied to non-banking companies of the Group previously supplied by Banca Sella Holding. Total deposits instead recorded a 0,8% increase on December 2009, mainly due to the positive dynamics of the indirect component, up by 1,5%. Direct deposits are instead down by 7,4%. This result is mainly due to the trend of the securities in circulation, which is down 10% on last year, mainly due to the decision not to renew some bond securities that expired during the year and mainly listed with institutional investors.

Business on the interbank market

Analysis of the balance sheet shows how the new liquidity portfolio management policy adopted in the last year continued. In fact, already in 2009 as the macroeconomic situation continued on after the profound changes in the economic and financial context which occurred in 2008, the considerable liquidity held by the European Central Bank in order to deal with said context was converted to bonds. It therefore follows that there is a drop in amounts due from banks, down 35,4% on 31 December 2009 due to the removal of certain loan operations, in particular through the Central Bank and the new interbank market for collateralised deposits (MIC).

The trend of amounts due to banks, which settled at 1.763 million euro, posting a 38,3% decrease on last year, is instead mainly due to the decrease in liquid assets held by the Group banks on Banca Sella Holding accounts.

Financial assets

Financial assets amounted to 1.002,3 million euro at end 2010 are down 14,9% on the 1.177,7 million euro of last year. At the end of the year the bank held a securities portfolio of 1.552,3 million euro which, in accordance with the International Accounting Standards, was divided into the following categories:

SECURITIES PORTFOLIO *(euro millions)*		
	31/12/2010	**31/12/2009**
Held for Trading	584,7	965,1
Available for Sale	187,8	-
Held to Maturity	80,0	69,1
Loans and Receivables	699,8	756,7
TOTAL	**1.552,3**	**1.790,9**

SECURITIES HELD FOR TRADING

During the year the total of the held-for-trading category has dropped considerably, compared with the figure for 31 December 2009, going down from 965,1 million euro to 584,7 million euro. The decrease is mainly due to the expiry and sale of government securities and bank bonds in 2010.

Testifying to the policy of prudence which guides the management, the VaR at 31 December 2010, calculated with the historical simulation method, with a time horizon of 3 months and confidence interval of

99%, was about 3,8 million euro (the average VaR for the year was about 4,5 million euro).

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

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

- Eurozone government securities for 25,1%;
- bonds by supranational issuers and government securities for 23,3%;
- bonds by bank and financial issuers for 48,5%;
- bonds by corporate issuers for 1%;
- shares and funds for 2,1%.

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

SECURITIES AVAILABLE FOR SALE

This sector has undergone a major increase in 2010. As of 31 December 2009, in fact, there were no securities in this category whilst as of 31 December 2010, it amounted to 187,8 million euro and comprised exclusively Italian government securities, due from 2011 to 2017.

Acquisitions during the year were also made following resolution by the Board of Directors taken on 25 May 2010, which, in line with the provision of the Bank of Italy of 18 May 2010, in relation to the calculation of the Regulatory Capital and treatment of revaluation reserves concerning government securities for the Euro area held in the portfolio "Available for Sale", has allowed for greater use of the accounting category in question for the purpose of permanent investment.

SECURITIES HELD TO MATURITY

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

At 31 December 2010 the securities included in this category amounted to 80 million euro and consisted of BTPs with maturities between 2015 and 2019.

LOANS AND RECEIVABLES

At 31 December 2010 the securities included in this category amounted to about 699,8 million euro.

This segment includes ordinary and subordinated bonds issued by banks of the Group for a total of 676,9 million euro. These securities, issued by Group banks for the purpose of achieving an appropriate matching of maturities between assets and liabilities at the individual level, will presumably be held to maturity.

This category also includes about 20 million euro in bonds and about 2,9 million euro in Asset Backed Securities, most of them classified under this category in the second half of 2008. It is important to note that all of these securities have a rating investment grade.

Loan portfolio quality

NON-PERFORMING LOANS

Net non-performing positions at year end amount to 0 euro. In the period in question, the flow of new entries to the non-performing loan category was 283 thousand euro. Amounts collected on non-performing positions amounted to about 81 thousand euro.

The number of non-performing positions was 27, fully impaired, and 100% of these were below the threshold of 50.000 euro. 96,3% is represented by positions below the threshold of 5.000 euro.

During 2010, demands were made, also through external debt collection companies, which did not obtain significant results. Considering this outcome and in view of the type of debt exposure (exposure of small value deriving from e-commerce, POS and co-branded credit card services), after an analytical assessment, approximately 1.100 of these credits were resolved for renunciation.

WATCHLIST LOANS

Net cash watchlist loans (loans to subjects who are expected to come out of their temporary difficulty in a congruous period of time) including the capitalisation of interest, amounted at the end of the year to 12 thousand euro.

The volume of new entries in the year, in relation only to revoked credits, was 244 thousand euro.

Non current assets and groups of assets held for sale and associated liabilities

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

With regards to Banque BPP, it is noted that as of 28 December 2010, the agreement was signed for the sale of the entire share capital by Banca Sella Holding and Sella Holding NV (companies of the Banca Sella Group) to a major European banking counterparty for a value in line with the company's value. The transaction was resolved by the Board of Directors of Banca Sella Holding on 21 December 2010. It is part of the rationalisation and equity strengthening plan of the Banca Sella Group and shall be completed during the first half of 2011, subject to obtaining the usual authorisations from the supervisory authority.

The investment held in Banca Monte Parma, on the other hand, meets the requirements specified above, insofar as:

- the Board of Directors resolved the sale on 25 May 2010;
- the sale price envisaged is in line and reasonable as compared with the current fair value;
- it is considered highly likely that the transaction shall be concluded by 2011;
- there are currently no foreseeable circumstances that would alter the consideration that the sale is highly likely.

We note that the decision to classify the investment in Banca Monte Parma as asset held for sale does not have any economic impact over and above the impairment already envisaged by the impairment test.

» OTHER INFORMATION

Security of information and protection of privacy

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

The purpose of this document, which was updated in March 2011, is to establish the organizational, physical and logical security measures to be adopted to ensure compliance with the obligations on the subject of security laid down in Lgs. Dec. 196/2003 on the protection of personal data and its later amendments and additions.

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 Parent company ensure the conformity and adequacy of these processes, within the scope of their activity.

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

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

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

Own and parent company's shares

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

» EQUITY INVESTMENTS AND RELATIONS WITH GROUP COMPANIES

Equity investments

The equivalent value of the Bank's equity investments, which had decreased by 11 million euro compared with 31 December 2009, amounted to 766,8 million euro, of which 733,5 million euro in companies belonging to the Group. The most significant transactions in the investment portfolio of the Bank up to 31 December 2010 were:

INCREASES

- the purchase of 95.000 shares in Easy Nolo S.p.A., representing 5,000% of the share capital of the company, with a consequent increase of the interest from 84,737% to 89,737%;
- assignment to Banca Sella Holding of 708 shares in Banca Sella Sud Arditi Galati S.p.A., equal to 0,011% of the company's share capital, with a consequent increase in the investment from 60,129% to 60,140%, in order to comply with the merger agreement and capital increase agreement signed in February 2008 by Banca Sella Holding S.p.A., Banca Sella S.p.A., CBA Vita S.p.A. and the other shareholders of what was at the time Banca Arditi Galati S.p.A. and Banca di Palermo S.p.A.;

DECREASES

- sale of 500.000 shares in London Stock Exchange Group Plc. representing 0,185% of the capital share of the company;
- sale of 24.852 shares in Visa Inc. (USA) – Class C – Series I, representing 0,003% of the capital share of the company;
- sale of the entire shareholding in PRO MAC S.p.A. representing 5,195% of the share capital;

EQUITY OPERATIONS

- following the whole subscription to the capital increase in Selgest S.A., the interest percentage in the company rose from 96,226% to 99,600%;
- following the subscription to the capital increase in Enersel S.p.A., entirely reserved to Banca Sella Holding, 2.430 shares were subscribed, allowing it to acquire 18,298% of the share capital;
- following the capital increase in SACE – Airport of Cerrione, that the company decided not to subscribe, the interest percentage fell from 2,437% to 2,139%;

OTHER OPERATIONS

- as of 1 July 2010, Banque BPP S.A. began operations, the new bank of the Banca Sella Group incorporated under the laws of Luxembourg, created from the division of the banking business operations of Sella Bank Luxembourg S.A.: Banca Sella Holding S.p.A. holds 23.655 shares in Banque BPP S.A., accounting for 23,655% of the company capital. Due to the effects of this division, the pre-existing legal company Sella Bank Luxembourg S.A. will continue to operate under the form of common law société anonyme (changing its official name to Miret S.A.): Banca Sella Holding S.p.A. holds 142 shares in Miret S.A., accounting for 23,667% of the company capital;
- subscription of 135.549 new issue shares of the Istituto Centrale delle Banche Popolari Italiane S.p.A., accounting for 0,957% of the company's share capital against the conferral of the business unit represented by the work of Custodian Bank and the entire shareholding in Key Client Cards and Solutions S.p.A., equating to 0,386% of the company's capital.

COMMITMENTS TO SELLA BANK LUXEMBOURG (SINCE 1ST JULY 2010 MIRET S.A.)

As of 1st July 2010, Banque BPP S.A. began operations, the new bank of the Banca Sella Group incorporated under the laws of Luxembourg, created from the division of the banking business operations of Sella Bank Luxembourg S.A., which will continue to carry out banking activities. Due to the effects of this division, the pre-existing legal company Sella Bank Luxembourg S.A. has continued to operate under the form of common law société anonyme (changing its official name to "IBL S.A.") and dealing exclusively with administrative activities deriving from transferred management.

The companies, which fall within the perimeter of the companies of the Banca Sella Group, has maintained the composition of the shareholding structure of the former Sella Bank Luxembourg unchanged.

On 12 October 2010, subsequent to the transaction described above, IBL S.A. changed its company name to Miret S.A..

On 28 December 2010, the sales agreement was signed for the entire capital of Banque BPP by Banca Sella Holding and Sella Holding NV to a major European banking counterparty for an amount in line with the value of the company. The transaction is part of the rationalisation and equity strengthening plan of the Banca Sella Group and shall be completed during the first half of 2011, subject to obtaining the usual authorisations from the supervisory authority.

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

The operational risks of Miret S.A. are only those referring to events that can be entirely attributed to the old management (2001 – 2003), which was dissolved by dismissing the managers in charge and replacing them immediately in November 2003. 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 2009 financial statements, distinguishing therefore between:

a) risks attributable to the role of Sella Bank Luxembourg (now Miret S.A.) as the custodian bank and local paying 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 (now Miret S.A.) with a number of funds incorporated under the laws of the BVI (British Virgin Islands) and with their management and/or sub-management companies or with subjects related to the former or the latter.

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

This transaction was carried out regularly by Sella Bank Luxembourg (now Miret S.A.) through the deposit of 21,8 million euro on 8th August 2008 (deriving from the capital amount of 21,5 million euro plus interest at conventional rate). Besides a complex mechanism of guarantees given by the Liquidators to Sella Bank Luxembourg (now Miret S.A.) for the eventuality of subsequent suits filed by third parties, the settlement states that, in the context of the judicial liquidation procedure, the Liquidators will pay off investors in the Vario Invest product distributed by Amis AG and with respect to which Sella Bank Luxembourg (now Miret S.A.) 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 (now Miret S.A.) of the further sum of 4 million euro, to collate by 3 July 2011 the waivers of at least 85% of the Vario Invest investors of all claims against Sella Bank Luxembourg (now Miret S.A.). On 30th March 2010, the Liquidators informed that they had collated the waivers of Vario Invest customers in accordance with that required through a transaction in the amount of 18,9 million euro, equal to 86,50% of the total indicated in the transaction signed on 21st March 2008. As a consequence, on 8th June 2010, Sella Bank Luxembourg (now Miret S.A.) continued the above mentioned transaction, depositing the amount of 3,5 million euro, the full charge of which was sustained by Banca Sella Holding, as in the signed letter of financial support. The conclusion of the condition and the subordinate obligation to pay the remaining amount of 540 thousand euro appear to be highly probable. No investor or third party, subsequent to the transaction, has made any demands of any type of Sella Bank Luxembourg (now Miret S.A.).

With reference to the risks described at point (b), without prejudice to disputes brought in previous years and still pending, we note that on 26 January 2011, and, therefore, after year end, the Luxembourg Court of Appeal definitively upheld the request of Miret S.A. to suspend two civil proceedings whilst awaiting definition of the criminal proceedings brought by Miret S.A. on 7 May 2008 with the deposit of a complaint for the events linked to the previous management (2001 – 2003). In the proceedings brought by a BVI fund for the return of assets held by Sella Bank Luxembourg (now Miret S.A.) and withheld by the latter as a guarantee against possible damages deriving from other disputes, with sentence of 30 October 2009, the Court of Luxembourg rejected the plaintiff's request. By deed of appeal of 14 September 2010, the BVI fund promoted an appeal for the reform of the first level sentence. Miret S.A. duly filed an appearance, asking for confirmation of the first ruling.

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 not all decisions have been taken yet as regards the preliminary ruling procedures introduced by Miret S.A. for pending civil trials.

As a whole, having carried out the transaction with the judicial winding-up of Sicav Amis Fund and Top Ten Multifonds including as regards the Vario Invest investors (section a above), operating risk for Miret S.A. is being modified as to the rights claimed. 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 2009 financial statements.

Relations with group companies

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

Relations of Banca Sella Holding with other Group companies: balance sheet data *(euro thousands)*								
Counterparty	**Other assets**	**Other liabilities**	**Financial assets held for trading**	**Due from banks**	**Due from customers**	**Due to banks**	**Due to customers**	**Financial liabilities held for trading**
Biella Leasing S.p.A.	71	-	6.817	-	486.421		4	395
Banca Patrimoni Sella & C.	917	268	813	18.712	-	8.948	-	165
Banque Bpp SA	8	-	204	6.871	-	122.692	-	869
Brosel S.p.A.	-	21	-	-	-	-	-	-
Banca Sella S.p.A.	4.046	8.730	58.241	48.493	-	1.309.645	-	16.929
Banca Sella Sud Arditi Galati S.p.A.	613	1.701	23.356	2.098	-	133.832	-	1.868
Banca Sella Nordest Bovio Calderari S.p.A.	253	589	1.859	11.934	-	15.617	-	733
CBA Vita S.p.A.	2	85	-	-	2	-	-	384
Consel S.p.A.	-	17	8.859	-	253.746	-	-	1.346
Easy Nolo S.p.A.	86	571	-	-	1	-	-	-
Immobiliare Sella S.p.A.	-	53	-	-	-	-	-	-
Immobiliare Lanificio Maurizio Sella S.p.A.	69	-	-	-	-	-	-	-
Sella Bank AG	15	2	251	5.056	-	56.897	-	156
Selfid S.p.A.	81	-	-	-	-	-	-	-
Selgest SA	13	-	-	-	-	-	-	-
Sella Synergi India Ltd	-	11	-	-	-	-	-	-
Selir S.r.l.	-	34	-	-	-	-	-	-
Sella Gestioni SGR S.p.A.	79	-	-	-	3	-	-	-
Sella Servizi Bancari S.C.p.A.	1.065	278	-	-	7	-	-	-
Overall total	**7.318**	**12.360**	**100.400**	**93.164**	**740.180**	**1.647.631**	**4**	**22.845**

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

Counterparty	Other operating expenses	Other operating income	Fee income	Fee expense	Interest receivable and similar income	Interest payable and similar expense	Net gains/(losses) on trading activity	Other administrative expenses	Personnel expenses(*)	Net gains/losses on sale or repurchase of loans & receivables
Biella Leasing S.p.A.	-	11	-	-	7.195	-	4.380	-	-260	-
Banca Patrimoni Sella & C.	2	303	1.371	584	313	243	536	185	-158	-
Banque Bpp SA	-	2	22	-	40	885	-	-	-	-
Brosel S.p.A.	-	3	-	-	-	-	-	21	-	-
Banca Sella S.p.A.	27	3.329	7.959	8.425	8.333	12.839	24.953	100	375	-
Banca Sella Sud Arditi Galati S.p.A.	9	194	917	1.481	1.046	1.102	12.825	-	218	-
Banca Sella Nordest Bovio Calderari S.p.A.	-	157	409	589	560	321	745	-	-178	-
CBA Vita S.p.A.	-	111	-	1	149	385	-15	-	385	-15
Consel S.p.A.	-	8	-	-	3.419	-	5973	-	50	-
Easy Nolo S.p.A.	-	6	-	2.311	-	-	-	3.626	-321	-
Immobiliare Sella S.p.A.	-	4	-	-	-	-	-	751	-	-
Immobiliare Lanificio Maurizio Sella S.p.A.	-	4	-	-	-	-	-	120	-223	-
Secursel S.r.L.	-	3	-	-	-	-	-	-	-	-
Sella Bank AG	-	11	7	-	1	350	-	-	-	-
Selfid S.p.A.	-	6	40	-	-	-	-	-	-320	-
Selgest SA	-	-	83	-	-	-	-	-	-	-
Selir S.r.l.	-	6	-	-	-	-	-	345	-	-
Sella Gestioni SGR S.p.A.	-	46	153	-	-	15	-	6	-97	-
Sella Servizi Bancari S.C.p.A.	-	521	-	-	-	-	-	17.864	19	-
Overall total	**38**	**4.725**	**10.961**	**13.391**	**21.056**	**16.140**	**49.397**	**23.018**	**-510**	**-15**

» PROPOSED ALLOCATION OF PROFIT

Dear Shareholders,

the Balance Sheet and Income Statement at 31 December 2010, presented in euro units in accordance with current legislation, after all the necessary depreciation, amortization and provisions show a net profit for the year of euro 4.219.192,04 which we propose to allocate as follows:

Profit for the year	euro	4.219.192,04
- to the "Statutory reserve"	euro	1.687.676,82
remaining	euro	2.531.515,22
for Shareholders:		
- dividend of 0,0095 euro for each of the n. 201.000.000 shares	euro	1.909.500,00
and the remainder to the "Extraordinary reserve"	euro	622.015,22

Biella, 29 March 2011

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

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

Dear Shareholders,

during 2010, the board of statutory auditors carried out its tasks of supervision and auditing of the performance of the company's business, with specific reference to aspects concerning the application of the various regulations governing the complex subjects of corporate and banking law.

In particular:

- we met fifteen times;
- we took part in fifteen meetings of the Board of Directors held, obtaining, approximately every month, information on the work performed and on the transactions of greatest economic and financial significance, making sure that those approved and carried out were compliant with the law and with the articles of association, not manifestly imprudent, not hazardous, not in contrast with general meeting resolutions or in potential conflict of interest and – wherever appropriate – making sure that the subjects involved provided the information prescribed;
- we attended the only general meetings and the eight meetings of the audit committee;
- we have kept ourselves informed of and supervised, insofar as our duty required, both the adequacy of the organizational structure of the company – following regularly the further improvements introduced – and the observance of principles of correct administration, by direct observation, the collection of information and documents from the managers of the relevant units and meetings with the external auditors – also in order to implement the provisions introduced by legislative decree 39/2010 and to supervise on the activity and the independence of DELOITTE & TOUCHE – and the internal auditing unit, also for the purposes of reciprocal exchange of data and information;
- we examined in depth the internal auditing system and the administrative and accounting system – ascertaining their continuing adequacy – and the continuing ability of the latter to give a true and fair picture of the business;
- we ascertained that the capital eligible for regulatory purposes was more than the ratios required, with a Tier 1 capital ratio of 45,95% and a total capital ratio of 65,07%;
- we met with members of the boards of statutory auditors of the other companies of the Group, in order to exchange information and opinions, with reference to art. 2403 *bis* of the Civil Code, bearing in mind that BANCA SELLA HOLDING, as the Parent Company, directs and coordinates these companies, pursuant to art. 2497 of the Civil Code.

During our work, no significant facts emerged directly regarding BANCA SELLA HOLDING such as to require reporting to the Supervisory and Control Authorities or mentioning in our report, and we did not receive any claims under Art. 2408 of the Civil Code; however we made two reports relative to facts occurring in two subsidiaries, and another in January 2011 also regarding a subsidiary.

* * *

We have also acknowledged – as far as the presentation and the structure are concerned, since the external auditing firm is responsible for legal auditing of the accounts – the draft individual financial statements for financial year 2010, approved by the directors in their meeting on 29th March last, which shows a net profit of euro 4.219.192, a sharp fall compared to the figure for the previous year.

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

The management report and the explanatory notes provide the information required by the law, as well as other important information as regards the features of the company and the sector in which it works, while commenting the management of the financial year and highlighting the facts giving origin to financial flows and their incidence on the company's liquidity and solvency, and outlining the foreseeable trend for 2011 in the light of known elements and those that can be rationally assumed.

With reference to the provisions of IFRS 7 and the Joint statements of the BANK OF ITALY - CONSOB – ISVAP issue 2 of 6th February 2009 and issue 4 of 3rd March 2010, the directors highlight elements which we believe to provide adequate information on this matter.

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

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

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

DELOITTE & TOUCHE – in as much as responsible for the legal audit, and which has also issued a specific comfort letter within the sphere of the renewal of the EMTN programme for fees of Euro 30.000 - has informed us that, on the basis of the results of the work carried out, now at an advanced stage, it has no observations to make in its opinion of the 2010 financial statements.

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

Biella, 7th April 2011

The Board of Statutory Auditors

Alessandro Rayneri
Chairman

Paolo Piccatti

Alberto Rizzo

FINANCIAL STATEMENTS AT 31 DECEMBER 2010

» BALANCE SHEET

Assets	31/12/2010	31/12/2009	Differences %
20. Financial assets held for trading	715.073.608	1.090.869.443	-34,45%
40. Financial assets available for sale	207.174.132	17.739.862	1067,85%
50. Financial assets held to maturity	80.033.802	69.086.633	15,85%
60. Due from banks	951.382.276	1.471.723.886	-35,36%
70. Due from customers	901.849.138	1.388.212.764	-35,04%
80. Hedging derivatives	486.886	258.533	88,33%
100. Equity investment	732.460.844	760.056.127	-3,63%
110. Tangible assets	44.465.733	44.955.807	-1,09%
120. Intangible assets	3.919.452	4.117.235	-4,80%
of wich:			
- goodwill	-	-	-
130. Tax assets	14.210.061	14.622.476	-2,82%
a) current	6.642.635	7.986.427	-16,83%
b) deferred	7.567.426	6.636.049	14,04%
140. Non-current assets and asset groups held for sale	14.958.337	-	-
150. Other assets	44.318.034	39.162.190	13,17%
Total assets	**3.710.332.303**	**4.900.804.956**	**-24,29%**

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Total assets	**3.710.332.303**	**4.900.804.956**	**-24,29%**

» INCOME STATEMENT

Item	31/12/2010	31/12/2009	Differences %
10. Interest receivable and similar income	49.445.691	85.728.741	-42,32%
20. Interest payable and similar expense	(28.013.685)	(67.417.733)	-58,45%
30. Net interest income	**21.432.006**	**18.311.008**	**17,04%**
40. Fee income	98.723.698	90.729.369	8,81%
50. Fee expenses	(60.726.670)	(56.207.135)	8,04%
60. Net fees	**37.997.028**	**34.522.234**	**10,07%**
70. Dividends and similar income	13.904.808	24.729.190	-43,77%
80. Net gains/(losses) on trading activities	14.721.774	25.310.701	-41,84%
90. Net gains/(losses) on hedging activities	3.041	(33.964)	-108,95%
100. Gains/(losses) on sale or repurchase of:	4.664.889	8.879.426	-47,46%
a) loans & receivables	963.648	958.982	0,49%
b) financial assets available for sale	3.631.942	7.888.133	-53,96%
c) financial assets held to maturity	-	(47)	-100,00%
d) financial liabilities	69.299	32.358	114,16%
110. Net gains/(losses) on financial assets and liabilities at fair value through profit or loss	-	-	-
120. Net interest and other banking income	**92.723.546**	**111.718.595**	**-17,00%**
130. Net value adjustments for impairment on:	(406.260)	(2.253.672)	-81,97%
a) loans & receivables	(146.673)	(401.314)	-63,45%
b) financial assets available for sale	(293.292)	(1.815.998)	-83,85%
c) financial assets held to maturity	-	-	-
d) other financial transactions	33.705	(36.360)	-192,70%
140. Net gains/(losses) on financial operations	**92.317.286**	**109.464.923**	**-15,66%**
150. Administrative expenses	(74.944.760)	(88.942.687)	-15,74%
a) personnel expenses	(26.250.243)	(38.869.391)	-32,47%
b) other administrative expenses	(48.694.517)	(50.073.296)	-2,75%
160. Net provisions for risks and charges	(645.689)	(1.086.748)	-40,59%
170. Net value adjustments on tangible assets	(2.170.964)	(3.953.770)	-45,09%
180. Net value adjustments on intangible assets	(1.481.509)	(4.110.547)	-63,96%
190. Other operating expenses/income	12.144.911	23.550.775	-48,43%
200. Operating costs	**(67.098.011)**	**(74.542.977)**	**-9,99%**
210. Gains/(losses) on equity investments	(14.135.794)	(9.155.127)	54,40%
220. Net gains/(losses) on measurement at fair value of tangible and intangible assets	-	-	-
230. Impairment of goodwill	-	-	-
240. Gains/(losses) on sale of investments	(40)	3.284	-101,22%
250. Profit/(losses) from continuing operations before taxes	**11.083.441**	**25.770.103**	**-56,99%**
260. Income taxes for the period on continuing operations	(1.765.599)	(2.696.929)	-34,53%
270. Profit/(losses) from continuing operations after taxes	**9.317.842**	**23.073.174**	**-59,62%**
280. Profit/(losses) on asset disposal groups held for sale after taxes	(5.098.650)	-	-
290. Profit/(Loss) for the year	**4.219.192**	**23.073.174**	**-81,71%**

» STATEMENT OF COMPREHENSIVE INCOME

	ITEMS	31/12/2010	31/12/2009
10.	**Net income (loss)**	**4.219.192**	**23.073.174**
	Other comprehensive income (net of tax)		
20.	Financial assets available for sale	(4.104.641)	710.529
30.	Tangible assets	-	-
40.	Intangible assets	-	-
50.	Hedges of foreign investments	-	-
60.	Cash flow hedges	-	-
70.	Foreign exchange differences	-	-
80.	Non-current assets held for sale	-	-
90.	Actuarial gains (losses) on defined benefit plans	-	-
100.	Share of valuation reserves connected with investments meaured with net equity method	-	-
110.	**Total other comprehensive income (net of tax)**	**(4.104.641)**	**710.529**
120.	**Total comprehensive income (item 10+110)**	**114.551**	**23.783.703**

» CASH FLOW STATEMENT

Direct method

A. OPERATING ACTIVITIES *(euro)*	31/12/2010	31/12/2009
1. Operations	**(4.392.445)**	**(13.952.404)**
Interest income collected (+)	48.512.119	84.962.786
Interest expense paid (-)	(28.013.685)	(67.417.733)
Dividends and similar income	1.565.856	1.727.608
Net fees (+/-)	37.997.027	34.522.234
Personnel expenses	(26.138.556)	(37.644.456)
Other costs (-)	(48.694.517)	(50.956.689)
Other revenues (+)	12.144.911	23.550.775
Taxes and duties	(1.765.599)	(2.696.929)
2. Cash provided (used) by financial assets	**1.199.165.552**	**1.596.066.679**
Financial assets held for trading	390.517.609	(570.648.927)
Financial assets available for sale	(191.823.132)	21.005.261
Due from customers	487.180.601	264.664.394
Due from banks	520.341.610	1.849.340.396
Other assets	(7.051.136)	31.705.555
3. Cash provided (used) by financial liabilities	**(1.183.897.507)**	**(1.587.365.328)**
Due to banks	(1.096.422.874)	(1.102.453.165)
Due to customers	23.248.700	(18.569.822)
Outstanding securities	(120.440.729)	(418.705.418)
Financial liabilities held for trading	(2.998.189)	17.301.578
Other liabilities	12.715.585	(64.938.501)
Net cash provided (used) by operating activities	**10.875.600**	**(5.251.053)**

B. INVESTING ACTIVITIES	31/12/2010	31/12/2009
1. Cash provided by:	**13.001.513**	**135.548.920**
Sales of equity investments	-	12.549.412
Dividends collected on equity investments	12.338.953	23.001.582
Sales/redemptions of financial assets held to maturity	-	53.000.000
Sales of tangible assets	563.628	15.214.599
Sales of intangible assets	98.932	31.196.064
Sales of subsidiaries and company divisions	-	587.263
2. Cash used by:	**(21.384.713)**	**(127.797.867)**
Purchase of equity investments	(6.597.497)	(59.673.235)
Purchase of financial assets held to maturity	(11.160.000)	(58.213.950)
Purchase of tangible assets	(2.244.558)	(2.190.556)
Purchase of intangible assets	(1.382.658)	(7.720.126)
Purchase of subsidiaries and company divisions	-	
Net cash provided (used) by investing activities	**(8.383.200)**	**7.751.053**

C. FUNDING ACTIVITIES	31/12/2010	31/12/2009
Issue/purchase of own shares	-	-
Issue/purchase of equity instruments	-	-
Distribution of dividends and other purposes	(2.492.400)	(2.500.000)
Net cash provided (used) by funding activities	**(2.492.400)**	**(2.500.000)**

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

RECONCILIATION	31/12/2010	31/12/2009
Cash and cash equivalents at start of year	**-**	**-**
Total net cash provided (used) in the period	-	-
Cash and cash equivalents at end of year	**-**	**-**

» STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY 2009

Statement of changes in shareholders' equity 2009 *(euro)*

				Allocation of profit of previous year		Changes in the period								
							Operations on shareholders' equity							
	Balance at 31/12/2008	Changes to opening balance	Balance at 01/01/2009	Reserves	Dividends and other uses	Changes to reserves	Issue of new shares	Purchase of own shares	Distribution of extraordinary dividends	Change in equity instruments	Derivatives of own shares	Stock options	Total comprehensive income for the period at 31/12/2009	Shareholders' equity 31/12/2009
Share capital:														
a) ordinary shares	100.500.000	-	100.500.000	-	-	-	-	-	-	-	-	-	-	**100.500.000**
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Share premiums	49.413.513	-	49.413.513	-	-	-	-	-	-	-	-	-	-	**49.413.513**
Reserves:														
a) profit reserves	294.234.262	-	294.234.262	729.131	-	-	-	-	(1.487.400)	-	-	-	-	**293.475.993**
b) others	(144.000)	-	(144.000)	-	-	587.263	-	-	-	-	-	-	-	**443.263**
Valuation reserves														
a) available for sale	4.508.358	-	4.508.358	-	-	-	-	-	-	-	-	-	710.530	**5.218.888**
b) cash flow hedging	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
c) special revaluation laws	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Own shares	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Profit (loss) for the year	1.734.131	-	1.734.131	(729.131)	(1.005.000)	-	-	-	-	-	-	-	23.073.174	**23.073.174**
Shareholders' equity	450.246.264	-	450.246.264	-	(1.005.000)	587.263	-	-	(1.487.400)	-	-	-	23.783.704	**472.124.831**

» STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY 2010

Statement of changes in shareholders' equity 2010 *(euro)*

	Balance at 31/12/2009	Changes to opening balance	Balance at 01/01/2010	Allocation of profit of previous year: Reserves	Allocation of profit of previous year: Dividends and other uses	Changes in the period: Changes to reserves	Operations on shareholders' equity: Issue of new shares	Operations on shareholders' equity: Purchase of own shares	Operations on shareholders' equity: Distribution of extrahordinary dividends	Operations on shareholders' equity: Change in equity instruments	Operations on shareholders' equity: Derivatives of own shares	Operations on shareholders' equity: Stock options	Total comprehensive income for the period at 31/12/2010	Shareholders' equity 31/12/2010
Share capital:														
a) ordinary shares	100.500.000	-	100.500.000	-	-	-	-	-	-	-	-	-	-	**100.500.000**
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Share premiums	49.413.513	-	49.413.513	-	-	-	-	-	-	-	-	-	-	**49.413.513**
Reserves:	-													
a) profit reserves	293.475.993	-	293.475.993	20.580.774	-	3.924	-	-	-	-	-	-	-	**314.060.691**
b) others	443.263	-	443.263	-	-	-	-	-	-	-	-	-	-	**443.263**
Valuation reserves	-													
a) available for sale	5.218.888	-	5.218.888	-	-	-	-	-	-	-	-	-	(4.104.642)	**1.114.246**
b) cash flow hedging	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
c) special revaluation laws	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Own shares	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Profit (loss) for the year	23.073.174	-	23.073.174	(20.580.774)	(2.492.400)	-	-	-	-	-	-	-	4.219.192	**4.219.192**
Shareholders' equity	472.124.831	-	472.124.831	-	(2.492.400)	3.924	-	-	-	-	-	-	114.550	**469.750.905**

NOTES TO THE FINANCIAL STATEMENTS

PART A ACCOUNTING POLICIES

» A 1 GENERAL SECTION

Section 1 - Declaration of conformity to international accounting standards

The present financial statements were prepared in accordance with the international accounting standards (IAS/IFRS – including the interpretative documents SIC and IFRIC) issued by the International Accounting Standards Board (IASB) and approved by the European Union up to 31 December 2010, as laid down in Community Regulation 1606 of 19 July 2002. As regards the tables and the explanatory notes, the financial statements were prepared applying all the rules set out by the Banca d'Italia, exercising its powers pursuant to Art. 9 of Lgs. Dec. 38/2005, with Provision of 18 November 2009 whereby the first update to circular no. 262/05 was issued.

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

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

Section 2 - General drafting principles

The financial statements consist of the Balance Sheet, the Income Statement, the Statement of Changes in Shareholders' Equity, the Cash Flow Statement, the Other Comprehensive Income Statement and the present Notes to the Financial Statements, and are accompanied by the Directors' Report on Operations, in total continuity with respect to 31 December 2009; the notes to the financial statements are stated in thousands of euro.

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

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

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

If, in exceptional cases, the application of a rule envisaged in the international accounting standards is incompatible with a true and fair picture of the assets and liabilities, financial position and earnings, this rule is not applied. The reasons for any exception and its impact on the presentation of the assets and liabilities, financial position and earnings are explained in the Notes to the Financial Statements

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

During the course of 2010, the following accounting principles and interpretations entered into effect, as approved by the European Commission:

- EC Regulation no. 243/2010 - IFRS and IAS Amendments: IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36, IAS 38, IAS 39, IFRIC 9, IFRIC 16;
- Regulation no. 244/2010 - IFRS Amendment 2: Share-based payments;
- Regulation no. 550/2010 - IFRS Amendment 1: Additional exemptions for organizations adopting IFRS for the first time.
- IAS 27: Consolidated and separate financial statements (Reg. EC 494/2009);
- IFRS 1: First adoption of International Financial Reporting Standard (Reg. EC 1136/2009);
- Changes to IFRS 1: Additional exemptions for organizations adopting IFRS for the first time (Reg. EC 550/2010)
- IFRS 3: Business combinations (Reg. EC 495/2009);
- IFRIC 17: Distributions of non-cash assets to owners (Reg. EC 1142/2009);
- IFRIC 18: Transfers of assets from customers (Reg. EC 1164/2009);
- Amendment to IAS 39 Financial instruments: recognition and measurement – Eligible hedged items (Reg. EC 839/2009);
- Improvements to IFRS (Reg. EC 243/2010);
- Changes to IFRS 2: Share-based payments (Reg. EC 244/2010) incorporating the clarifications on transactions with share-based payments settled by cash within a group pursuant to the IAS document issued in June 2009 with the simultaneous suppression of IFRIC 8 and IFRIC 11.

The application of the above standards had no effect on the preparation of the annual financial statements as of 31 December 2010.

Section 3 - Events subsequent to the balance sheet date

There are no subsequent events to be reported.

Section 4 - Other aspects

In compliance with the indications provided by the Bank of Italy with communication of 21 February 2011, some expenses previously included amongst “Other administrative expenses” were reclassified to personnel costs, to the sub-item “Other employee benefits”. The period of comparison was adapted accordingly.

For more details on the sub-item of allocation of these reclassifications, refer to table "9.4 Other employee benefits" of the Explanatory Notes, Section C - Income statement.

» A.2 MAIN ACCOUNTING ITEMS

1 – Financial assets held for trading

Classification criteria

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

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

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

Recognition criteria

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

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

Assessment criteria

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

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

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

Derecognition criteria

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

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

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

2 – Financial assets available for sale

Classification criteria

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

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

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

Recognition criteria

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

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

Assessment criteria

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

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

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

According to the provisions of IAS 39, paragraph 58, at each reference date of the financial statements or interim report, the company shall verify if there is any objective evidence that a financial assets or group of financial assets has suffered a reduction in value.

More specifically, for debt instruments, evidence of a lasting loss of value consists of the quality and quantity information indicative of financial difficulties such as to prejudice to the collection of capital or interest, as indicated by the provisions of IAS 39, paragraph 59.

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

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

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

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

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

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

Derecognition criteria

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

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

3 – Financial assets held to maturity

Classification criteria

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

Recognition criteria

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

Assessment criteria

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

Derecognition criteria

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

4 – Loans and receivables

Classification criteria

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

Recognition criteria

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

Assessment criteria

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

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

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

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

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

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

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

Derecognition criteria

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

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

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

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

The valuation times are:

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

5 – Financial assets at fair value through profit or loss

For the 2010 financial statements, Banca Sella Holding did not adopt the so-called fair value option, meaning that it did not opt for the possibility to designate at fair value, recognising the result of the assessment to Income statement, financial assets other than those for which IAS 39 requires the application of the fair value criterion further to their specific functional purpose. Therefore, only the financial assets classified in the trading book, those with fair value hedges and hedging contracts are measured at fair value and the result of the measurement is recognised in the Income statement.

6 – Hedging transactions

Classification criteria: types of hedging

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

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

IAS 39 describes the following types of hedges:

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

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

Recognition criteria

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

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

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

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

Assessment criteria

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

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

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

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

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

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

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

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

7 – Equity investments

Classification criteria

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

Recognition criteria

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

Assessment criteria

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

Derecognition criteria

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

8 – Tangible assets

Classification criteria

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

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

Recognition criteria

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

Assessment criteria

Tangible assets items are carried at cost, after deducting any depreciation and impairment losses. These fixed assets are systematically depreciated over their useful life, adopting as the depreciation criterion the straight line method.

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

Derecognition criteria

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

9 – Intangible assets

Classification criteria

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

Recognition criteria

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

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

Assessment criteria

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

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

Derecognition criteria

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

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

Classification criteria

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

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

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

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

Assessment criteria

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

11 – Current and deferred taxation

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

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

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

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

12 – Provisions for risks and charges

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

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

Provisions are set aside for risks and chargest only when:

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

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

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

The congruity of these amounts is also reviewed regularly.

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

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

13 – Payables and outstanding securities

Classification criteria

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

Recognition criteria

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

Assessment criteria

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

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

Derecognition criteria

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

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

For the 2010 financial statements, Banca Sella Holding did not adopt the so-called fair value option, meaning that it did not opt for the possibility to designate at fair value, recognising the result of the assessment to Profit and Loss Account, financial assets other than those for which IAS 39 requires the application of the fair value criterion further to their specific functional purpose. Therefore, only the financial assets classified in the trading book, those with fair value hedges and hedging contracts are measured at fair value and the result of the measurement is recognised in the Profit and Loss account.

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 – Other information

Employee benefits

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

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

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

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

Recognition of revenues and costs

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

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

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

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

Accruals and deferrals

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

Expenses for improvements to third-party properties

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

Provisions for guarantees issued and commitments

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

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

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

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

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

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

- for the reduction of the value of loans and other financial assets, the determination of losses;
- in determining the fair value of financial instruments not quoted on active markets, the use of valuation models;
- for goodwill and other intangible assets, the estimate of the congruity of the value;

- for provisions for personnel and for risks and liabilities, estimates of their value;
- for deferred tax assets, estimates and assumptions on their recoverability.

Fair value measurement method

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

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

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

Financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The techniques adopted for evaluating AFS investments each time are:

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

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

Receivables: hedged fixed-rate loans

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

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

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

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

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

» A. 3 INFORMATION ON FAIR VALUE

A.3.1. Transfers between portfolios

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

Type of financial instrument (1)	Previous portfolio (2)	New portfolio (3)	Book value at 31/12/2010 (4)	Fair Value at 31/12/2010 (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			**21.475**	**20.912**	**33**	**-**	**-**	**207**
	HFT	Due from banks	15.212	14.881	(107)	-	-	171
	HFT	Due from customers	6.263	6.031	140	-	-	36
Total			**21.475**	**20.912**	**33**	**-**	**-**	**207**

Key:

HFT = Financial assets held for trading

AFS = Financial assets available for sale

HTM = Financial assets held to maturity

In the financial statements closed as of 31 December 2008, Banca Sella Holding had taken the option of reclassifying part of its securities portfolio recognised in the "Financial assets held for trading" category to the "Amounts due from banks" and "Amounts due from customers” categories.

If the Bank had not taken the option to reclassify the aforementioned financial assets in 2008, larger valuation income components (6) would have been recognized for euro 33 thousand, whilst during the year other income components (9) have been recognized for euro 207 thousand.

A.3.2. Hierarchy of fair value

A.3.2.1 Accounting portfolios: fair value by level

Financial assets/liabilities at fair value	31/12/2010			31/12/2009		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	468.814	241.857	4.403	868.120	218.770	3.980
2. Financial assets at fair value through profit or loss	-	-	-	-	-	-
3. Financial assets available for sale	197.400	-	9.774	15.334	-	2.406
4. Hedging derivatives	-	487	-	-	259	-
Total	**666.214**	**242.344**	**14.177**	**883.454**	**219.029**	**6.386**
1. Financial liabilities held for trading	4.539	131.500	-	32.925	106.112	-
2. Financial liabilities at fair value through profit or loss	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
Total	**4.539**	**131.500**	**-**	**32.925**	**106.112**	**-**

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

Type of transaction/Amount	Financial assets			
	held for trading	carried at fair value	assets available for sale	hedging
1. Opening balance	**3.980**	**-**	**2.406**	**-**
2. Increases	**5.826**	**-**	**8.047**	**-**
2.1. Purchases	5.826	-	8.047	-
2.2. Profits allocated to:				
2.2.1. Income Statement	-	-	-	-
- of which capital gains	-	-	-	-
2.2.2. Shareholders' Equity	X	X	-	-
2.3. Transfers from other levels	-	-	-	-
2.4. Other increases	-	-	-	-
3. Decreases	**5.403**	**-**	**679**	**-**
3.1 Sales	5.256	-	386	-
3.2. Repayments	103	-	-	-
3.3. Losses allocated to:				
3.3.1. Income Statement	-	-	-	-
- of which capital losses	-	-	-	-
3.3.2. Shareholders' Equity	X	X	-	-
3.4. Transfers to other levels	-	-	-	-
3.5. Other decreases	44	-	293	-
4. Closing balance	**4.403**	**-**	**9.774**	**-**

» ASSETS

Section 2 - Financial assets held for trading – Item 20

2.1 Financial assets held for trading: breakdown by type						
Item/Amount	31/12/2010			31/12/2009		
	L1	L2	L3	L1	L2	L3
A. Cash assets						
1. Debt securities	460.575	115.159	-	860.546	105.708	109
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	460.575	115.159	-	860.546	105.708	109
2. Equity securities	2.333	-	-	4.046	-	42
3. UCITS units	4.306	1.057	4.403	-	4.040	3.829
4. Loans and advances	-	-	-	-	-	-
4.1 Reverse repurchase agreements	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
Total A	**467.214**	**116.216**	**4.403**	**864.592**	**109.748**	**3.980**
B. Derivative instruments						
1. Financial derivatives:	1.600	125.641	-	3.528	109.022	-
1.1 for trading	1.600	125.641	-	3.528	108.857	-
1.2 linked to fair value option	-	-	-	-	-	-
1.3 others	-	-	-	-	165	-
2. Credit derivatives:	-	-	-	-	-	-
2.1 for trading	-	-	-	-	-	-
2.2 linked to fair value option	-	-	-	-	-	-
2.3 others	-	-	-	-	-	-
Total B	**1.600**	**125.641**	**-**	**3.528**	**109.022**	**-**
Total A+B	**468.814**	**241.857**	**4.403**	**868.120**	**218.770**	**3.980**

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

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

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

The decrease in securities held for trading as compared with last year is mainly due to the expiry and sale of government securities and bank bonds during 2010. As always, management tended towards a policy of prudence and the strategy entailing a diversification of investments was maintained, paying careful attention to the quality of the bond securities of bank, financial and corporate issuers held in the portfolio.

2.2 Financial assets held for trading: breakdown by borrowers/issuers		
Item/Amount	**31/12/2010**	**31/12/2009**
A. Cash assets		
1. Debt securities	**575.734**	**966.362**
a) Governments and Central Banks	150.281	399.593
b) Other public bodies	9	38
c) Banks	382.885	461.556
d) Other issuers	42.559	105.175
2. Equity securities	**2.333**	**4.088**
a) Banks	145	779
b) Other issuers:	2.188	3.309
- insurance companies	1.420	908
- financial companies	4	27
- non-financial companies	764	2.374
- others	-	-
3. UCITS units	**9.766**	**7.869**
4. Loans and advances	**-**	**-**
a) Governments and central banks	-	-
b) Other public bodies	-	-
c) Banks	-	-
d) Other subjects	-	-
Total A	**587.833**	**978.319**
B. Derivative instruments		
a) Banks		
- *fair value*	109.262	81.837
b) Customers		
- *fair value*	17.979	30.713
Total B	**127.241**	**112.550**
Total A+B	**715.074**	**1.090.869**

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

2.3 Cash financial assets held for trading: annual changes					
	Debt securities	**Equity securities**	**UCITS units**	**Loans and advances**	**Total**
A. Opening balance	**966.363**	**4.088**	**7.869**	**-**	**978.320**
B. Increases	**62.299.190**	**2.675.301**	**2.028**	**-**	**64.976.519**
B.1 Purchases	62.269.448	2.673.275	1.623	-	64.944.346
B.2 Increases in fair value	707	18	404	-	1.129
B.3 Other changes	29.035	2.008	1	-	31.044
C. Decreases	**62.689.821**	**2.677.055**	**132**	**-**	**65.367.008**
C.1 Sales	62.250.447	2.671.460	132	-	64.922.039
C.2 Redemptions	418.245	-	-	-	418.245
C.3 Reductions in fair value	5.741	249	-	-	5.990
C.4 Transfers to other portfolios	-	-	-	-	-
C.5 Other changes	15.388	5.346	-	-	20.734
D. Closing balance	**575.732**	**2.334**	**9.765**	**-**	**587.831**

Section 4 - Financial assets available for sale - Item 40

4.1 Financial assets available for sale: breakdown by type						
Item/Amount	Total 31/12/2010			Total 31/12/2009		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	187.756	-	-	-	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	187.756	-	-	-	-	-
2. Equity securities	9.644	-	9.774	15.334	-	2.406
2.1 Carried at fair value	9.644	-	245	15.334	-	245
2.2 Carried at cost	-	-	9.529	-	-	2.161
3. UCITS units	-	-	-	-	-	-
4. Loans and advances	-	-	-	-	-	-
Total	**197.400**	**-**	**9.774**	**15.334**	**-**	**2.406**

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

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

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

The portfolio of securities available for sale increased significantly in 2010. Debt securities include exclusively Italian government securities expiring from 2011 to 2017. Acquisitions during the year were also made following resolution by the Board of Directors taken on 25 May 2010, which, in line with the provision of the Bank of Italy of 18 May 2010, in relation to the calculation of the Regulatory Capital and treatment of revaluation reserves concerning government securities for the Euro area held in the portfolio "Available for Sale", has allowed for greater use of the accounting category in question for the purpose of permanent investment.

Capital securities include minority equity interests, which at the end of the year were subjected to impairment tests, according to criteria described in Part A of the Notes to the Financial Statements. The following writedowns have been made:

- Cartalis (measurement method: equity): during the first half of 2010, Banca Sella Holding made a payment on capital account to cover previous losses for a value of 300 thousand euro, but given the persistence of the negative balance sheet results over time and their value, at year end it was deemed appropriate to write down the investment with effects on the income statement for an amount of 279 thousand euro;
- SACE - Società Aeroporto di Cerrione (measurement method: equity): in view of the structural nature of the company's losses, it was deemed appropriate to write down the investment recognised in the income statement for an amount of 15 thousand euro.

Differently, the following shareholders' equity reserves were changed (amounts stated gross of tax effects):

- London Stock Exchange Group (measurement method: market price): Banca Sella Holding adjusted the positive shareholders' equity reserve to the closing market price at 31 December 2010 for an amount of 2,2 million euro;
- Intesa Sanpaolo S.p.A. (measurement method: market price): as the closing market price at 31 December 2010 was slightly lower than the security book value, Banca Sella Holding posted a negative shareholders' equity reserve for 137 thousand euro;
- Gruppo Mutui On Line (measurement method: market price): Banca Sella Holding adjusted the positive shareholders' equity reserve to the closing market price at 31 December 2010 for an amount of 626 thousand euro;
- 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 2011; the positive reserve recognised in the shareholders' equity was adjusted for 435 thousand euro.

During 2010 the interests in London Stock Exchange Group and Visa were partly sold and the interests in Pro Mac and Key Client Cards & Solutions were entirely sold; on the whole, 3,6 million euro of gross capital gains were realised.
At year end, the Bank signed an agreement with ICBPI (the Central Institute of Italian Popular Banks), which provided for the subscription by Banca Sella Holding of a share capital increase reserved to it by means of the conferral of the business unit acting as custodian bank. By virtue of this agreement, the Bank acquired a total share of 0,96% in the capital of ICBPI.

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

Item/Amount	31/12/2010	31/12/2009
1. Debt securities	**187.756**	**-**
a) Governments and central banks	187.756	-
b) Other public bodies	-	-
c) Banks	-	-
d) Other issuers	-	-
2. Equity securities	**19.418**	**17.740**
a) Banks	8.892	1.771
b) Other issuers:	10.526	15.969
- insurance companies	-	-
- financial companies	10.152	15.214
- non-financial companies	374	755
- others	-	-
3. UCITS units	**-**	**-**
4. Loans and advances	**-**	**-**
a) Governments and central banks	-	-
b) Other public bodies	-	-
c) Banks	-	-
d) Other subjects	-	-
Total	**207.174**	**17.740**

4.4 Financial assets available for sale: annual changes	Debt securities	Equity securities	UCITS units	Loans and advances	Total
A. Opening balance	**-**	**17.740**	**-**	**-**	**17.740**
B. Increases	**190.748**	**8.283**	**-**	**-**	**199.031**
B.1 Purchases	189.561	8.048	-	-	197.609
B.2 Increases in fair value	17	-	-	-	17
B.3 Writebacks	-	-	-	-	-
- charged to the income statement	-	-	-	-	-
- charged to shareholders' equity	-	-	-	-	-
B.4 Transfers from other portfolios	-	-	-	-	-
B.5 Other changes	1.170	235	-	-	1.405
C. Decreases	**2.992**	**6.605**	**-**	**-**	**9.597**
C.1 Sales	-	5.787	-	-	5.787
C.2 Redemptions	-	-	-	-	-
C.3 Reductions in fair value	2.969	-	-	-	2.969
C.4 Impairment losses	-	293	-	-	293
- charged to the income statement	-	293	-	-	293
- charged to shareholders' equity	-	-	-	-	-
C.5 Transfers to other portfolios	-	-	-	-	-
C.6 Other changes	23	525	-	-	548
D. Closing balance	**187.756**	**19.418**	**-**	**-**	**207.174**

Section 5 - Financial assets held to maturity - Item 50

5.1 Financial assets held to maturity: breakdown by type	Total 31/12/2010				Total 31/12/2009			
	Book value	*Fair value*			Book value	*Fair value*		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	80.034	78.010	-	-	69.087	70.496	-	-
- Structured	-	-	-	-	-	-	-	-
- Others	80.034	78.010	-	-	69.087	70.496	-	-
2. Loans and advances	-	-	-	-	-	-	-	-

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

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

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

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

5.2 Financial assets held to maturity: borrowers/issuers		
Type of transaction / Amount	**Total 31/12/2010**	**Total 31/12/2009**
1. Debt securities	**80.034**	**69.087**
a) Governments and central banks	80.034	69.087
b) Other public bodies	-	-
c) Banks	-	-
d) Other issuers	-	-
2. Loans and advances	**-**	**-**
a) Governments and central banks	-	-
b) Other public bodies	-	-
c) Banks	-	-
d) Other subjects	-	-
Total	**80.034**	**69.087**

As of 31 December 2010, the securities under this category were made up of long term treasury bonds falling due between 2015 and 2019.

5.4 Financial assets held to maturity: annual changes			
	Debt securities	**Loans and advances**	**Total**
A. Opening balance	**69.087**	**-**	**69.087**
B. Increases	**11.522**	**-**	**11.522**
B.1 Purchases	11.160	-	11.160
B.2 Writebacks	-	-	-
B.3 Transfers from other portfolios	-	-	-
B.4 Other changes	362	-	362
C. Decreases	**575**	**-**	**575**
C.1 Sales	-	-	-
C.2 Redemptions	-	-	-
C.3 Writedowns	-	-	-
C.4 Transfers to other portfolios	-	-	-
C.5 Other changes	575	-	575
D. Closing balance	**80.034**	**-**	**80.034**

The change on last year is in line with the resolutions taken by the Bank's Board of Directors.

Section 6 - Due from banks - Item 60

6.1 Due from banks: breakdown by type		
Type of transaction / Amount	**31/12/2010**	**31/12/2009**
A) Due from central banks	**828**	**232.139**
1. Term deposits	-	225.000
2. Statutory reserve	828	7.139
3. Reverse repurchase agreements	-	-
4. Others	-	-
B) Due from banks	**950.554**	**1.239.585**
1. Current accounts and demand deposits	162.234	56.658
2. Term deposits	59.587	401.266
3. Other loans and advances	35.175	47.568
3.1 reverse repurchase agreements	13.525	32.341
3.2 financial leasing	-	-
3.3 others	21.650	15.227
4. Debt securities	693.558	734.093
4.1 structured	-	-
4.2 others	693.558	734.093
Total (book value)	**951.382**	**1.471.724**
Total (fair value)	**950.765**	**1.472.349**

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

In 2010, the liquidity portfolio management policy adopted in the previous period continued. In fact, already in 2009 as the macroeconomic situation continued on after the profound changes in the economic and financial context which occurred in 2008, the considerable liquidity held by the European Central Bank in order to deal with said context was converted to bonds.

It therefore follows that there is a drop in the item at hand, due to the removal of certain loan operations, in particular through the Central Bank and the new interbank market for collateralised deposits (MIC).

This segment includes ordinary and subordinated bonds issued by banks of the Group for a total of 676,9 million euro. These securities, issued by Group banks for the purpose of achieving an appropriate matching of maturities between assets and liabilities at the individual level, will presumably be held to maturity.

Section 7 - Due from customers - Item 70

7.1 Due from customers: breakdown by type				
Type of transaction/Amount	Total 31/12/2010		Total 31/12/2009	
	Performing	Impaired	Performing	Impaired
1. Current accounts	5	-	104	10
2. Repurchase agreements	54.313	-	7.240	-
3. Mortgage loans	404.000	-	469.000	-
4. Credit cards, personal loans, salary-backed loans	91.072	49	86.763	77
5. Financial leasing	-	-	-	-
6. Factoring	-	-	-	-
7. Other operations	346.146	1	801.897	3
8. Debt securities	6.263	-	23.119	-
8.1 Structured	-	-	-	-
8.2 Others	6.263	-	23.119	-
Total (Book value)	**901.799**	**50**	**1.388.123**	**90**
Total (fair value)	**901.566**	**50**	**1.387.622**	**89**

The drop in the total aggregate amounts due from customers is a consequence of the supply by Banca Sella of some loans supplied to non-banking companies of the Group, previously supplied by Banca Sella Holding.

7.2 Due from customers: breakdown by borrowers/issuers				
Type of transaction/Amount	Total 31/12/2010		Total 31/12/2009	
	Performing	Impaired	Performing	Impaired
1. Debt securities issued by:	**6.263**	**-**	**23.119**	**-**
a) Governments	-	-	-	-
b) Other public bodies	-	-	-	-
d) Other issuers	6.263	-	23.119	-
- non-financial companies	586	-	-	-
- financial companies	5.677	-	15.619	-
- insurance companies	-	-	7.500	-
- others	-	-	-	-
2. Loans and advances to:	**895.537**	**50**	**1.365.005**	**89**
a) Governments	-	-	-	-
b) Other public bodies	3	-	4	-
c) Other subjects	895.534	50	1.365.001	89
- non-financial companies	11.586	5	9.981	15
- financial companies	804.029	-	1.277.558	-
- insurance companies	13	-	12	-
- others	79.906	45	77.450	74
Total	**901.800**	**50**	**1.388.124**	**89**

Section 8 - Hedging derivatives - Item 80

8.1 Hedging derivatives: breakdown by hedging type and by levels

	FV 31/12/2010			VN 31/12/2010	FV 31/12/2009			VN 31/12/2009
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	**-**	**487**	**-**	**5.642**	**-**	**259**	**-**	**11.642**
1) Fair value	-	487	-	5.642	-	259	-	11.642
2) Cash flow	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flow	-	-	-	-	-	-	-	-
Total	**-**	**487**	**-**	**5.642**	**-**	**259**	**-**	**11.642**

Key:
FV = fair value
VN = notional value

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

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

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

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

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

Transaction/Type of hedging	Fair value						Cash flows		Foreign investments
	Micro					Macro	Micro	Macro	
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	More than one risk				
1. Financial assets available for sale	-	-	-	-	-	X	-	X	X
2. Receivables	-	-	-	X	-	X	-	X	X
3. Financial assets held to maturity	X	-	-	X	-	X	-	X	X
4. Portfolio	-	-	-	-	-	-	-	-	X
5. Other operations	X	X	X	X	X	X	X	X	-
Total assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	487	-	-	X	-	X	-	X	X
2. Portfolio	-	-	-	-	-	-	-	-	X
Total liabilities	**487**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**X**
1. Pending transactions	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	-	X	-	-

Section 10 - Equity investments - Item 100

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

Name	Head office	Equity interest %	Voting rights %
A. Solely-controlled companies			
Banca Sella Nordest Bovio Calderari S.p.A.	Trento	56,75	56,75
Banca Sella Sud Arditi Galati S.p.A.	Lecce	60,13	60,13
Banca Patrimoni Sella & C. S.p.A.	Turin	68,42	68,42
Banca Sella S.p.A.	Biella	100,00	100,00
Banque BPP S.A.[1]	Luxembourg	23,66	23,66
Biella Leasing S.p.A.	Biella	76,99	76,99
Brosel S.p.A.	Biella	61,50	61,50
C.B.A. Vita S.p.A.	Milan	82,00	82,00
Consel S.p.A.	Turin	51,98	51,98
Easy Nolo S.p.A.	Biella	84,74	84,74
Immobiliare Lanificio M.Sella S.p.A.	Biella	100,00	100,00
Immobiliare Sella S.p.A.	Biella	100,00	100,00
Miret S.A.	Luxembourg	76,33	76,33
Secursel S.p.A.	Biella	80,00	80,00
Selfid S.p.A.	Biella	88,00	88,00
Selgest S.a.	Luxembourg	99,60	99,60
Sella Capital Management SGR. S.p.A.	Milan	86,03	86,03
Sella Gestioni SGR S.p.A.	Milan	75,45	75,45
Sella Holding N.V.	Netherlands	100,00	100,00
Sella Servizi Bancari S.c.p.a.	Biella	80,23	80,23
C. Companies subject to significant influence			
Agata S.p.A.	Ivrea	40,00	40,00
Banca Monte Parma S.p.A.[1]	Parma	4,60	4,60
ENERSEL S.P.A.		18,30	18,30
Hi-Mtf S.i.m.p.a.	Milano	20,00	20,00
S.C.P. VDP1	Principality of Monaco	29,00	29,00

[1] The investments in Banque BPP and Banca Monte Parma have been classified in the item "Non-current assets and groups of assets in course of divestment and associated liabilities"

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

Name	Total assets	Total income	Profit (loss)	Shareholders' equity	Book value	*Fair Value*
A. Solely-controlled companies						
Banca Sella Nord Est Bovio Calderari S.p.A.	804.196	40.130	(7.417)	40.023	38.308	X
Banca Sella Sud Arditi Galati S.p.A.	1.727.128	120.759	1.201	88.859	70.450	X
Banca Patrimoni Sella & C. S.p.A.	430.848	59.516	3.310	46.544	31.007	X
Banca Sella S.p.A.	7.978.869	457.500	9.244	377.388	300.000	X
Biella Leasing S.p.A.	1.060.871	59.511	6.790	58.570	15.810	X
Brosel S.p.A.	4.956	2.843	444	3.563	525	X
C.B.A. Vita S.p.A.	1.072.462	49.191	(13.373)	31.075	49.057	X
Consel S.p.A.	910.165	92.265	3.023	98.289	32.183	X
Easy Nolo S.p.A.	13.042	10.598	927	3.297	1.811	X
Immobiliare Lanificio M.Sella S.p.A.	38.062	1.635	47	36.970	31.583	X
Immobiliare Sella S.p.A.	43.708	1.804	158	42.907	42.413	X
Miret S.A.	14.549	9.740	(678)	3.106	735	X
Secursel S.p.A.	23	96	5	21	8	X
Selfid S.p.A.	2.071	1.177	150	1.549	1.364	X
Selgest S.a.	2.714	239	(373)	2.395	2.382	X
Sella Capital Management SGR. S.p.A.	7.933	2.808	(241)	7.246	4.570	X
Sella Gestioni SGR S.p.A.	27.448	19.658	527	21.746	24.914	X
Sella Holding N.V.	40.989	3.171	1.609	32.964	47.274	X
Sella Servizi Bancari S.c.p.a.	65.122	78.921	(619)	41.985	36.005	X
C. Companies subject to significant influence						
Agata S.p.A.	791	15	(534)	629	240	240
Enelsel S.p.A.	1.481	15	(122)	1.206	243	243
Hi-Mtf S.i.m.p.a.	5.005	2.764	547	4.514	1.000	1.000
S.C.P. VDP1	5.399	174	(3)	1.961	580	580
Total	**14.257.832**	**1.014.530**	**4.622**	**946.807**	**732.462**	**2.063**

The scope of the Equity Investments includes the interest in Sella Servizi Bancari Consortium Company. This company closed the 2010 financial statements reporting a loss of 619 thousand euro. This loss was settled by all associated companies according to the rules provided in the relevant shareholders' agreements. The share pertaining to Banca Sella Holding amounts to 238 thousand euro. The book value of the interest in Sella Servizi Bancari was therefore reduced by said amount recognising at the same time a write-down in the 2010 Income Statement.

Impairment tests on equity investments

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

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

Companies subject to impairment testing *(figures in thousands of euro)*				
Company	**CGU**	**Carrying value A (before any adjustments in the year)**	**Shareholders' equity amount B**	**Difference A-B**
Banca Sella Nordest Bovio Calderari	CGU A1	50.793	22.713	28.079
Banca Sella Sud Arditi Galati	CGU A2	70.450	53.431	17.019
Miret	CGU A3	895	735	160
Sella Gestioni	CGU A4	24.914	16.407	8.507
Selgest	CGU A5	2.757	2.382	375
Selfid	CGU A6	1.364	1360	4
CBA Vita	CGU A7	49.057	23.360	25.697
Sella Holding N.V.	CGU A8	47.274	32.992	14.282

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

Method for calculating the value that can be recovered for the CGU and outcome of the impairment test			
CGU	**Recoverable value**	**Method of calculation used**	**Result of impairment test**
CGU A1	Fair value	Multiples of comparable transactions	The impairment test detected a loss in value of 12.485 thousand euro
CGU A2	Fair value	Multiples of comparable transactions	The impairment test detected no loss in value
CGU A3	Fair value	Shareholders' Equity	The impairment test detected a loss in value of 160 thousand euro
CGU A4	Fair value	Multiples of comparable transactions	The impairment test detected no loss in value
CGU A5	Fair value	Shareholders' Equity	The impairment test detected a loss in value of 375 thousand euro
CGU A6	Value in use	Discounting of future financial flows	The impairment test detected no loss in value
CGU A7	Fair value	Actuarial method	The impairment test detected no loss in value
CGU A8	Fair value	Adjusted Net Equity	The impairment test detected no loss in value

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 in-force value (embedded value) and the new business value (appraisal value). The shareholders' equity is represented by the Company's net assets, deriving from the last accounting statement available, adjusted to the market value of underlying assets, if necessary. The in-force value is the present value of future cash flows on net profits which are expected to arise from policies in force at the valuation date, considering the cost of the solvency capital requirement. The value of new business is the present value of future cash flows on net profits which are expected to arise from newly issued policies, considering the cost of the solvency capital requirement.
- **Equity Method:** this involves considering the proportion of shareholders' equity (share capital, provisions, profit for the period) held.
- **Adjusted Equity Method:** this involves considering the proportion of shareholders' equity held adjusted as to:
    - the value attributed to specific intangible assets connected with the relation with customers; this value is determined by referring to the main CGU aggregates (total deposits, managed deposits, loans) and applying the multiples presumed from the market with reference to comparable transactions; the value obtained is then properly adjusted to take into account the company's high/low yields on the market itself (income adjustment);
    - possible capital gains, i.e. differences between the present values of assets and liabilities calculated with the relevant criteria and the corresponding carrying values.

The <u>Value in use</u> 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 comparable to risk-free rates) at December 2010, equal to 2,963%;
    - (Rm – Rf) is the market risk premium. It is given by the difference between the yield of a diversified portfolio made up of all risky investments available in the market and the yield of a risk-free security. The value used amounts to 6%;
    - 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:

Determination of future flow – scenario forecast: main reference values used				
Eurozone	**2010**	**2011**	**2012**	**2013**
Real Gdp	1,6	1,5	1,7	2,0
Consumer price index	1,5	1,6	2,0	2,0
Official rates	1,0	1,4	2,2	2,7
Short-term interest rates (Euribor 3m)	0,8	1,2	2,0	2,6
Italy				
Real Gdp	1,0	1,0	1,3	1,3
Consumption	0,4	0,7	1,0	1,0
Fixed investments to companies	8,0	3,0	3,2	3,2
Consumer price index	1,5	2,0	2,2	2,2

During the three-year period, the international context should show modest growth. In terms of consumer prices, the moderate growth should justify the continued lack of inflationist tension in developed countries.
As for Italy, growth prospects in the three-year period 2010-2013 seem to be positive, but are below the Eurozone average.
As regards the financial sector, the scenario assumes a gradual upturn in official rates and a substantial stability to the average bank spread.

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

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

CGU: elements used to calculate recoverable value			
CGU	**Basic assumptions**	**Method of determination**	**Notes**
CGU A1	Shareholders' Equity	Book data at 31.12.10 (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 25 months (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 banking and insurance income	Book value at 31.12.10	
	Total deposits	Management data at 31.12.10	
	Intermediated volumes	Book value at 31.12.10	
CGU A2	Shareholders' Equity	Book data at 31.12.10 (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 25 months (6 transactions).
	Net banking and insurance income	Book value at 31.12.10	
	Total deposits	Management data at 31.12.10	
CGU A3	Shareholders' Equity	Book value at 31.12.10	
CGU A4	Shareholders' Equity	Book value at 31.12.10	Multiples were determined with reference to a sample of comparable transactions that took place in the last 2 years (5 transactions).
	Asset Under Management	Book value at 31.12.10	
CGU A5	Shareholders' Equity	Book value at 31.12.10	
CGU A6	Economic and balance sheet variables	2011 budget and forecasts for 2012 and 2013 approved by the company's Board of Directors	- The forecast data provides for profitability basically in line with that recorded for 2010. - The discount rate used is 8,88%.
	Discount rate	Calculated according to the Capital Asset Pricing Model (CAPM).	
	Profitability beyond the forecast period	Constant annual growth rate at 2%	
CGU A7	Shareholders' Equity	Book value at 31.12.10	- As regards separate management yields, expected management yields were calculated at 31.12.10; for the new production, as well as for the yield of assets hedging the margin, we assumed a constant yield of 3.5%. - The discount rate used for discounting cash flows was assumed at 8,5%. - 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.
	Value of existing portfolio	Life portfolio as of 31.12.10	
	Value of future policies	The value of new production has been calculated considering a time span of 10 years (from 2011 to 2020)	
CGU A8	Shareholders' Equity	Book value at 31.12.10	- Associates of Sella Holding NV closed the year generally recording positive economic values.
	NAV of interests held	The value of the investments was determined using the Equity method, with the exception of BPP for which the agreed sales price was taken, net of transaction expenses	

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.

Sensitivity analysis				
CGU	Change in discount rate		Change in profit growth rate	
	Change considered	% sensitivity of the value in use	Change considered	% sensitivity of the value in use
CGU A6	+/- 25 b. p.	3,7%	+/- 25 b. p.	3,2%

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

Sensitivity analysis		
CGU	Discount rate	"G" rate
CGU A6	13,0%	-3,7%

10.3 Equity investments: annual changes		
	31/12/2010	31/12/2009
A. Opening balance	**760.056**	**721.087**
B. Increases	**10.057**	**117.836**
B.1 Purchases	9.881	80.729
B.2 Writebacks	-	-
B.3 Revaluations	-	-
B.4 Other changes	176	37.107
C. Decreases	**37.652**	**78.867**
C.1 Sales	-	69.794
C.2 Writedowns	23.502	9.073
C.4 Other changes	14.150	-
D. Closing balance	**732.461**	**760.056**
E. Total revaluations	**-**	**-**
F. Total adjustments	**-**	**-**

The other decreases include the amount of the investments in Banque BP S.A. and in Banca Monte Parma S.p.A, which were allocated amongst assets held for disposal. For more information, refer to

Section 14 – Non-current assets and groups of assets held for disposal and liabilities associated with the assets on the balance sheet of these Explanatory Notes.

Section 11 - Tangible assets - Item 110

11.1 Tangible assets: breakdown of assets carried at cost		
Item/Amount	**Total 31/12/2010**	**Total 31/12/2009**
A. Assets used for business purposes		
1.1 owned	**42.267**	**43.267**
a) land	8.831	9.110
b) buildings	31.993	32.635
c) furniture	136	93
d) electronic equipment	584	348
e) other	723	1.081
1.2 acquired through financial leasing	**-**	**-**
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic equipment	-	-
e) others	-	-
Total A	**42.267**	**43.267**
B. Assets held for investment		
2.1 owned	**2.199**	**1.689**
a) land	1.210	932
b) buildings	989	757
2.2 acquired through financial leasing	**-**	**-**
a) land	-	-
b) buildings	-	-
Total B	**2.199**	**1.689**
Total (A+B)	**44.466**	**44.956**

11.3 Tangible assets used for business purposes: annual changes						
	Land	Buildings	Furniture	Electronic equipment	Others	Total
A. Gross opening balance	**9.110**	**49.193**	**2.146**	**50.908**	**8.142**	**119.499**
A.1 Total net impairments		16.558	2.053	50.560	7.061	76.232
A.2 Net opening balance	**9.110**	**32.635**	**93**	**348**	**1.081**	**43.267**
B. Increases	**-**	**1.131**	**96**	**767**	**250**	**2.244**
B.1 Purchases	-	1.131	96	572	250	2.049
B.2 Capitalised improvement expenses	-	-	-	-	-	-
B.3 Writebacks	-	-	-	-	-	-
B.4 Increases in fair value charged to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Transfers from properties held for investment	-	-	-	-	-	-
B.7 Other changes	-	-	-	195	-	195
C. Decreases	**279**	**1.773**	**53**	**533**	**609**	**3.247**
C.1 Sales	-	-	26	274	68	368
C.2 Depreciation	-	1.489	27	259	346	2.121
C.3 Impairment losses charged to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Reductions in fair value charged to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Transfers to:	279	284	-	-	-	563
a) property, plant and equipment held for investment	279	284	-	-	-	563
b) assets held for sale	-	-	-	-	-	-
C.7 Other changes	-	-	-	-	195	195
D. Net closing balance	**8.831**	**31.993**	**136**	**582**	**722**	**42.264**
D.1 Total net impairments		(16.545)	(2.055)	(54.249)	(3.671)	(76.520)
D.2 Gross closing balance	**8.831**	**48.538**	**2.191**	**54.833**	**4.394**	**118.787**
E. Carried at cost	-	-	-	-	-	-

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

11.4 Tangible assets held for investment purpose: annual changes		
	Total	
	Land	Buildings
A. Gross opening balance	**932**	**1.720**
A.1 Total net impairments		963
A.2 Net opening balance	**932**	**757**
B. Increases	**279**	**284**
B.1 Purchases	-	-
B.2 Capitalised improvement expenses	-	-
B.3 Increases in fair value	-	-
B.4 Writebacks	-	-
B.5 Positive exchange differences	-	-
B.6 Transfers from buildings for business purposes	279	284
B.7 Other changes	-	-
C. Decreases	**-**	**52**
C.1 Sales	-	-
C.2 Depreciation	-	52
C.3 Reductions in fair value	-	-
C.4 Impairment losses	-	-
C.5 Negative exchange differences	-	-
C.6 Transfers from other asset portfolios	-	-
a) buildings for business purposes	-	-
b) non-current assets held for sale	-	-
C.7 Other changes	-	-
D. Net closing balance	**1.211**	**989**
D.1 Total net impairments		2.516
D.2 Gross closing balance	**1.210**	**3.505**
E. Carried at fair value	-	-

Section 12 - Intangible assets - Item 120

12.1 Intangible assets: breakdown by type of asset				
Item / Amount	Total 31/12/2010		Total 31/12/2009	
	Limited term	Unlimited term	Limited term	Unlimited term
A.1 Goodwill	**X**	**-**	**X**	**-**
A.2 Other intangible assets:	**3.919**	**-**	**4.117**	**-**
A.2.1 Assets carried at cost	3.919	-	4.117	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	3.919	-	4.117	-
A.2.2 Assets carried at fair value	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**3.919**	**-**	**4.117**	**-**

12.2 Intangible assets: annual changes

	Goodwill	Other intangible assets: generated internally		Other intangible assets: others		Total
		Limited term	Unlimited term	Limited term	Unlimited term	
A. Gross opening balance	**-**	**-**	**-**	**44.491**	**-**	**44.491**
A.1 Total net reductions in value	-	-	-	40.374	-	40.374
A.2 Net opening balance	**-**	**-**	**-**	**4.117**	**-**	**4.117**
B. Increases	**-**	**-**	**-**	**1.383**	**-**	**1.383**
B.1 Purchases	-	-	-	1.373	-	1.373
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	-	-	-	10	-	10
C. Decreases	**-**	**-**	**-**	**1.581**	**-**	**1.581**
C.1 Sales	-	-	-	99	-	99
C.2 Writedowns	-	-	-	1.482	-	1.482
- amortization	X	-	-	1.482	-	1.482
- writedowns	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	-	-	-	-	-	-
C.3 Reductions in fair value	-	-	-	-	-	-
- to shareholders' equity	-	-	-	-	-	-
- to income statement	-	-	-	-	-	-
C.4 Transfers to non-current assets held for sale	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Net closing balance	**-**	**-**	**-**	**3.919**	**-**	**3.919**
D.1 Total net adjustments	-	-	-	42.016	-	42.016
E. Gross closing balance	**-**	**-**	**-**	**45.935**	**-**	**45.935**
F. Carried at cost	-	-	-	-	-	-

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

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

Current tax assets: breakdown	Total 31/12/2010	Total 31/12/2009
Prepaid taxes	5.206	5.959
Credits for withholdings	4	1
Assets from inclusion in tax consolidation	126	306
Tax credits	1.307	1.720
Total	**6.643**	**7.986**

Current tax liabilities: breakdown	Total 31/12/2010	Total 31/12/2009
Provisions for direct taxes	2.187	4.492
Total	**2.187**	**4.492**

We highlight the existence of a dispute involving Banca Sella Holding 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 5,8 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 liability is unlikely to occur. We note that in November 2010, the regional Tax Commission of Turin issued a favourable sentence to another bank on a similar dispute. 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.

Again with regards to Banca Sella Holding, we note the existence of a tax dispute shared by many Italian banks, with regards to an alleged abuse of tax law in relation to amounts due for taxes paid abroad, arising from some repurchase agreements concluded from 2005 to 2007 with major English banking counterparties. The total amount of taxes concerned amounts to approximately 4,6 million euro. Of this amount, thus far only the share relating to 2005 has been transformed into notice of findings for approximately 0,4 million euro, to which sanctions and interest are added for a total figure of around 0,45 million euro. We have obtained an opinion from a leading Tax firm which shows that, at present, it is reasonable to expect the emergence of the potential tax liability as being possible, but not probable.

13.1 - Deferred tax assets: breakdown

	Ires	Irap	Others	31/12/2010	31/12/2009
Losses on loans and receivables	2.759	158	-	2.917	3.150
Provisions for sundry risks and liabilities	605	-	-	605	750
Depreciation and valuation of buildings	707	45	-	752	729
Sundry administrative expenses	314	1	-	315	464
Writedowns of equity investments	-	-	-	-	-
Personnel expenses	2	-	-	2	17
Collective valuations of sureties issued	-	-	-	-	-
Securised recievables	-	-	-	-	-
Share deriving from tax losses that can be carried forward to subsequent periods	-	-	-	-	-
Measurement of available-for-sale financial assets	-	-	-	-	-
Other assets	329	544	-	873	384
Total deferred tax assets (charged to income statement)	**4.716**	**748**	**-**	**5.464**	**5.494**
Depreciation and valuation of buildings	1.142	-	-	1.142	1.142
Measurement of available-for-sale financial assets	812	149	-	961	-
Others	-	-	-	-	-
Total deferred tax assets (charged to shareholders' equity)	**1.954**	**149**	**-**	**2.103**	**1.142**

KEY
IRES = Corporation tax
IRAP= Regional business tax

13.2 - Deferred tax liabilities: breakdown

	Ires	Irap	Others	31/12/2010	31/12/2009
Gains on sale of available-for-sale financial assets	107	296	-	403	45
Contributions for training costs	-	-	-	-	44
Total deferred taxes (charged to income statement)	**107**	**296**	**-**	**403**	**89**
Measurement of available-for-sale financial assets	46	164	-	210	331
Other liabilities	-	-	-	-	4
Total deferred taxes (charged to shareholders' equity)	**46**	**164**	**-**	**210**	**335**

KEY
IRES = Corporation tax
IRAP= Regional business tax

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

	31/12/2010	31/12/2009
1. Initial amount	**5.494**	**7.039**
2. Increases	**1.718**	**1.143**
2.1 Prepaid taxes recognised during the year	1.718	1.143
a) relating to previous years	1.060	8
b) due to changes in accounting policies	-	-
c) writebacks	-	55
d) others	658	1.080
2.2 New taxes or increases of tax rate	-	-
2.3 Other increases	-	-
3. Decreases	**1.775**	**2.689**
3.1 Prepaid taxes cancelled during the year	1.775	1.446
a) reversals	1.687	468
b) writedowns for unrecoverable items	-	-
c) changes in accounting policies	-	-
d) others	88	978
3.2 Reductions in tax rates	-	-
3.3 Other changes	-	1.243
4. Final amount	**5.437**	**5.493**

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

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

	31/12/2010	31/12/2009
1. Opening balance	**89**	**793**
2. Increases	**380**	**-**
2.1 Deferred taxes recognized during the year	380	-
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) others	380	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**66**	**704**
3.1 Deferred taxes cancelled during the year	66	166
a) reversals	66	99
b) due to changes in accounting policies	-	-
c) others	-	67
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	538
4. Final amount	**403**	**89**

13.5 Changes in deferred tax assets (charged to shareholders' equity)	Total 31/12/2010	Total 31/12/2009
1. Opening balance	**1.142**	**1.475**
2. Increases	**961**	**-**
2.1 Prepaid taxes recognized during the year	961	-
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) others	961	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**-**	**333**
3.1 Prepaid taxes cancelled during the year	-	79
a) reversals	-	-
b) writedowns for unrecoverable items	-	-
c) due to changes in accounting policies	-	-
d) others	-	79
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	254
4. Final amount	**2.103**	**1.142**

13.6 Changes in deferred tax liabilities (charged to shareholders' equity)	31/12/2010	31/12/2009
1. Opening balance	**335**	**516**
2. Increases	**49**	**316**
2.1 Deferred taxes recognized during the year	49	316
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) others	49	316
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**174**	**497**
3.1 Deferred taxes cancelled during the year	174	361
a) reversals	174	361
b) due to changes in accounting policies	-	-
c) others	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	136
4. Final amount	**210**	**335**

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

14.1 Non current assets and groups of assets held for sale: breakdown by type of asset

	31/12/2010	31/12/2009
A. Single asset		
A.1 Financial assets	-	-
A.2 Equity investments	14.958	-
A.3 Tangible assets	-	-
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
Total A	**14.958**	**-**
B. Asset groups (discontinued operations)		
Total B	**-**	**-**
C. Liabilities associated with single assets held for sale		
C.1 Debts	-	-
C.2 Securities	-	-
C.3 Other liabilities	-	-
Total C	**-**	**-**
D. Liabilities associated with groups of assets held for sale		
Total D	**-**	**-**

The investments in Banque BPP and Banca Monte Parma have been classified as "Non-current assets and groups of assets held for sale and associated liabilities" as, at the end of 2010, the criteria for their inclusion in this category as established by IFRS 5 had been met.
More specifically, paragraph 7 of IFRS 5 specifies that in order to be allocated to the item specified, the asset must be available for immediate sale in its current condition, subject to conditions applicable to the standard use and custom for the sale of said assets. The sale must also be *highly probable*.
In relation to this latter aspect, the next paragraph of IFRS 5 indicates that for the sale to be highly probable, the following conditions must be met:

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

In this regulatory framework, as concerns Banque BPP, the investment has been included as assets held for disposal insofar as of 28 December 2010, the agreement was signed for the sale of the entire share capital by Banca Sella Holding and Sella Holding NV (companies of the Banca Sella Group) to a major European banking counterparty for a value in line with the company's value. The transaction was resolved by the Board of Directors of Banca Sella Holding on 21 December 2010. It is part of the rationalisation and equity strengthening plan of the Banca Sella Group and shall be completed during the first half of 2011, subject to obtaining the usual authorisations from the supervisory authority.

The investment held in Banca Monte Parma, on the other hand, has been classified amongst assets held for sale as the Boards of Directors of Banca Sella Holding and C.B.A. Vita have resolved the sale (respectively on 25 May 2010 with regards to the parent company and on 30 June 2010 with regards to the insurance company). It is also specified that the forecast sales price is in line and reasonable with respect to the current fair value, that it is highly probable that the transaction will be concluded during 2011 and that there are currently no foreseeable circumstances whereby the sales programme is likely to change.

Section 15 - Other assets - Item 150

15.1 Other assets: breakdown

	31/12/2010	31/12/2009
Forms in stock	852	1.022
Payment orders to sundry others being debited	11.805	4.319
Countervalues on securities and derivatives trading being settled	10.420	11.523
Current account cheques drawn against the bank	953	2.101
Fees, commissions and other income in the process of collection	7.853	8.729
Expenses for improvements to third-party property	26	39
Advances and accounts payable	123	37
Charges/invoices to be issued towards customers	4.365	5.124
Disputed items not deriving from lending transactions	6.764	3.628
Deferrals on administrative expenses and fees	188	460
Others	970	2.181
Total	**44.319**	**39.163**

» LIABILITIES

Section 1 - Due to banks - Item 10

1.1 Due to banks: breakdown by type		
Type of transaction/Amount	**31/12/2010**	**31/12/2009**
1. Due to central banks	**-**	**40.101**
2. Due to banks	**1.763.030**	**2.819.353**
2.1 Current accounts and demand deposits	1.134.908	2.345.311
2.2 Term deposits	609.552	461.853
2.3. Loans and advances	18.570	12.189
2.3.1 financial leasing	5.044	3.604
2.3.2 others	13.526	8.585
2.4 Payables for own equity instrument repurchase commitments	-	-
2.5 Other payables	-	-
Total	**1.763.030**	**2.859.454**
Fair value	**1.763.031**	**2.859.454**

The change in relation to the item "Due to central banks" is owing to the cessation of a year-long loan transaction (Long Term Refinancing Repo) with the European Central Bank for approximately 40 million euro, due on 30 September 2010.

The change concerning the item "Due to banks", on the other hand, is a consequence of the decrease in liquid assets held by the other banks of the Banca Sella Group on Banca Sella Holding accounts.

1.3 Detail of item 10 "Due to banks": structured debts		
	Totale 31/12/2010	**Totale 31/12/2009**
- structured debts	-	20.679
Total	**-**	**20.679**

Section 2 - Due to customers - Item 20

2.1 Due to customers: breakdown by type		
Type of transaction/Amount	**31/12/2010**	**31/12/2009**
1. Current accounts and demand deposits	101.275	74.516
2. Term deposits	-	-
3. Loans and advances	-	-
3.1 repurchase agreement	-	-
3.2 others	-	-
4. Payables for own equity instrument repurchase commitments	-	-
5. Other payables	32.135	35.645
Total	**133.410**	**110.161**
Fair value	**133.410**	**110.161**

The aggregate amounts due to customers recorded an increase due to the increase in current account deposits of the major customers of Banca Sella Holding.

Section 3 - Outstanding securities - Item 30

3.1 Outstanding securities: breakdown by type								
Type of security/Amount	**Total 31/12/2010**				**Total 31/12/2009**			
	Book value	**Fair value**			**Book value**	**Fair value**		
		Level 1	**Level 2**	**Level 3**		**Level 1**	**Level 2**	**Level 3**
A. Quoted securities								
1. Bonds	1.083.412	481.774	589.778	-	1.203.853	500.374	703.479	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 others	1.083.412	481.774	589.778	-	1.203.853	500.374	703.479	-
2. Other securities	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 others	-	-	-	-	-	-	-	-
Total	**1.083.412**	**481.774**	**589.778**	**-**	**1.203.853**	**500.374**	**703.479**	**-**

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

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

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

The drop in the aggregate of securities in circulation is due to the decision not to renew some bond securities that expired during the year and mainly listed with institutional investors.

3.2 Details of Item 30 “Outstanding securities”: subordinated securities

	Total 31/12/2010	Total 31/12/2009
- subordinated securities	252.151	272.409
Total	**252.151**	**272.409**

3.3 Outstanding securities subject to micro-hedging

	Total 31/12/2010	Total 31/12/2009
1. Securities subject to micro-hedging of fair value	**5.024**	**11.842**
a) interest rate risk	5.024	11.842
b) exchange rate risk	-	-
c) more than one risks	-	-
2. Securities subject to micro-hedging of cash flows	**-**	**-**
a) interest rate risk	-	-
b) exchange rate risk	-	-
c) other	-	-
Total	**5.024**	**11.842**

Section 4 - Financial liabilities held for trading - Item 40

4.1 Financial liabilities held for trading: breakdown by type

Type of transaction/Group components	31/12/2010					31/12/2009				
	VN	FV			FV*	VN	FV			FV*
		L1	L2	L3			L1	L2	L3	
A. Cash liabilities										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	3.109	3.139	-	-	3.139	27.551	29.311	-	-	29.311
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
- credit linked notes	-	-	-	-	X	-	-	-	-	X
- reverse floater	-	-	-	-	X	-	-	-	-	X
- structured bonds: others	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
- credit linked notes	-	-	-	-	X	-	-	-	-	X
- reverse floater	-	-	-	-	X	-	-	-	-	X
- other structured securities: others	-	-	-	-	X	-	-	-	-	X
3.2.2 Others	-	-	-	-	X	-	-	-	-	X
Total A	**3.109**	**3.139**	**-**	**-**	**3.139**	**27.551**	**29.311**	**-**	**-**	**29.311**
B. Derivative instruments										
1. Financial derivatives	X	1.400	131.500	-	X	X	3.614	106.112	-	X
1.1 Held for trading	X	1.400	131.500	-	X	X	3.614	106.112	-	X
1.2 Linked to fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Others	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	X	-	-	-	X	X	-	-	-	X
2.1 Held for trading	X	-	-	-	X	X	-	-	-	X
2.2 Linked to fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Others	X	-	-	-	X	X	-	-	-	X
Total B	**X**	**1.400**	**131.500**	**-**	**X**	**X**	**3.614**	**106.112**	**-**	**X**
Total A+B	**X**	**4.539**	**131.500**	**-**	**X**	**X**	**32.925**	**106.112**	**-**	**X**

Key

FV = fair value

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

NV = nominal or notional value

L1 = Level 1

L2 = Level 2

L3 = Level 3

At the end of the period the total amount of uncovered short positions is 3139 euro thousands.

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

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

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

Section 10 - Other liabilities - Item 100

10.1 Other liabilities: breakdown

	31/12/2010	31/12/2009
Taxes payable for third parties	969	1.083
Adjustments for non-cash portfolio items	5.374	22.541
Countervalues on securities and derivatives trading being settled	10.165	8.849
Cash available to customers	1.432	2.489
Bank transfers and other payments due	46.655	9.208
Accounts payable and fees payable to sundry third parties	18.502	23.783
Personnel expenses	5.931	7.963
Fees payable to statutory auditors and directors	2.830	242
Contributions payable to sundry agencies	785	472
Deferrals	60	23
Others	5.162	5.884
Total	**97.865**	**82.537**

Section 11 - Employee severance indemnities - Item 110

11.1 Employee severance indemnities: annual changes

	31/12/2010	31/12/2009
A. Opening balance	**3.624**	**12.740**
B. Increases	**303**	**1.645**
B.1 Provision of the year	112	342
B.2 Other changes	191	1.303
C. Decreases	**599**	**10.761**
C.1 Liquidations paid	218	493
C.2 Other changes	381	10.268
D. Closing balance	**3.328**	**3.624**

The technical bases were established with the evaluation at 30 June 2010 observing the Group's experiences as regards the period within 1 July 2008 and 30 June 2010 and referring to the demographic-financial variables described in the following paragraphs.

Demographic assumptions:

- mortality/disability: in addition to the historical series observed, the 2006 ISTAT tables were adopted, divided by age and gender;
- retirement, resignations/dismissals, expiry of contracts: these causes for exclusion were deduced from the observation of corporate data. 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 3,18%, 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 2010.

Economic/financial assumptions

The method established by IAS 19 requires the adoption of underlying economic-financial techniques that affect both the prospective flow development (following salary increases and foreseeable inflationist scenarios) and, above all, the discounting of the estimated debt of the Company as of the measurement date. The discount rate is, in fact, the main assumption significantly affecting the results of the processing.

More specifically, the following hypotheses are adopted in actuarial measurement:

- 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: as requested by IAS 19 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 the closing date of the balance.

Section 12 - Provisions for risks and charges - Item 120

12.1 Provisions for risks and charges: breakdown

Item/Amount	31/12/2010	31/12/2009
1. Company pension funds	-	-
2. Other provisions for risks and charges	20.697	25.099
2.1 Legal disputes and customers complaint	1.446	1.630
2.2 Operational risks	1	198
2.3 Personnel charges	19.244	23.177
2.4 Supplementary customer allowance and goodwill compensation for termination of agency relationship	-	-
2.5 Others	6	94
Total	**20.697**	**25.099**

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. For more information on the fund and its use, please refer to that stated in the chapter "Commitments made to Sella Bank Luxembourg (since 1 July 2010, Miret S.A.)" in the Report on Operations.
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 involving Banca Sella Holding 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 5,8 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. We note that in November 2010, the regional Tax Commission of Turin issued a favourable sentence to another bank on a similar dispute. 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.

Again with regards to Banca Sella Holding, we note the existence of a tax dispute shared by many Italian banks, with regards to an alleged abuse of tax law in relation to amounts due for taxes paid abroad, arising from some repurchase agreements concluded from 2005 to 2007 with major English banking counterparties. The total amount of taxes concerned amounts to approximately 4,6 million euro. Of this amount, thus far only the share relating to 2005 has been transformed into notice of findings for approximately 0,4 million euro, to which sanctions and interest are added for a total figure of around 0,45 million euro. We have obtained an opinion from a leading Tax firm which shows that, at present, it is reasonable to expect the emergence of the potential tax liability as being possible, but not probable.

12.2 Provisions for risks and charges: annual changes	Legal disputes and customer complaints	Operational risks	Personnel charges	Others	Total
A. Opening balance	**1.630**	**23.177**	**198**	**94**	**25.099**
B. Increases	**627**	**328**	**15**	**-**	**970**
B.1 Provisions for the year	612	(686)	15	-	(59)
B.2 Changes due to passing of time	13	443	-	-	456
B.3 Changes due to fluctuations in discount rate	2	571	-	-	573
B.4 Other changes	-	-	-	-	-
C. Decreases	**811**	**4.261**	**212**	**88**	**5.372**
C.1 Utilization in the period	503	4.261	212	71	5.047
C.2 Changes due to fluctuations in discount rate	-	-	-	-	-
C.3 Other changes	308	-	-	17	325
- other changes (-)	308	-	-	17	325
D. Closing balance	**1.446**	**19.244**	**1**	**6**	**20.697**

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

14.1 "Capital" and "Treasury shares": breakdown	31/12/2010			31/12/2009		
	Shares issued	Shares subscribed and not yet paid up	Total	Shares issued	Shares subscribed and not yet paid up	Total
A. Capital	**100.500**	**-**	**100.500**	**100.500**	**-**	**100.500**
A.1 ordinary shares	100.500	-	100.500	100.500	-	100.500
A.2 preference shares	-	-	-	-	-	-
A.3 other shares	-	-	-	-	-	-
B. Treasury shares	**-**	**-**	**-**	**-**	**-**	**-**
B.1 ordinary shares	-	-	-	-	-	-
B.2 preference shares	-	-	-	-	-	-
B.3 other shares	-	-	-	-	-	-

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

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

- merger reserve under law 2/12/1975 no. 576 (deriving from merged company Finanziaria Bansel SpA): 88 thousand euro;
- merger reserve under law 19/03/1983 no. 72 (deriving from merged company Finanziaria Bansel SpA): 3.034 thousand euro;
- real estate revaluation reserve under law no. 266 of 2005, art. 1, paragraph 469: 8.317 thousand euro;
- real estate revaluation reserve under law no. 342 of 2000: 8.895 thousand euro;
- tied up extraordinary reserve restricted under the terms of law no. 266 of 2005, art. 1, paragraph 469: 3.036 thousand euro.

14.3 Capital: further information		
	31/12/2010	31/12/2009
Face value per share *(in units of euro)*	0,50	0,50
Shares reserved for option-based issue	-	-
Number of contracts in place for the sale of shares	-	-

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

14.4 Profit reserves: other information		
	31/12/2010	31/12/2009
Legal Reserve	28.759	28.759
Statutory Reserve	70.077	60.848
Extraordinary Reserve	118.398	100.853
Free	118.398	100.853
Reserve pursuant to Lgs. Dec. 41/95 Art. 25 paragraph 3	74.943	74.943
Realignment reserve pursuant to Law 266/05 Art.1 paragraph 469	18.344	18.344
Reserve pursuant to Lgs. Dec. 218/90 Art. 7	2.590	2.587
Reinvested capital gain reserve	710	710
Special reserve pursuant to Lgs. Dec. 124/93 Art. 13	239	239
Group company merger surplus reserve	-	6.194
Reserve for purchase of company divisions from Group companies	(144)	(144)
Reserve for sale of company divisions to Group companies	587	587
Total	**314.503**	**293.920**

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

	Amount	Possibility of utilization (*)	Proportion available for distribution	Summary of utilizations in the three previous years	
				To cover losses	For other reasons
Equity	**100.500**				
Equity reserves					
Share premium reserve	49.414	A - B - C	49.414		
Profit reserves					
Legal reserve	28.759	B			
Statutory reserve	70.077	B			
Extraordinary reserve	118.398	A - B - C	118.398	-	-
Reserve pursuant to Lgs. Dec. 41/95 Art. 25 paragraph 3	74.943	A[3] - B[1] - C[2]	74.943	-	-
Realignment reserve pursuant to Law 266/05 Art 1 paragraph 469	18.344	A - B[1] - C[2]	18.344	-	-
Reserve pursuant to Law 218/90 Art. 7	2.590	A - B - C[2]	2.590	-	-
Reinvested capital gain reserve	710	A - B - C[2]	710	-	-
Special reserve pursuant to Lgs. Dec. 124/93 Art. 13	239	A - B - C[2]	239	-	-
Valuation reserves					
Available-for-sale asset valuation reserve pursuant to Lgs. Dec. 38/05 Art. 7 paragraph 2	1.114	---[4]	-		
Other reserves					
Reserve for purchase of company divisions from Group companies	(144)	---	(144)	-	-
Reserve for sale of company divisions to Group companies	587	---	587		
Total	**465.531**		**265.081**		
Proportion not available for distribution pursuant to Art 2426 no. 5 C.C.			-		
Remainder of proportion available for distribution			265.081		

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

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

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

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

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

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

Other information

1. Guarantees issued and commitments

Transactions	Balance 31/12/2010	Balance 31/12/2009
1) Financial guarantees issued	**10.178**	**10.106**
a) banks	10.178	10.106
b) customers	-	-
2) Commercial guarantees issued	**-**	**-**
a) banks	-	-
b) customers	-	-
3) Irrevocable commitments to disburse funds	**190.604**	**173.815**
a) banks	136.540	151.182
i) certain to be drawn down	136.540	151.182
ii) not certain to be drawn down	-	-
b) customers	54.064	22.633
i) certain to be drawn down	54.064	22.633
ii) not certain to be drawn down	-	-
4) Commitments underlying credit derivatives: protection sales	**-**	**-**
5) Assets pledged for third party obligations	**34.472**	**45.595**
6) Other commitments	**83.600**	**85.867**
Total	**318.854**	**315.383**

2. Assets pledged against own liabilities and commitments

Portfolios	Balance 31/12/2010	Balance 31/12/2009
1. Financial assets held for trading	288.476	188.571
2. Financial assets carried at fair value	-	-
3. Financial assets available for sale	-	-
4. Financial assets held to maturity	44.908	40.916
5. Due from banks	12.301	3.475
6. Due from customers	1.989	1.503
7. Property, plant and equipment	-	-

4. Management and intermediation on third parties behalf		
Type of service	Balance 31/12/2010	Balance 31/12/2009
1. Order execution on customers' behalf	***73.969.356***	***64.308.953***
a) Purchases	36.774.899	31.966.072
1. settled	36.647.548	31.773.262
2. not settled	127.351	192.810
b) Sales	37.194.457	32.342.881
1. settled	37.073.722	32.136.039
2. not settled	120.735	206.842
2. Portfolio management	***-***	***-***
a) Individual	-	-
b) Collective	-	-
3. Custody and administration of securities		
a) Third-party securities on deposit: connected with role of depositary bank (excluding asset management)	-	1.675.220
1. securities issued by the reporting bank	-	-
2. other securities	-	1.675.220
b) other third-party securities on deposit (excluding asset management): others	16.078.010	14.159.012
1. securities issued by the reporting bank	605.836	598.202
2. other securities	15.472.174	13.560.810
c) third-party securities deposited with third parties	16.078.332	14.607.096
c) own securities deposited with third parties	1.684.143	1.936.847
4. Other transactions *	***10.196.998***	***18.822.212***

* The item "Other transactions" includes the volume of work of receiving and sending orders, which is divided as follows:
- purchases: 5.306.609
- sales: 4.890.389

PART C INFORMATION ON THE INCOME STATEMENT

Section 1 - Interest - Items 10 and 20

1.1 Interest and similar income: breakdown

Item/Technical type	Debt securities	Loans and advances	Other operations	Total 31/12/2010	Total 31/12/2009
1. Financial assets held for trading	19.372	-	521	19.893	19.805
2. Financial assets available for sale	991	-	-	991	-
3. Financial assets held to maturity	3.041	-	-	3.041	3.097
4. Due from banks	8.589	3.292	-	11.881	33.204
5. Due from customers	149	13.088	-	13.237	29.182
6. Financial assets at fair value through profit or loss	-	-	-	-	-
7. Hedging derivatives	X	X	363	363	385
8. Other assets	X	X	40	40	56
Total	**32.142**	**16.380**	**924**	**49.446**	**85.729**

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

Interest and similar income accrued on rimpaired assets

	31/12/2010
- accrued on non performing loans	-
- accrued on watchlist loans	-
- accrued on past due exposures	-

1.2 Interest and similar expense: differences on hedging transactions

Item/Segment	Total 31/12/2010	Total 31/12/2009
A. Positive differences on hedging transactions	363	385
B. Negative differences on hedging transactions	103	103
Balance (A-B)	**260**	**282**

1.3 Interest and similar income: other information

1.3.1 Interest income on financial assets in foreign currencies

	Total 31/12/2010	Total 31/12/2009
- on assets in foreign currencies	969	1.804

1.4 Interest and similar expense: breakdown

	Debts	Securities	Other operations	Total 31/12/2010	Total 31/12/2009
1. Due to central banks	196	X	-	196	131
2. Due to banks	11.797	X	-	11.797	32.347
3. Due to customers	1.423	X	-	1.423	421
4. Outstanding securities	X	14.013	-	14.013	33.108
5. Financial liabilities held for trading	-	-	462	462	1.218
6. Financial liabilities at fair value through profit or loss	-	-	-	-	-
7. Other liabilities and funds	X	X	20	20	90
8. Hedging derivatives	X	X	103	103	103
Total	**13.416**	**14.013**	**585**	**28.014**	**67.418**

1.6 Interest and similar expense: other information

1.6.1 Interest expense on financial liabilities in foreign currencies

	Total 31/12/2010	Total 31/12/2009
- on liabilities in foreign currencies	2.105	3.420

Section 2 - Fees - Items 40 and 50

2.1 Fee income: breakdown		
Type of service/Amount	**Total 31/12/2010**	**Total 31/12/2009**
a) Sureties issued	10	19
b) Credit derivatives	-	-
c) Asset management, brokerage and advisory services:	14.036	12.100
1. Financial instruments trading	7.354	6.681
2. Currency trading	-	-
3. Portfolio management	-	-
3.1. individual	-	-
3.2. collective	-	-
4. Custody and administration of securities	677	520
5. Depositary bank	1.495	1.571
6. Placement of securities	1.261	886
7. Order reception and transmission activities	2.408	1.964
8. Consultancy activities	489	478
8.1 about investments matters	489	478
8.2 about financial structure matters	-	-
9. Distribution of third party services	352	-
9.1. Portfolio management	-	-
9.1.1. individual	-	-
9.1.2. collective	-	-
9.2. Insurance products	-	-
9.3. Other products	352	-
d) Collection and payment services	76.953	71.269
e) Servicing for securitization transactions	2	2
f) Services for factoring transactions	-	-
g) Tax collection services	-	-
h) Multilateral exchange systems management activities	-	-
i) Current accounts holding and management	-	-
j) Other services	7.723	7.339
Total	**98.724**	**90.729**

Following the detail of Other services item is provided:

Fee income: details on the item "Other services"		
	31/12/2010	**31/12/2009**
Credit and debit cards	5.717	5.292
Recupero spese su finanziamenti concessi a clientela	-	1
Fees and commissions on relations with credit institutions	16	11
Recovery of postal, printing and similar expenses.	1.922	1.946
Others	68	89
Total "Other services"	**7.723**	**7.339**

2.2 Fee income: product and service distribution channels

Channel/Amount	Total 31/12/2010	Total 31/12/2009
a) At own branches:	**1.613**	**874**
1. Portfolio management	-	-
2. Placement of securities	1.261	874
3. Third party products and services	352	-
b) Door-to-door sales:	**-**	**-**
1. Portfolio management	-	-
2. Placement of securities	-	-
3. Third party products and services	-	-
c) Other distribution channels:	**-**	**12**
1. Portfolio management	-	-
2. Placement of securities	-	12
3. Third party products and services	-	-
Total	**1.613**	**886**

2.3 Fee expense: breakdown

Service/Amount	Total 31/12/2010	Total 31/12/2009
a) Sureties received	-	-
b) Credit derivatives	-	-
c) Asset management, brokerage and advisory services:	9.507	8.901
1. Financial instruments trading	4.852	4.187
2. Currency trading	3	2
3. Portfolio management	-	-
3.1. own	-	-
3.2. delegated to third parties	-	-
4. Custody and administration of securities	948	1.016
5. Placement of fnancial instruments	189	119
6. Door-to-door sale of securities, products and services	3.515	3.577
d) Collection and payment services	49.039	45.196
e) Other services	2.181	2.110
Total	**60.727**	**56.207**

Following the detail of Other services item is provided:

Fee expense: details on the item "Other services"

	31/12/2010	31/12/2009
Connections with banks	120	118
Brokerage activity	1.630	1.538
Others	431	454
Total "Other services"	**2.181**	**2.110**

Section 3 - Dividends and similar income - Item 70

3.1 Dividends and similar income: breakdown				
Item/Income	Total 31/12/2010		Total 31/12/2009	
	Dividends	Income from UCITS units	Dividends	Income from UCITS units
A. Financial assets held for trading	1.556	-	865	-
B. Financial assets available for sale	967	-	471	-
C. Financial assets at fair value through profit or loss	-	-	-	-
D. Equity investments	11.381	X	23.394	X
Total	**13.904**	**-**	**24.730**	**-**

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

4.1 Net gains/(losses) on trading activities: breakdown					
Transaction/Income component	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net gains/(losses) [(A+B)-(C+D)]
1. Financial assets held for trading	**1.129**	**27.952**	**5.990**	**12.486**	**10.605**
1.1 Debt securities	707	25.939	5.741	7.156	13.749
1.2 Equity securities	18	2.008	249	5.330	(3.553)
1.3 UCITS units	404	5	-	-	409
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**	**(7.104)**
4. Derivative instruments	**224.083**	**166.191**	**224.901**	**162.637**	**11.221**
4.1 Financial derivatives:	224.083	166.191	224.901	162.637	11.221
- On debt securities and interest rates	223.949	109.415	224.729	111.468	(2.833)
- On equity securities and share indices	134	56.698	172	51.084	5.576
- On currencies and gold	X	X	X	X	8.485
- Others	-	78	-	85	(7)
4.2 Credit derivatives	-	-	-	-	-
TOTAL	**225.212**	**194.143**	**230.891**	**175.123**	**14.722**

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

5.1 Net gains/(losses) on hedging activities: breakdown		
Income component / Amount	**Total 31/12/2010**	**Total 31/12/2009**
A. Income from:		
A.1 Fair value hedging derivatives	385	188
A.2 Hedged financial assets (fair value)	-	-
A.3 Hedged financial liabilities (fair value)	-	39
A.4 Cash flow hedging derivatives	-	-
A.5 Assets and liabilities in foreign currencies	-	-
Total income from hedging activities (A)	**385**	**227**
B. Expenses for:		
B.1 Fair value hedging derivatives	374	261
B.2 Hedged financial assets (fair value)	-	-
B.3 Hedged financial liabilities (fair value)	8	-
B.4 Cash flow hedging derivatives	-	-
B.5 Assets and liabilities in foreign currencies	-	-
Total expenses for hedging activities (B)	**382**	**261**
C. Net gains/ (losses) on hedging activities (A-B)	**3**	**(34)**

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

6.1 Gains/(Losses) on sale/repurchase: breakdown						
Item / Income component	**Total 31/12/2010**			**Total 31/12/2009**		
	Gains	**Losses**	**Net gains/(losses)**	**Gains**	**Losses**	**Net gains/(losses)**
Financial assets						
1. Due from banks	990	11	979	455	185	270
2. Due from customers	-	15	(15)	896	207	689
3. Financial assets available for sale	3.653	21	3.632	7.985	97	7.888
3.1 Debt securities	-	-	-	-	-	-
3.2 Equity securities	3.653	21	3.632	7.985	97	7.888
3.3 UCITS units	-	-	-	-	-	-
3.4 Loans and advances	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	187	187	-
Total assets	**4.643**	**47**	**4.596**	**9.523**	**676**	**8.847**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Outstanding securities	69	-	69	95	63	32
Total liabilities	**69**	**-**	**69**	**95**	**63**	**32**

With reference to financial assets held for sale, we note that in 2010 partial sales were made of the investments in the London Stock Exchange Group and Visa, and the investments in Pro Mac (the sale of which recorded gains for 0,3 million euro) and within the transaction of transfer of the custodian Bank business unit, Key Client Cards & Solutions (the sale of which recorded gains for 0,1 million euro) were sold off in full. As of 31 December 2009, the same item recorded the effects of the partial sales of interests in London Stock Exchange Group and Visa and the total disposal of interests in Mastercard and Centrale dei Bilanci.

Section 8 - Net value adjustments for impairment - Item 130

8.1 Net value adjustments for impairment of loans: breakdown

Transaction/ Income component	Writedowns (1)			Writebacks (2)				Total 31/12/2010 (1)-(2)	Total 31/12/2009 (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	**-**	**335**	**-**	**1**	**168**	**-**	**19**	**147**	**402**
- Loans and advances	-	335	-	1	168	-	19	147	402
- Debt securities	-	-	-	-	-	-	-	-	-
C. Total	**-**	**335**	**-**	**1**	**168**	**-**	**19**	**147**	**402**

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

Transaction/Income component	Writedowns (1)		Writebacks (2)		Total 31/12/2010 (1)-(2)	Total 31/12/2009 (1)-(2)
	Specific		Specific			
	Write-offs	Others	From interest	Other writebacks		
A. Debt securities	-	-	-	-	-	-
B. Equity securities	-	293	X	X	293	1.816
C. UCITS units	-	-	X	-	-	-
D. Loans and advances to banks	-	-	-	-	-	-
E. Loans and advances to customers	-	-	-	-	-	-
F. Total	**-**	**293**	**-**	**-**	**293**	**1.816**

The item shows the impact of the impairment on some minority interests. In particular, the financial year saw the impairment of investments in Carta Lis (for an amount of 279 thousand euro) and SACE (for 15 thousand euro). Last financial year instead saw the impairment of investments in Intesa Sanpaolo (for an amount of 1,3 million euro) and Cartalis (for 0,5 million euro).

8.4 Net writedowns for impairment of other financial transactions: breakdown

Transaction / Income component	Writedowns (1)			Writebacks (2)				Total 31/12/2010 (1)-(2)	Total 31/12/2009 (1)-(2)
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Others		From interest	Other writebacks	From interest	Other writebacks		
A. Sureties issued	-	-	-	-	-	-	34	(34)	36
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	-	-	-	-	-	-	-	-
D. Other transactions	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**34**	**(34)**	**36**

Section 9 - Administrative expenses - Item 150

With reference to personnel expenses and the number of employees, the comparison of the results of the two years must also consider the effects of the company transactions implemented in 2009, which involved substantial changes to the Bank's role and operations. The sale of the business unit to Sella Servizi Bancari and the transfer to Banca Sella of the telephone banking employees (described in full in the annual Report on Operations as of 31 December 2009), in fact took place as from 1 April 2009. As such, the figures relating to the previous year have only partially been affected.

9.1 Personnel expenses: breakdown

Type of expense/Amount	Total 31/12/2010	Total 31/12/2009
1) Employees	24.903	36.324
a) Wages and Salaries	17.974	26.000
b) Social security contributions	4.505	6.952
c) Severance indemnities	678	871
d) Pension expenses	-	-
e) Provision for employees' severance indemnities	112	342
f) Provision for pension funds and similar:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) Payments into external supplementary pension funds:	749	924
- defined contribution	749	924
- defined benefit	-	-
h) Costs deriving from share-based payment agreements	-	-
i) Other employee benefits	885	1.235
2) Other working personnel	253	668
3) Directors and statutory auditors	1.811	2.387
4) Non-working personnel	-	-
5) Expenses recovered for employees seconded to other companies	(2.913)	(3.588)
6) Expenses rerefunded for third parties' employees seconded to the company	2.198	3.078
Total	**26.252**	**38.869**

In compliance with the indications provided by the Bank of Italy with communication of 21 February 2011, some expenses previously included amongst "Other administrative expenses" were reclassified to personnel costs, to the sub-item "Other employee benefits". The period of comparison was adapted accordingly for an amount of 883 thousand euro.

For more details on the sub-item of allocation of these reclassifications, refer to table "9.4 Other employee benefits" of the Explanatory Notes, Section C - Income statement.

9.2 Average number of employees per category		
	Total 31/12/2010	**Total 31/12/2009**
Employees:	300	481
- Executives	27	22
- Middle management	100	126
- Remaining employees	173	333
Other personnel	4	8
Total	**304**	**489**

9.4 Other employee benefits		
	Total 31/12/2010	**Total 31/12/2009**
Costs relating to staff exits	14	-
Benefits for employees' children	24	60
Benefits in kind	62	61
Insurance policies stipulated in favour of employees	223	227
Professional employee update courses	269	436
Travel costs	213	145
Others	80	306
Total	**885**	**1.235**

In compliance with the indications provided by the Bank of Italy with communication of 21 February 2011, some expenses previously included amongst "Other administrative expenses" were reclassified to personnel costs, to the sub-item "Other employee benefits". The period of comparison was adapted accordingly.

9.5 Other administrative expenses: breakdown

Type of expense /Segments	Total 31/12/2010	Total 31/12/2009
Legal and notarial expenses	1.412	1.310
IT assistance and sundry advice	9.016	7.656
Printing and stationery	61	217
Leasing of electronic machines and software licences	1.390	1.134
Sundry rentals and expenses for services provided by third parties	26.330	26.266
Fees for data transmission	577	724
Postal and telegraphic expenses	1.932	1.878
Telephone charges	228	215
Transport expenses	299	422
Cleaning of premises	154	107
Surveillance and escort of valuables	334	333
Electricity and heating	783	1.056
Rent of premises	1.115	563
Sundry insurance policies	176	184
Advertising and promotion	42	84
Entertainment expenses	238	108
Donations	29	34
Membership fees	471	694
Subscriptions and books	83	82
Information and inspections	245	410
Travelling expenses	181	238
Expenses for interbank network service	380	425
Expenses for web site	1	9
Others	557	543
Maintenance and repair expenses	**1.472**	**4.094**
- Properties owned	65	96
- Properties rented	1	5
- Movables	377	795
- Hardware and software	1.029	3.198
Indirect taxes and duties	**1.189**	**1.287**
- Stamp duty	796	779
- Local property tax	275	293
- Other indirect taxes and duties	118	215
Total	**48.695**	**50.073**

In compliance with the indications provided by the Bank of Italy with communication of 21 February 2011, some expenses previously included amongst “Other administrative expenses” were reclassified to personnel costs, to the sub-item “Other employee benefits”. The period of comparison was adapted accordingly for an amount of 883 thousand euro.
For more details on the sub-item of allocation of these reclassifications, refer to table "9.4 Other employee benefits" of the Explanatory Notes, Section C - Income statement.

In accordance with art. 2427, paragraph 16-*bis* of the Italian Civil Code, the information required in relation to fees paid to the independent auditing firm are disclosed in the Explanatory Notes to the Consolidated financial statements of the Banca Sella Group.

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

10.1 Net provisions for risks and charges: breakdown	Balances 31/12/2010	Balances 31/12/2009
Provisions for risks for lawsuits brought	310	116
Provisions for customer complaints	317	359
Provisions for operational risks	325	512
Provisions for employee disloyalty	4	70
Provisions for personnel	15	198
Other provisions	-	74
Reattributions to Income Statement relating to revocatory provisions	-	(30)
Reattributions to Income Statement relating to provisions for risks for lawsuits brought	(178)	(2)
Reattributions to Income Statement relating to provisions for customer complaints	(130)	(194)
Reattributions to Income Statement relating to provisions for personnel	-	(1)
Reattributions to Income Statement relating to other provisions	(17)	(15)
Total	**646**	**1.087**

Section 11 - Net value adjustments of tangible assets - Item 170

11.1 Net value adjustments of tangible assets: breakdown

Asset/Income components	Amortization (a)	Writedowns for impairment (b)	Writebacks (c)	Net adjustment (a+b-c)
A. Tangible assets				
A.1 Owned	2.171	-	-	2.171
- for business purposes	2.119	-	-	2.119
- for investment	52	-	-	52
A.2 Acquired in financial leasing	-	-	-	-
- for business purposes	-	-	-	-
- for investment	-	-	-	-
Total	**2.171**	**-**	**-**	**2.171**

With regards to the method by which impairment is determined, please refer to that explained in Part A - Accounting Policies of these Explanatory Notes.

Section 12 - Net value adjustments of intangible assets - Item 180

12.1 Net value adjustments of intangible assets: breakdown

Asset/ Income component	Amortization (a)	Writedowns for impairment (b)	Writebacks (c)	Net adjustments (a+b-c)
A. Intangible assets				
A.1 Owned	1.482	-	-	1.482
- Generated internally by the company	-	-	-	-
- Others	1.482	-	-	1.482
A.2 Acquired in financial leasing	-	-	-	-
Total	**1.482**	**-**	**-**	**1.482**

Section 13 - Other operating expenses and income - Item 190

Other operating expenses and income

	31/12/2010	31/12/2009
Total other operating expenses	1.926	2.150
Total other operating income	14.072	25.700
Other operating expenses and income	**12.146**	**23.550**

Other operating income/expense represents a residual item comprising income and expenses of various natures that cannot be assigned to the other items of the income statement.

13.1 Other operating expenses: breakdown

	Total 31/12/2010	Total 31/12/2009
Amortization of expenses for improvements on third party assets	22	11
Losses related to operational risks	1.699	1.043
Refunds of interest on collection and payment transactions	48	221
Penalties payable for contract defaults	6	97
Others	151	778
Total	**1.926**	**2.150**

13.2 Other operating income: breakdown	Total 31/12/2010	Total 31/12/2009
Rents and instalments receivable	1.704	1.766
Charges to third parties and refunds received:	447	209
- taxes recovered	447	204
- insurance premiums and refunds	-	5
Income from software services	1.596	8.493
Recoveries of interest on collection and payment transactions	489	515
POS fee income	764	-
Administrative services rendered to third parties	1.087	9.865
Penalties receivable for contract defaults	13	21
Expenses recovered for services rendered in relation to credit recovery	557	438
Other income	7.415	4.393
Total	**14.072**	**25.700**

The “Other income” item includes income from the transfer of the Custodian Bank business unit to ICBPI (Istituto Centrale delle Banche Popolari Italiane) for an amount of 6,1 million euro. For further information on the transaction please refer to the “Custodian Bank” chapter in the Report on Operations.

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

14.1 Gains/(losses) on equity investments: breakdown

Income components/Amount	Total 31/12/2010	Total 31/12/2009
A. Income	-	8
1. Revaluations	-	-
2. Gains on sales	-	-
3. Writebacks	-	-
4. Other incomes	-	8
B. Expenses	14.136	9.163
1. Devaluations	14.136	9.072
2. Impairment losses	-	-
3. Losses on sales	-	91
4. Other expenses	-	-
Net gains/(losses)	**(14.136)**	**(9.155)**

The item includes the impact of the impairment of investments in Banca Sella Nordest Bovio Calderari, Selgest, Sella Bank Luxembourg (from 1 July 2010 Miret) and Agata. For further information on the impairment test on minority interests, please refer to the Notes to the Accounts, part B – Information on the Balance Sheet – Assets.

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

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

Income component/Amount	Total 31/12/2010	Total 31/12/2009
A. Properties	-	-
- Gains on sales	-	-
- Losses on sales	-	-
B. Other assets	-	3
- Gains on sales	-	6
- Losses on sales	-	3
Net gains/(losses)	**-**	**3**

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

18.1 Income taxes for the period on continuing operations: breakdown

Component/Amount	Total 31/12/2010	Total 31/12/2009
1. Current taxes (-)	2.160	4.343
2. Change in current taxes of previous years (+/-)	(611)	(1.485)
3. Reduction of current taxes for the year (+)	(126)	(297)
4. Change in prepaid taxes (+/-)	29	302
5. Change in deferred taxes (+/-)	(314)	166
6. Taxes for the period (-) (-1+/-2+3+/-4+/-5)	1.138	3.029

18.2 Reconciliation between theoretical tax burden and actual tax burden in the financial statements			
Description	**Taxable income**	**Rate**	**Income tax**
Profit from continuing operations before taxes	**11.083**		
Nominal rate [(1)]		**32,32%**	**3.582**
Tax-exempt dividends IRES effect	(11.731)	-34,21%	(3.792)
Non-deductible costs	287	0,84%	93
Devaluation of equity investments	14.572	42,49%	4.710
Non-taxed gains on equity investments	(3.201)	-9,33%	(1.035)
Non-taxed capital gains on conferrals	(5.842)	-17,04%	(1.888)
Non-deductible interest expense	588	1,71%	190
IRAP deducted from IRES	(115)	-0,34%	(37)
Lower taxes previous years		-14,18%	(1.572)
Other differences		-1,79%	(199)
Adjusted rate		**0,47%**	**52**
IRAP taxed dividend share	4.827	2,10%	233
Personnel costs non-deductible from IRAP	20.122	8,75%	970
Deferred IRAP tax effect on business conferral	6.149	2,67%	296
Non-deductible IRAP interest expense	518	0,23%	25
Other differences between IRES and IRAP taxable base	3.944	1,72%	190
Effective rate		**15,93%**	**1.766**

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

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

19.1 Gains (losses) on assets held for sale after tax: breakdown		
Income components/ Amount	**Totale 31/12/2010**	**Totale 31/12/2009**
1. Income	-	-
2. Expenses	(5.099)	-
3. Result of valuations of asset group and associated liabilities	-	-
4. Gains (losses) on realization	-	-
5. Taxes and duties	-	-
Gain (loss)	**(5.099)**	**-**

The item Gains/(losses) on asset disposal groups held for sale net of taxes includes the economic effects of impairment of the investment held in Banca Monte Parma. This investment has been included in the category in question as the Board of Directors of Banca Sella Holding has resolved its sale. It is also specified that the forecast sales price is in line and reasonable with respect to the current fair value, that it is highly probable that the transaction will be concluded during 2011 and that there are currently no foreseeable circumstances whereby the sales programme is likely to change.

We note the classification of the investment in Banque BPP and Banca Monte Parma as assets held for sale does not involve impact of an economic nature in addition to the impairment of Banca Monte Parma mentioned beforehand, already envisaged by the impairment testing.
The investment in Banca Monte Parma has been measured on the basis of a comprehensive value of the company of 257,9 million euro, equal to the same value on which the offer received from the Fondazione Monte Parma by Intesa San Paolo was based for the purchase of 51% of the share capital of Banca Monte Parma.
This measurement has yielded a new unit price per share of 92,107 euro, which, multiplied by the percentages of competence of Banca Sella Holding (4,5969%) and compared with the book value, results in an impairment loss of approximately 5,1 million euro.

PART D COMPREHENSIVE INCOME

Detailed statement of comprehensive income

	Voci	Gross amount	Income tax	Net amount
10.	**Net profit/(Loss) for the year**	**X**	**X**	**4.219**
	Other income net of tax			
20.	Financial assets available for sale:	(5.154)	1.049	(4.105)
	a) fair value changes	(4.430)	1.024	(3.406)
	b) reversal to income statement	(724)	25	(699)
	- impairment losses	-	-	-
	- gain/losses from disposal	(724)	25	(699)
	c) other changes	-	-	-
30.	Tangible assets	-	-	-
40.	Intangible assets	-	-	-
50.	Hedges on foreign investments:	-	-	-
	a) fair value changes	-	-	-
	b) reversal to income statement	-	-	-
	c) other changes	-	-	-
60.	Hedges on cash flows:	-	-	-
	a) fair value changes	-	-	-
	b) reversal to income statement	-	-	-
	c) other changes	-	-	-
70.	Foreign exchange differences:	-	-	-
	a) fair value changes	-	-	-
	b) reversal to income statement	-	-	-
	c) other changes	-	-	-
80.	Non-current assets held for sale:	-	-	-
	a) fair value changes	-	-	-
	b) reversal to income statement	-	-	-
	c) other changes	-	-	-
90.	Actuarial Gains (Losses) on defined benefit plans	-	-	-
100.	Share of valuation reserves connected with investments carried at equity:	-	-	-
	a) fair value changes	-	-	-
	b) reversal to income statement	-	-	-
	- impairment losses	-	-	-
	- gain/losses from disposal	-	-	-
	c) other changes	-	-	-
110.	**Total other income net of tax**	**(5.154)**	**1.049**	**(4.105)**
120.	**Comprehensive profit (Item 10+110)**	**X**	**X**	**114**

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

In any case, it is considered that the impairment of securities shall be recovered in the coming years. In the analysis of the aggregate trend, in fact, it is important to remember that in 2010, great tension was recorded on the financial markets, caused by an intensification of concern on the sustainability of the public debt of some economies of the euro area (for more information, refer to the chapter entitled "Macroeconomic reference scenario" of the Report on Operations). This has resulted in a depreciation of the assets held in the portfolio in relation to debt securities, particularly due to the fact that the above macroeconomic dynamics also concerned Italy, with a consequent impact on the spread between the Bund and the Italian securities.

As such, also in relation to the Group regulations, which establishes that at least 50% of the portfolio shall be invested in Italian government securities, it has been decided not to sell securities whose listing is temporarily compressed by market contexts.

PART E INFORMATION ON RISKS AND ASSOCIATED HEDGING POLICIES

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

» SECTION 1 - CREDIT RISK

QUALITATIVE INFORMATION

1. General aspects

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

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

Specifically, credit risk control activities are the responsibility of the Risk Management and Controls (Credit Risk Management Unit) of Banca Sella Holding and Credit Quality Control Services of 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

2.1 Aspetti organizzativi

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

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

- Exposures to banking and financial counterparties
  Market operational limits are set by submitting the requests to the relevant deliberative bodies, with previous analysis of the counterparties' credit rating; in 2010, seeing the persistence of difficult macroeconomic conditions, a high level of attention was maintained in this area of operation.
- Financing the Group's companies

Banca Sella Holding plays an important role in the Banca Sella Group for financing subsidiaries, supplying adequate credit lines according to the future use of such grants. The lending activity is mainly addressed to Consel and Biella Leasing.

- Exposure arising from credit cards
  The bank may grant credit by issuing credit cards to individuals who do not have a current account - mainly private customers. Applicants are carefully examined in order to verify their risk profile and their ability to pay back.

2.2 Systems of management, measurement and control

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

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

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

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

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

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

possible of creditworthiness and is assimilable to an "acceptance rating" as it is based on quantitative and qualitative data that do not depend on performance variables. In view of the need to contain the volatility of the enterprise rating, the difference between this rating and the financial statements rating is opportunely limited to no more than one class.

- Overall rating: a combination of the enterprise rating and a behavioural component (data from the Central Credit Register (Centrale rischi) and internal performance information). It is the most detailed assessment possible of the creditworthiness of a customer. Unlike the financial statements rating and the enterprise rating, it can only be calculated on companies which have been customers for at least three months.

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

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

In 2010 work continued on assigning and updating ratings to corporate borrowers, further consolidating the already significant levels of coverage achieved in previous years.

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

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

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

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

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

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

More specifically, the service operates through:

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

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

- Credit Alarm procedure. The procedure is aimed at reporting individual trend anomalies that may concern customer account relationships. This report concerns the anomaly, regardless of a risk class connected with the customer account relationships assessed as a whole. These reports go to the customer manager (branch corporate manager) and to the credit quality service. Depending on the alarms, they may recur daily, weekly or monthly;
- Cadr procedure – Automatic risk classification. With the purpose to improve the management of the most irregular relationships 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. These reports go to the customer manager, the Credit Quality service and the bodies deciding on credit lending both peripheral and central. The value is updated monthly. During the second half of 2010 the process for the review of Cadr calculation policies and the relevant underlying handling process were started. These activities will be completed by the first quarter of 2011;
- ISA – Indice sintetico di anomalia (Synthetic anomaly index). Such index is aimed at identifying the customer account relationship that present greater trend anomalies within the Cadr classes. Report addressees and frequency are the same as those mentioned for the Cadr procedure;
- Tableau de bord. This instrument monitors individual trend variables, with the possibility to divide portfolio reports into different levels.

A particular focus has gone to signs of tension represented by excess of current account overdraft limits and late payment of instalments through the development of IT signalling procedures that are able to guarantee timely intervention. The intervention aims to solve the trend anomaly, seeking the best solution with the customer to allow him to obtain regular reimbursement of the benefit he has enjoyed, at the same time safeguarding the portfolio credit risk.

In December 2010, the organisational analysis stage began for the creation of a team devoted to the positions concerned by restructuring in accordance with art. 67, paragraph 3 and art. 182-*bis* of the Bankruptcy Law. The team has the following objectives:

- to anticipate situations of irreversible customer economic and financial decline;
- to protect the quality of the balance sheet assets;
- to support worthy customers and those with suitable prospects of recovery;
- to develop customised financial solutions;
- to promote agreements with consortia guaranteeing loans, entities, and loan guarantee companies.

The team began operating in January 2011.

2.3 Credit risk mitigation techniques

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

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

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

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

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

- statistical revaluations (known as surveillance) of the value of properties mortgaged for all contracts for which Banca d'Italia Circular note 263/2006 permits recourse to this type of valuation. To this end the bank makes use of a database on property market trends divided by geographical area and type of property acquired from an external supplier;

- checks on the general and specific admissibility of all credit risk mitigation tools. To this end a special software procedure has been developed which, for each guarantee, certifies compliance with the general and specific admissibility requisites at each date of calculation of capital requirements.

With specific reference to personal guarantees, the specific admission requirements for guarantors are quite strict and, substantially, they exclusively recognise guarantees issued by sovereign states, public bodies, multilateral development banks, supervised brokers and companies with good credit rating for the purposes of capital requirement mitigation against credit risk. With the belief that the personal guarantees issued by entities that do not fall within the standard list may as well provide effective credit risk mitigation for management purposes, it shall be common practice to also accept natural persons or companies without external rating as guarantors, if necessary.

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

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

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

2.4 Impaired financial assets

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

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

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

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

The forecast of recoverability of the credit takes account of:

- the amount of the recovery value as the sum of the expected cash flows estimated on the basis of the types of guarantees given and/or acquirable, their estimated realization value, the costs to be sustained and the debtor's desire to pay;
- recovery times estimated on the basis of the types of guarantees, the in-court or out-of-court liquidation methods for the guarantees, bankruptcy proceedings and the geographical area to which the loan belongs;
- discounting rates: for all credits measured at the amortized cost the original effective rate of return is used, whereas for revocable credit lines the interest rate considered is that at the moment of default;
- at the first implementation of IASs, as regards analytical assessments and the definition of the effective interest rate – seeing the objective impossibility to retrieve original rates from impaired loan accounts as no electronic format was available – the Banca Sella Group decided to i) use the nominal rate applied at 31 December 2004 in the bank records, relatively to the individual default account: depending on the case, such rate may correspond to the rate adopted at the default, the rate deducible at the injunction or the one agreed upon with the customer with a repaiment plan; however, such rates have been reduced to the rate usury limit at 31 December 2004; ii) adopt, for all accounts with a zero rate at 31 December 2004, the last rate applied to the account before the zeroing, if available; when this information is not available, the legal rate is adopted.

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

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

For the purpose of providing quantity information on credit quality, the term “credit exposure” is used excluding capital securities and units of UCITs, whilst the term "exposure" includes these elements.

A.1 Credit exposure: amounts, value adjustments, trend, economic and geographical distribution

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

Portfolio/ Quality	Non-performing exposures	Watchlist exposures	Restructured exposures	Past due exposures	Other assets	Total
1. Financial assets held for trading	-	-	-	-	702.974	702.974
2. Financial assets available for sale	-	-	-	-	187.756	187.756
3. Financial assets held to maturity	-	-	-	-	80.034	80.034
4. Due from banks	-	-	-	-	951.382	951.382
5. Due from customers	-	50	-	-	901.799	901.849
6. Financial assets at fair value through profit or loss	-	-	-	-	-	-
7. Financial assets held for sale	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	487	487
Total 31/12/2010	**-**	**50**	**-**	**-**	**2.824.432**	**2.824.482**
Total 31/12/2009	**56**	**33**	**-**	**-**	**4.037.803**	**4.037.892**

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

Portfolio/quality	Impaired assets			Performing assets			Total (net exposure)
	Gross exposure	Specific adjustments	Net exposure	Gross exposure	Specific adjustments	Net exposure	
1. Financial assets held for trading	-	-	-	702.974	-	702.974	702.974
2. Financial assets available for sale	-	-	-	187.756	-	187.756	187.756
3. Financial assets held to maturity	-	-	-	80.034	-	80.034	80.034
4. Due from banks	-	-	-	951.382	-	951.382	951.382
5. Due from customers	299	249	50	902.038	239	901.799	901.849
6. Financial assets at fair value through profit or loss	-	-	-	-	-	-	-
7. Financial assets held for sale	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	487	-	487	487
Total 31/12/2010	**299**	**249**	**50**	**2.824.671**	**239**	**2.824.432**	**2.824.482**
Total 31/12/2009	**3.694**	**3.605**	**89**	**4.038.061**	**258**	**4.037.803**	**4.037.892**

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

Exposure type/amount	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. CASH EXPOSURES				
a) Non-performing exposures	-	-	X	-
b) Watchlist exposures	-	-	X	-
c) Restructured exposures	-	-	X	-
d) Past due exposures	-	-	X	-
e) Other assets	1.334.266	X	-	1.334.266
TOTAL A	**1.334.266**	**-**	**-**	**1.334.266**
B. OFF BALANCE SHEET EXPOSURE				
a) Impaired	-	-	-	-
b) Others	332.258	X	21	332.237
TOTAL B	**332.258**	**-**	**21**	**332.237**
TOTAL A+B	**1.666.524**	**-**	**21**	**1.666.503**

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

Exposure type/Value	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. CASH EXPOSURE				
a) Non-performing exposures	67	67	X	-
b) Watchlist exposures	232	182	X	50
c) Restructured exposures	-	-	X	-
d) Past due exposures	-	-	X	-
e) Other assets	1.362.678	X	239	1.362.439
TOTAL A	**1.362.977**	**249**	**239**	**1.362.489**
B. OFF BALANCE SHEET EXPOSURES				
a) Impaired	-	-	-	-
b) Others	114.345	X	-	114.345
TOTAL B	**114.345**	**-**	**-**	**114.345**

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

Description/Category	Non-performing exposures	Watchlist exposures	Restructured exposures	Past due exposures
A. Initial gross exposure	**3.382**	**312**	**-**	**-**
- of which: exposures sold but not derecognized	-	-	-	-
B. Increases	**287**	**331**	**-**	**-**
B.1 Inflows from performing exposures	-	319	-	-
B.2 Transfers from other categories of impaired exposures	283	-	-	-
B.3 Other increases	4	12	-	-
C. Decreases	**3.603**	**411**	**-**	**-**
C.1 Outflows to performing exposures	-	1	-	-
C.2 Write-offs	3.527	-	-	-
C.3 Collections	76	127	-	-
C.4 Realizations through sales	-	-	-	-
C.5 Transfers to other categories of impaired exposures	-	283	-	-
C.6 Other decreases	-	-	-	-
D. Final gross exposure	**66**	**232**	**-**	**-**
- of which: exposures sold but not derecognized	-	-	-	-

A.1.8 Cash credit exposures to customers: trend in total value adjustments				
Description/Category	**Non-performing exposures**	**Watchlist exposures**	**Restructured exposures**	**Past due exposures**
A. Initial total adjustments	**3.326**	**279**	**-**	**-**
- of which: exposures sold but not derecognized	-	-	-	-
B. Increases	**327**	**133**	**-**	**-**
B.1 Writedowns	202	133	-	-
B.2 Transfers from other categories of impaired exposures	125	-	-	-
B.3 Other increases	-	-	-	-
C. Decreases	**3.586**	**230**	**-**	**-**
C.1 Writebacks on valuation	1	90	-	-
C.2 Writebacks on collection	58	15	-	-
C.3 Write-offs	3.527	-	-	-
C.4 Transfers to other categories of impaired exposures	-	125	-	-
C.5 Other decreases	-	-	-	-
D. Final total adjustments	**67**	**182**	**-**	**-**
- of which: exposures sold but not derecognized	-	-	-	-

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

A.2.1 Distribution of cash and off balance sheet exposures by external rating classes								
Exposures	**External Rating Classes**						**Unrated**	**Total**
	Class 1	**Class 2**	**Class 3**	**Class 4**	**Class 5**	**Class 6**		
A. Cash exposures	**606.999**	**121.425**	**11.668**	**1.216**	**-**	**-**	**1.986.963**	**2.728.271**
B. Derivatives	**-**	**40**	**1**	**13.890**	**3.007**	**303**	**110.487**	**127.728**
B.1 Financial derivatives	-	40	1	13.890	3.007	303	110.487	127.728
B.2 Credit derivatives	-	-	-	-	-	-	-	-
C. Guarantees issued	**-**	**-**	**-**	**-**	**-**	**-**	**(10.178)**	**(10.178)**
D. Commitments to disburse funds	**-**	**-**	**-**	**-**	**-**	**-**	**(266.374)**	**(266.374)**
Total	**606.999**	**121.465**	**11.669**	**15.106**	**3.007**	**303**	**1.820.898**	**2.579.447**

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

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

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

A.3 Distribution of guaranteed exposures by type of guarantee

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

B. CREDIT EXPOSURES DISTRIBUTION AND CONCENTRATION

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

Exposure / Counterparty	Governments and Central Banks			Other public bodies			Financial companies			Insurance companies			Non-financial companies			Other subjects		
	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments
A. Cash exposures																		
A.1 Non-performing exposures	-	-	X	-	-	X	-	-	X	-	-	X	-	(24)	X	-	(43)	X
A.2 Watchlist exposures	-	-	X	-	-	X	-	(1)	X	-	-	X	5	(70)	X	45	(111)	X
A.3 Restructured exposures	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X
A.4 Past due exposures	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X
A.5 Other exposures	418.071	X	-	12	X	-	847.258	X	-	578	X	-	16.614	X	(102)	79.906	X	(137)
Total A	**418.071**	**-**	**-**	**12**	**-**	**-**	**847.258**	**(1)**	**-**	**578**	**-**	**-**	**16.619**	**(94)**	**(102)**	**79.951**	**(154)**	**(137)**
B. "Off balance sheet" exposures																		
B.1 Non-performing	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X
exposures	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X
B.2 Watchlist exposures																		
B.3 Other impaired assets	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X
B.4 Other exposures	-	X	-	-	X	-	114.345	X	-	-	X	-	-	X	-	-	X	-
Total B	**-**	**-**	**-**	**-**	**-**	**-**	**114.345**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 31/12/2010	**418.071**	**-**	**-**	**12**	**-**	**-**	**961.603**	**(1)**	**-**	**578**	**-**	**-**	**16.619**	**(94)**	**(102)**	**79.951**	**(154)**	**(137)**
Total (A+B) 31/12/2009	**468.680**	**-**	**-**	**4**	**-**	**-**	**1.454.446**	**(39)**	**-**	**8.582**	**-**	**-**	**15.683**	**(1.628)**	**(91)**	**152.848**	**(1.938)**	**(167)**

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

Exposure / Geographical area	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. Cash exposures										
A.1 Non-performing exposures	-	(67)	-	-	-	-	-	-	-	-
A.2 Watchlist exposures	50	(182)	-	-	-	-	-	-	-	-
A.3 Restructured exposures	-	-	-	-	-	-	-	-	-	-
A.4 Past due exposures	-	-	-	-	-	-	-	-	-	-
A.5 Other transactions	1.321.311	(238)	39.198	-	826	(1)	986	-	118	-
TOTAL A	**1.321.361**	**(487)**	**39.198**	**-**	**826**	**(1)**	**986**	**-**	**118**	**-**
B. Off balance sheet exposures										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Watchlist exposures	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	105.388	-	8.957	-	-	-	-	-	-	-
TOTAL B	**105.388**	**-**	**8.957**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL (A+B) 31/12/2010	**1.426.749**	**(487)**	**48.155**	**-**	**826**	**(1)**	**986**	**-**	**118**	**-**
TOTAL (A+B) 31/12/2009	**2.100.373**	**(3.862)**	**-**	**-**	**-**	**(1)**	**-**	**-**	**-**	**-**

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

Exposure / Geographical area	NORTH WEST		NORTH EAST		CENTER		SOUTH AND ISLANDS	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. Cash exposures								
A.1 Non-performing exposures	-	(13)	-	(9)	-	(16)	-	(29)
A.2 Watchlist exposures	18	(88)	4	(20)	6	(18)	22	(56)
A.3 Restructured exposures	-	-	-	-	-	-	-	-
A.4 Past due exposures	-	-	-	-	-	-	-	-
A.5 Other transactions	859.935	(137)	9.229	(23)	436.812	(35)	15.335	(43)
TOTAL A	**859.953**	**(238)**	**9.233**	**(52)**	**436.818**	**(69)**	**15.357**	**(128)**
B. Off balance sheet exposures								
B.1 Non-performing exposures	-	-	-	-	-	-	-	-
B.2 Watchlist exposures	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-
B.4 Other exposures	105.388	-	-	-	-	-	-	-
TOTAL B	**105.388**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL (A+B) 31/12/2010	**965.341**	**(238)**	**9.233**	**(52)**	**436.818**	**(69)**	**15.357**	**(128)**
TOTAL (A+B) 31/12/2009	**1.581.307**	**(1.122)**	**14.393**	**(706)**	**489.923**	**(987)**	**14.750**	**(1.047)**

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

Exposure / Geographical area	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. Cash exposures										
A.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
A.2 Watchlist exposures	-	-	-	-	-	-	-	-	-	-
A.3 Restructured exposures	-	-	-	-	-	-	-	-	-	-
A.4 Past due exposures	-	-	-	-	-	-	-	-	-	-
A.5 Other transactions	1.057.748	-	273.755	-	2.275	-	320	-	168	-
TOTAL A	**1.057.748**	**-**	**273.755**	**-**	**2.275**	**-**	**320**	**-**	**168**	**-**
B. Off balance sheet exposures										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Watchlist exposures	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	204.078	-	127.961	(21)	198	-	-	-	-	-
TOTAL B	**204.078**	**-**	**127.961**	**(21)**	**198**	**-**	**-**	**-**	**-**	**-**
TOTAL (A+B) 31/12/2010	**1.261.826**	**-**	**401.716**	**(21)**	**2.473**	**-**	**320**	**-**	**168**	**-**
TOTAL (A+B) 31/12/2009	**2.000.496**	**(55)**	**250.752**	**-**	**1.033**	**-**	**610**	**-**	**45**	**-**

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

Exposure / Geographical area	NORTH WEST		NORTH EAST		CENTER		SOUTH AND ISLANDS	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. Cash exposures								
A.1 Non-performing exposures	-	-	-	-	-	-	-	-
A.2 Watchlist exposures	-	-	-	-	-	-	-	-
A.3 Restructured exposures	-	-	-	-	-	-	-	-
A.4 Past due exposures	-	-	-	-	-	-	-	-
A.5 Other transactions	816.822	-	110.536	-	54.749	-	75.641	-
TOTAL A	**816.822**	**-**	**110.536**	**-**	**54.749**	**-**	**75.641**	**-**
B. Off balance sheet exposures								
B.1 Non-performing exposures	-	-	-	-	-	-	-	-
B.2 Watchlist exposures	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-
B.4 Other exposures	207.034	-	1.904	-	899	-	23.347	-
TOTAL B	**207.034**	**-**	**1.904**	**-**	**899**	**-**	**23.347**	**-**
TOTAL (A+B) 31/12/2010	**1.023.856**	**-**	**112.440**	**-**	**55.648**	**-**	**98.988**	**-**
TOTAL (A+B) 31/12/2009	**1.652.061**	**(55)**	**109.614**	**-**	**162.516**	**-**	**76.306**	**-**

B.4 Large risks

Number	Book value	Weighted value
4	3.511.774	137.578

Please note that within book value are included government securities for an amount of 395.505 thousand euros and intercompany exposures for an amount of 2.836.204 thousand euros weighted at 0%.

C. SECURITIZATION TRANSACTIONS AND ASSET TRANSFERS

C.1 Securization transactions

QUALITATIVE INFORMATION

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

- ABSs issued by Italian companies (Società di Cartolarizzazione Italiana Crediti ARL and Società Cartolarizzazione Crediti INPS) have been held in the Banca Sella Holding portfolio since 2004 and gradually reduced. The total countervalue is 0,471 million euro representing about 0,02% 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, Great Britain). The total held at 31 December 2010 amounted to a countervalue of 2,868 million euro, thus representing a residual part of the whole portfolio, about 0,14%.

QUANTITATIVE INFORMATION

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

Quality of underlying assets/ Exposures	Cash exposures						Guarantees given						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. With own underlying assets																		
a) Impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) With third party underlying assets																		
a) Impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) Others	3.339	3.339	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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

Type of underlying assets/Exposures	Cash exposures						Guarantees given						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks
BUMF - Commercial Mortgage Backed Securities	964	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CAJA -Mutui Residenziali (SPA)	1.318	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CAJA -Mutui Residenziali (SPA)	586	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SCIC - Credito Statale MIUR (ITA)	471	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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

Exposure/ Portfolio	Financial assets held for trading	Financial assets at fair value through profit or loss	Financial assets available for sale	Financial assets held to maturity	Loans & receivables	Total 31/12/2010	Total 31/12/2009
1. Cash exposure							
- " Senior"	471	-	-	-	2.868	**3.339**	**8.761**
- " Mezzanine"	-	-	-	-	-	**-**	**1.904**
- " Junior"	-	-	-	-	-	**-**	**-**
2. Off balance sheet exposures							
- " Senior"	-	-	-	-	-	**-**	**-**
- " Mezzanine"	-	-	-	-	-	**-**	**-**
- " Junior"	-	-	-	-	-	**-**	**-**

C.2 Sale transactions

C.2.2. Financial liabilities against financial assets sold but not derecognized							
Liability/Asset portfolio	Financial assets held for trading	Financial assets at fair value through profit or losso	Financial assets available for sale	Financial assets held to maturity	Due from banks	Due from customers	Total
1. Due to customers							
a) against fully recognized assets	-	-	-	-	-	-	-
b) against partially recognized assets	-	-	-	-	-	-	-
2. Due to banks							
a) against fully recognized assets	-	-	-	-	-	-	-
b) against partially recognized assets	-	-	-	-	-	-	-
3. Outstanding securities							
a) against fully recognized assets	-	-	-	-	-	-	-
b) against partially recognized assets	-	-	-	-	-	-	-
Total 31/12/2010	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total 31/12/2009	**40.101**	**-**	**-**	**-**	**-**	**-**	**40.101**

» SECTION 2 MARKET RISKS

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

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

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

2.1 INTEREST RATE RISK AND PRICE RISK – REGULATORY TRADING BOOK

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

QUALITATIVE INFORMATION

A. General aspects

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

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

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

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

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

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

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

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

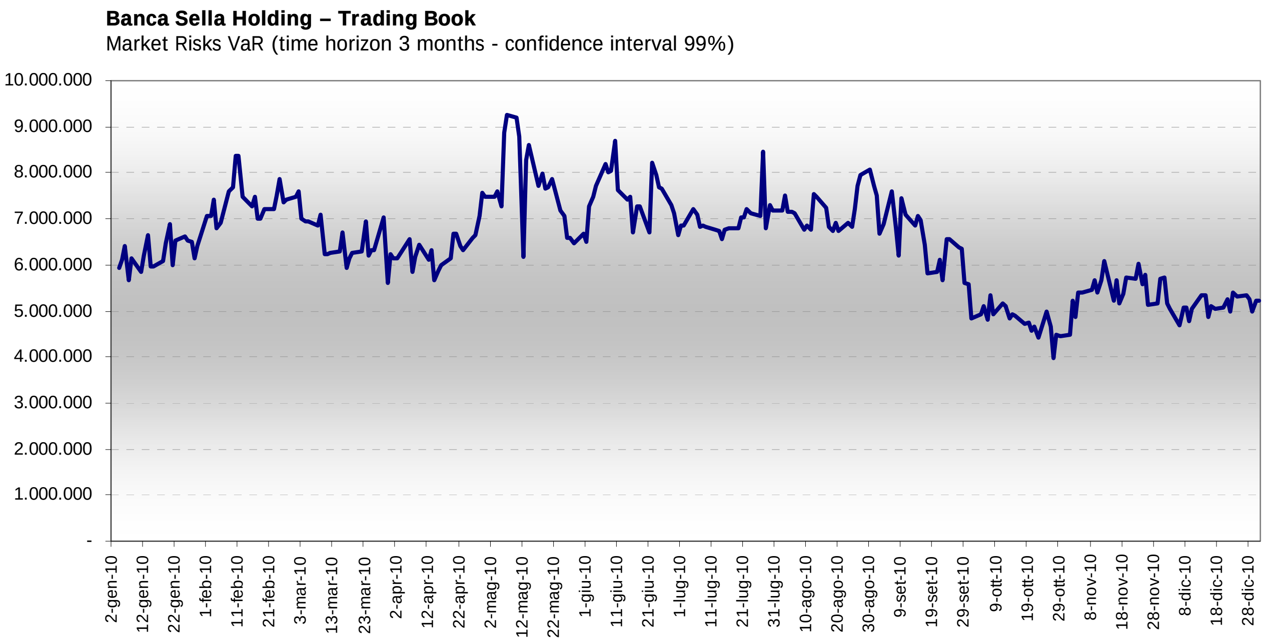
For prudential purposes, in measuring the rate risk and price risk concerning the regulatory trading portfolio, the Banca Sella Group applies the "standardised" approach defined in Bank of Italy Circular no. 263/2006. It follows that the capital absorption against the market risk consists of the sum of capital requirements to cover the individual risks that make up market risk on the basis of the so-called "building-block approach".

For management purposes, the trading book market risk is measured and monitored on the basis of the VaR (value at risk), which is basically assessed according to the historical simulation approach. VaR measures the maximum potential loss which, within a certain confidence interval, may occur if a certain portfolio is held with positions unchanged for a certain period of time. Historical simulation involves daily revaluation of position on the basis of the market price trends over an appropriate time interval. The empirical distribution of gains/losses that results is analysed to determine the effect of extreme market swings on the portfolios. The percentile distribution corresponding to the confidence interval set gives the *VaR*.

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

The average duration of the Banca Sella Holding trading book is equal to 0,42 years while sensitivity, estimated on a parallel movement of +100 basis points in the yield curve, is approximately 2,67 million euro (about 0,42% of the portfolio).

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



Risk Management also controls trading operations on own account.

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

VaR Decomposition - Banca Sella Holding at 31.12.10

Trading Book - Finance Area

Holding period 10 days, confidence range 99%

Amounts at		31-dec-10			31-dec-09		
		Average VaR	Minimum VaR	Maximum VaR	Average VaR	Minimum VaR	Maximum VaR
Risk Type							
Fixed Income	€	385.200	43.950	1.508.568	317.409	6.385	1.271.321
Foreign Exchange	€	18.498	714	152.149	6.904	418	60.817
Equities	€	143.554	7.217	488.763	341.332	38.743	780.257
Equitiy Derivatives	€	67.384	6.350	489.854	41.761	2.372	242.834
Derivatives OTC	€	686	580	1.097	2.003	933	4.964
Treasury	€	59.678	5.936	124.930	37.294	4.182	102.976
Total VaR[(b)]	€	**675.001**	**64.747**	**2.765.362**	**746.703**	**53.033**	**2.463.168**

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

QUANTITATIVE INFORMATION

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

It is not regarded as necessary to fill in the Table as the overall exposure to equity secuities and stock exchange indexes, equal to 0,72% (4,3 million euro) of the Banca Sella Holding regulatory trading books, is concentrated on domestic securities only.

2.2 INTEREST RATE AND PRICE RISKS – BANKING BOOK

QUALITATIVE INFORMATION

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

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

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

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

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

The rate risk is measured using owned models for the processing of items with undefined contractual due dates (on demand items). For all other items of the assets and liabilities, the rules set out in the Bank of Italy Circular no. 263/2006. The inspection is carried out taking into consideration all balance-sheet and off-balance-sheet positions, as regards interest-bearing assets and liabilities.

As from 31.12.2010, monitoring has been carried out in accordance with the provisions of the VI update of Circular 263/2006, maintaining the application of the internal model only for retail current account expenses. To calculate the internal capital, parallel shifts are hypothesised to the rate curve, respectively of +200 basis points (rise) and -100 basis points (lowering, compatible with the constraint of a non-negativity of rates).

The sensitivity analysis figures at 31 December 2010 show a low risk for the banking book (see the table below for total and percentage impact on the economic value).

Shift	Total Sensitivity	Regulatory capital(*)	Sensitivity %
+200 bps / -100 bps	11,3	645,2	1,8%

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

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

B. Fair value hedging activities

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

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

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

C. Cash flow hedging activities

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

D. Foreign investment hedging activities

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

2.3 EXCHANGE RATE RISK

QUALITATIVE INFORMATION

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

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

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

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

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

B. Exchange rate risk hedging activities

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

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

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

QUANTITATIVE INFORMATION

1. Distribution by currency of denomination of assets, liabilities and derivatives						
Item	Curriecies					
	US Dollar	Swiss Franc	British pound	Japanese Yen	Australian dollar	Other currencies
A. Financial assets	**21.869**	**29.143**	**5.555**	**13.846**	**4.746**	**12.142**
A.1 Debt securities	9	-	-	-	4	-
A.2 Equity securities	1.472	1	4.171	-	-	-
A.3 Loans and advances to bank	20.387	29.142	1.384	13.846	4.742	12.142
A.4 Loans and advances to custo	1	-	-	-	-	-
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**4.977**	**324**	**282**	**570**	**330**	**716**
C. Financial liabilities	**202.525**	**27.692**	**10.111**	**1.146**	**1.097**	**8.634**
C.1 Due to banks	201.275	27.628	10.101	1.072	1.081	8.493
C.2 Due to customers	1.250	64	10	74	16	141
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**8.920**	**1.416**	**4.165**	**2.768**	**896**	**5.535**
E. Financial derivatives	**180.986**	**(661)**	**12.377**	**(10.996)**	**(3.593)**	**606**
- Options	6	53	-	-	-	-
+ Long positions	36.383	4.656	902	2.609	255	-
+ Short positions	36.377	4.603	902	2.609	255	-
- Others	180.980	(714)	12.377	(10.996)	(3.593)	606
+ Long positions	345.218	21.560	30.432	5.194	3.070	18.664
+ Short positions	164.238	22.274	18.055	16.190	6.663	18.058
Total assets	**408.447**	**55.683**	**37.171**	**22.219**	**8.401**	**31.522**
Total liabilities	**412.060**	**55.985**	**33.233**	**22.713**	**8.911**	**32.227**
Imbalance (+/-)	**(3.613)**	**(302)**	**3.938**	**(494)**	**(510)**	**(705)**

2.4 DERIVATIVE INSTRUMENTS

The 1st amendment of 18 November 2009 to circular letter 262/2005 issued by the Banca d'Italia requires that the derivative tables do not include spot exchange rates and securities.

A. Financial derivatives

A.1 Regulatory trading book: notional end-of-period and average amounts				
Ulderlying assets/Type of derivatives	**Total 31/12/2010**		**Total 31/12/2009**	
	Over the counter	**Central counterparts**	**Over the counter**	**Central counterparts**
1. Debt securities and interest rates	5.741.373	68.100	5.444.044	127.700
a) Options	841.210	-	554.890	-
b) Swap	4.900.163	-	4.889.154	-
c) Forward	-	-	-	-
d) Futures	-	68.100	-	127.700
e) Others	-	-	-	-
2. Equity securities and equity indices	-	88.829	-	135.922
a) Options	-	61.499	-	133.452
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	27.330	-	2.470
e) Others	-	-	-	-
3. Currencies and gold	800.641	2.283	459.922	-
a) Options	225.235	2.283	109.503	-
b) Swap	311.721	-	201.638	-
c) Forward	263.685	-	103.668	-
d) Futures	-	-	-	-
e) Others	-	-	45.113	-
4. Goods	-	-	-	-
5. Other underlying assets	-	-	-	-
Total	**6.542.014**	**159.212**	**5.903.966**	**263.622**
Average amounts	**6.222.989**	**211.417**	**5.686.690**	**208.821**

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

A.2.1 For heging

Ulderlying assets/Type of derivatives	Total 31/12/2010		Total 31/12/2009	
	Over the counter	Central counterparts	*Over the counter*	Central counterparts
1. Debt securities and interest rates	5.642	-	11.642	-
a) Options	-	-	-	-
b) Swap	5.642	-	11.642	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
2. Equity securities and equity indices	-	-	-	-
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
3. Currencies and gold	-	-	-	-
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Goods	-	-	-	-
5. Other underlying assets	-	-	-	-
Total	**5.642**	**-**	**11.642**	**-**
Average amounts	**8.642**	**-**	**15.475**	**-**

A.2.2 Other derivatives				
Ulderlying assets/Type of derivatives	Total 31/12/2010		Total 31/12/2009	
	Over the counter	Central counterparts	Over the counter	Central counterparts
1. Debt securities and interest rates	-	-	-	-
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
2. Equity securities and equity indices	-	-	-	-
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
3. Currencies and gold	26.709	-	44.834	-
a) Options	26.709	-	44.834	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Goods	-	-	-	-
5. Other underlying assets	-	-	-	-
Total	**26.709**	**-**	**44.834**	**-**
Average amounts	**35.772**	**-**	**26.304**	**-**

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

Portfolios/Type of derivatives	Positive fair value			
	Total 31/12/2010		Total 31/12/2009	
	Over the counter	Central counterparts	Over the counter	Central counterparts
A. Regulatory trading book	125.809	1.366	108.839	3.529
a) Options	14.360	1.366	5.904	3.529
b) Interest rate swap	108.502	-	98.336	-
c) Cross currency swap	263	-	2.860	-
d) Equity swap	-	-	-	-
e) Forward	1.943	-	1.147	-
f) Futures	-	-	-	-
g) Others	741	-	592	-
B. Banking book - hedging	487	-	259	-
a) Options	-	-	-	-
b) Interest rate swap	487	-	259	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
C. Banking book - other derivatives	66	-	165	-
a) Options	66	-	165	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
Total	**126.362**	**1.366**	**109.263**	**3.529**

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

Portfolios/Type of derivatives	Negative fair value			
	Total 31/12/2010		Total 31/12/2009	
	Over the counter	Central counterparts	Over the counter	Central counterparts
A. Regulatory trading book	131.574	1.260	105.954	3.606
a) Options	14.358	1.260	5.910	3.606
b) Interest rate swap	108.715	-	98.308	-
c) Cross currency swap	4.888	-	344	-
d) Equity swap	-	-	-	-
e) Forward	2.677	-	880	-
f) Futures	-	-	-	-
g) Others	936	-	512	-
B. Banking book - hedging	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
C. Banking book - other derivatives	66	-	165	-
a) Options	66	-	165	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
Total	**131.640**	**1.260**	**106.119**	**3.606**

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

Contracts not covered by netting agreements	Governments and central banks	Other public boduies	Banks	Financial companies	Insurance companies	Non financial companies	Oter subjects
1) Debt securities and interest rates	**-**	**-**	**4.934.381**	**1.072.783**	**5.459**	**-**	**-**
- notional value	-	-	4.696.208	1.040.165	5.000	-	-
- positive fair value	-	-	102.945	16.526	-	-	-
- negative fair value	-	-	107.280	12.019	384	-	-
- future exposure	-	-	27.948	4.073	75	-	-
2. Equity securities and equity indices	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3. Currencies and gold	**27.037**	**-**	**787.000**	**14.545**	**60**	**-**	**-**
- notional value	27.037	-	759.447	14.097	60	-	-
- positive fair value	-	-	6.219	119	-	-	-
- negative fair value	-	-	11.699	192	-	-	-
- future exposure	-	-	9.635	137	-	-	-
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	**-**	**-**	**6.157**	**-**	**-**	**-**	**-**
- notional value	-	-	5.642	-	-	-	-
- positive fair value	-	-	487	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	28	-	-	-	-
2. Equity securities and equity indices	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3. Currencies and gold	**-**	**-**	**27.491**	**-**	**-**	**-**	**-**
- notional value	-	-	26.709	-	-	-	-
- positive fair value	-	-	66	-	-	-	-
- negative fair value	-	-	66	-	-	-	-
- future exposure	-	-	650	-	-	-	-
4) Other values	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

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

Underlying asset/Residual life	Up to 1 year	From 1 year to 5 years	More than 5 years	Total
A Regulatory trading book				
A.1 Financial derivatives on debt securities and interest rates	1.722.337	1.810.732	2.208.304	5.741.373
A.2 Financial derivatives on equity securities and equity indices	-	-	-	-
A.3 Financial derivatives on exchange rates and gold	799.741	901	-	800.642
A.4 Financial derivatives on other securities	-	-	-	-
B. Banking book				
B.1 Financial derivatives on debt securities and interest rates	-	5.642	-	5.642
B.2 Financial derivatives on equity securities and equity indices	-	-	-	-
B.3 Financial derivatives on exchange rates and gold	26.709	-	-	26.709
B.4 Financial derivatives on other securities	-	-	-	-
Total Dicembre	**2.548.787**	**1.817.275**	**2.208.304**	**6.574.366**
Total Dicembre	**2.392.257**	**1.695.384**	**1.872.799**	**5.960.440**

» SECTION 3 - LIQUIDITY RISK

QUALITATIVE INFORMATION

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

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

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

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

On 16 December 2010, the Basel Committee published the definitive version[2] of the document establishing the new liquidity standards to which the banks must conform over the coming years. The document is entitled "Basel III: International framework for liquidity risk measurement, standards and monitoring" (the "Basel III"). On 13 December 2010, the Bank of Italy made the new provisions on the "Governance and management of the liquidity risk" official, issuing them as Title V, Chapter 2 of Circular 263 setting out "New provisions of prudential supervision for banks" and establishing the coming into force as from 31 December 2010.

The idea of the Basel Committee is to introduce minimum quantity requirements into the national order, comparable with the capital requirements, in relation to the nature and amount of liquid reserves that the bank and financial operators will need to hold[3] with a view to ensuring prudence in the event of possible serious situations of deterioration of their financial profile. The final aim pursued by the Authority is to minimise the risk of operator collapse, ensure that any situations of unbalance remain circumscribed to the individual institute and offset the possibility of a new contagion between the real economy and financial sector. In 2010, the Banca Sella Group was involved in the Quantitative Impact Study aimed at calibrating the quantity coefficients shortly to be introduced. The procedures looking to calculate the indicators envisaged by the new regulations are still being refined.

The new provisions issued on 13 December 2010 by the Bank of Italy on the "Governance and management of the liquidity risk" lead to the implementation in Italy of recent Community regulations[4] and some guidelines approved by the Basel Committee and the Committee of European Banking Supervisors (CEBS)[5].

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

[2] Adjustments are, however, forecast for the rules in question in relation to evidence that shall arise during the "observation" period and until the effective coming into force of the new standards.

[3] As from January 2015.

[4] European Parliament and Council Directive 2009/111/EC of 16 September 2009, amending Directives 2006/48/EC, 2006/49/EC and 2007/64/EC with regards to credit entities related to central organisations, some elements of own funds, major overdrafts, supervisory mechanisms and crisis management

[5] Basel Committee, "Principles for Sound Liquidity Risk Management and Supervision", published in September 2008; CEBS, "Second Part of CEBS's Technical Advice to the European Commission on

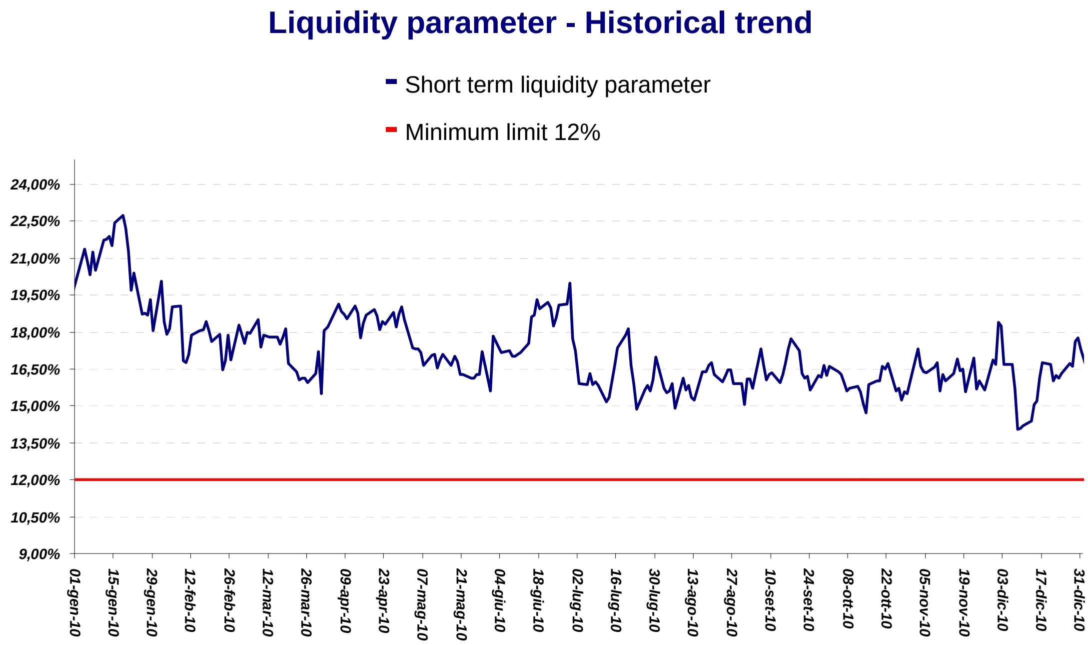
In short, this is the first organic regulation in Italy, of the principle, in relation to the management and control of liquidity risk by credit entities. This regulation is of a complementary nature with respect to Basel III, as it aims – rather than compliance with a few quantitative parameters – to implement articulated organisational steps and internal auditing processes, greatly increasing the responsibility of the corporate bodies in this respect.

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 Controls Service and the ALM Committee. The second level audits of liquidity risk are performed by the Parent Company Risk Management and Controls Service.

The Group Liquidity Policy includes, besides the traditional analysis of short-term liquidity indicators, the constant monitoring of a wide number of indicators focused on the trend of short-term and medium and long-term systemic and specific liquidity.

Below is the trend of the Banca Sella Group short-term liquidity indicator, which provides indications about the ability to fulfil the obligations taken both with retail customers and banks in case of a sudden liquidity strain. The minimum limit of this indicator is prudentially established at 12%; the level of this indicator has always considerably exceeded that threshold during the financial year showing how the liquidity reserves suffice to comply with the commitments made even in stress conditions.

Trend of Gruppo Banca Sella short term liquidity indicator



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

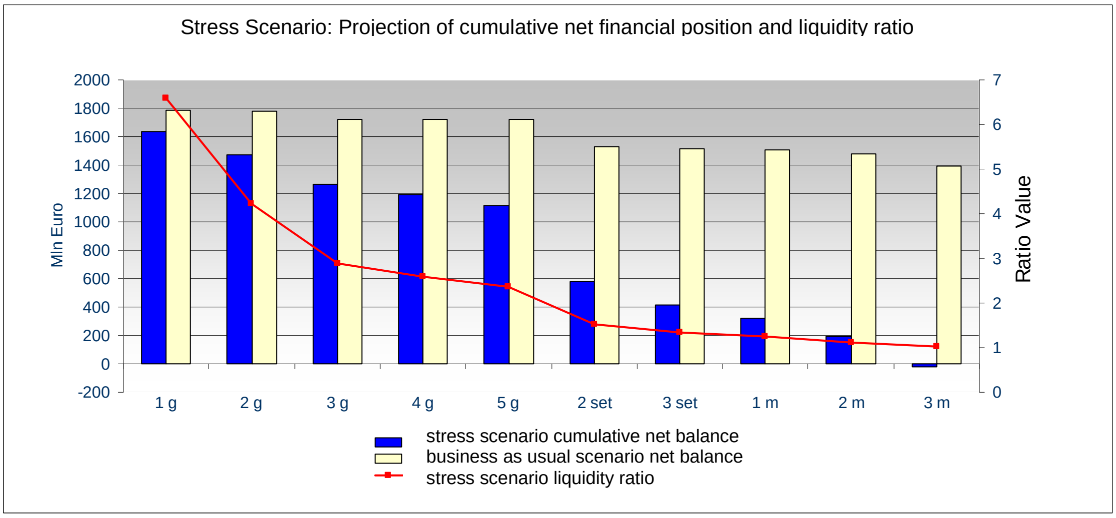
Liquidity Management", of 18 September 2008; CEBS, "Guidelines on Liquidity Buffers & Survival Periods", of 9 December 2009; CEBS, "Guidelines on Liquidity Cost Benefit Allocation", of 27 October 2010.

The approach underlying the stress analysis consists in assessing, through the use of a Maturity Ladder[6], 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.

Stress Scenario: Projection of cumulative net financial position and liquidity ratio (Stress test at 30 December 2010)



The scenario analysis envisaged by the Banca Sella Group is structured from different stress hypotheses, in compliance with the provisions of Bank of Italy Circular no. 263/2006 (New provisions of prudential supervision for banks, Title III, Chapter 1) and consider the onset of events that may alter some items during the various bands comprising the maturity ladder.

The two hypotheses, which are linked to an equal number of occurrence configurations (frequency of onset) and severity (impact on the bank) are:

- acute tension in individual banks that requires extraordinary counter-measures, often linked to interventions lying outside the actual bank;
- systemic crisis, involving the market as a whole.

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

QUANTITATIVE INFORMATION

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

Currency of denomination: Euro

Item /Time band	On demand	More than 1 day to 7 days	More than 7 day to 15 days	More than 15 days to 1 month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year to 5 years	More than 5 years	No fixed term
Cash assets	**304.994**	**63.717**	**246.555**	**77.805**	**179.248**	**159.971**	**327.746**	**1.075.112**	**171.177**	**-**
A.1 Government securities	-	85	2.619	146	46.779	49.313	65.134	149.201	104.794	-
A.2 Other debt securities	-	4.117	241.501	74.201	54.939	58.944	58.399	566.777	66.383	-
A.3 UCITS units	9.766	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	295.228	59.515	2.435	3.458	77.530	51.714	204.213	359.134	-	-
- Banks	139.715	5.202	498	3.458	1.950	5.756	1.032	-	-	-
- Customers	155.513	54.313	1.937	-	75.580	45.958	203.181	359.134	-	-
Cash liabilities	**1.173.952**	**73.082**	**174.815**	**80.934**	**129.163**	**39.318**	**337.691**	**577.853**	**95.154**	**950**
B.1 Deposits and current accounts	1.172.757	73.082	154.497	48.757	98.995	17.933	22.934	-	6.176	-
- Banks	1.072.438	73.082	154.497	48.757	98.995	17.933	22.934	-	6.176	-
- Customers	100.319	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	20.123	30.182	30.168	21.385	314.757	577.853	88.978	-
B.3 Other liabilities	1.195	-	195	1.995	-	-	-	-	-	950
Off balance sheet transactions	**317.955**	**546.505**	**124.473**	**44.917**	**122.273**	**94.943**	**40.020**	**105.003**	**260.399**	**154**
C.1 Financial derivatives with equity swaps	(60.700)	(92.191)	(93.525)	(18.163)	41.291	(17.765)	1.376	52.254	13.369	-
- Long positions	3.700	227.157	15.474	13.377	81.782	38.562	20.663	77.730	136.884	-
- Short positions	64.400	319.348	108.999	31.540	40.491	56.327	19.287	25.476	123.515	-
C.2 Financial derivatives without equity swaps	(92)	-	-	-	-	(54)	(70)	706	-	-
- Long positions	119.892	-	-	-	-	-	-	1.229	-	-
- Short positions	119.984	-	-	-	-	54	70	523	-	-
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	9.979	-	-	-	-	-	-	45	-	154

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	**2.605**	**7.484**	**-**	**4.634**	**2.960**	**2.460**	**252**	**3**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	6	3	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	2.605	7.484	-	4.634	2.960	2.460	246	-	-	-
- Banks	2.604	7.484	-	4.634	2.960	2.460	246	-	-	-
- Customers	1	-	-	-	-	-	-	-	-	-
Cash liabilities	**55.442**	**19.945**	**10.238**	**15.381**	**54.414**	**32.500**	**14.605**	**-**	**-**	**-**
B.1 Deposits and current accounts	55.104	19.945	10.238	15.381	54.414	32.500	14.605	-	-	-
- Banks	54.192	19.945	10.238	15.381	54.414	32.500	14.605	-	-	-
- Customers	912	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	338	-	-	-	-	-	-	-	-	-
Off balance sheet transactions	**1.419**	**202.565**	**116.763**	**32.869**	**98.756**	**59.552**	**29.603**	**236**	**26**	**-**
C.1 Financial derivatives with equity swaps	-	85.222	93.909	14.867	(34.914)	21.768	(2.327)	-	-	-
- Long positions	-	143.710	105.336	23.868	31.921	40.660	13.638	118	13	-
- Short positions	-	58.488	11.427	9.001	66.835	18.892	15.965	118	13	-
C.2 Financial derivatives without equity swaps	(132)	-	-	-	-	-	-	-	-	-
- Long positions	460	-	-	-	-	-	-	-	-	-
- Short positions	592	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable	(367)	367	-	-	-	-	-	-	-	-
- Long positions	-	367	-	-	-	-	-	-	-	-
- Short positions	367	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guaranties issued	-	-	-	-	-	-	-	-	-	-

Currency of denomination: Swiss Franc										
Item/Time band	**On demand**	**More than 1 day to 7 days**	**More than 7 day to 15 days**	**More than 15 days to 1 month**	**More than 1 month to 3 months**	**More than 3 months to 6 months**	**More than 6 months to 1 year**	**More than 1 year to 5 years**	**More than 5 years**	**No fixed term**
Cash assets	**16.011**	**-**	**4.938**	**5.078**	**2.594**	**520**	**-**	**-**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	16.011	-	4.938	5.078	2.594	520	-	-	-	-
- Banks	16.011	-	4.938	5.078	2.594	520	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
Cash liabilities	**219**	**-**	**4.239**	**13**	**16.066**	**6.986**	**170**	**-**	**-**	**-**
B.1 Deposits and current accounts	199	-	4.239	13	16.066	6.986	170	-	-	-
- Banks	155	-	4.239	13	16.066	6.986	170	-	-	-
- Customers	44	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	20	-	-	-	-	-	-	-	-	-
Off balance sheet transactions	**176**	**25.974**	**1.199**	**6.384**	**7.238**	**4.996**	**3.637**	**-**	**-**	**-**
C.1 Financial derivatives with equity swaps	-	(10.620)	(135)	5.690	1.890	(406)	375	-	-	-
- Long positions	-	7.677	532	6.037	4.564	2.295	2.006	-	-	-
- Short positions	-	18.297	667	347	2.674	2.701	1.631	-	-	-
C.2 Financial derivatives without equity swaps	104	-	-	-	-	-	-	-	-	-
- Long positions	140	-	-	-	-	-	-	-	-	-
- Short positions	36	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guaranties issued	-	-	-	-	-	-	-	-	-	-

Currency of denomination: British Pound										
Item / Time band	**On demand**	**More than 1 day to 7 days**	**More than 7 day to 15 days**	**More than 15 days to 1 month**	**More than 1 month to 3 months**	**More than 3 months to 6 months**	**More than 6 months to 1 year**	**More than 1 year to 5 years**	**More than 5 years**	**No fixed term**
Cash assets	**1.314**	**-**	**-**	**-**	**70**	**-**	**-**	**-**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	1.314	-	-	-	70	-	-	-	-	-
- Banks	1.314	-	-	-	70	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
Cash liabilities	**4.001**	**-**	**2.938**	**25**	**2.247**	**50**	**850**	**-**	**-**	**-**
B.1 Deposits and current accounts	3.991	-	2.938	25	2.247	50	850	-	-	-
- Banks	3.991	-	2.938	25	2.247	50	850	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	10	-	-	-	-	-	-	-	-	-
Off balance sheet transactions	**45**	**35.762**	**5.085**	**1.062**	**4.685**	**1.151**	**176**	**-**	**-**	**-**
C.1 Financial derivatives with equity swaps	-	11.150	1.007	(238)	(2.507)	685	138	-	-	-
- Long positions	-	23.456	3.046	412	1.089	918	157	-	-	-
- Short positions	-	12.306	2.039	650	3.596	233	19	-	-	-
C.2 Financial derivatives without equity swaps	(43)	-	-	-	-	-	-	-	-	-
- Long positions	1	-	-	-	-	-	-	-	-	-
- Short positions	44	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guaranties issued	-	-	-	-	-	-	-	-	-	-

Currency of denomination: Japanese Yen										
Item/Time band	**On demand**	**More than 1 day to 7 days**	**More than 7 day to 15 days**	**More than 15 days to 1 month**	**More than 1 month to 3 months**	**More than 3 months to 6 months**	**More than 6 months to 1 year**	**More than 1 year to 5 years**	**More than 5 years**	**No fixed term**
Cash assets	**8.149**	**2.761**	**405**	**2.439**	**92**	**-**	**-**	**-**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	8.149	2.761	405	2.439	92	-	-	-	-	-
- Banks	8.149	2.761	405	2.439	92	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
Cash liabilities	**133**	**1.012**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits and current accounts	60	1.012	-	-	-	-	-	-	-	-
- Banks	60	1.012	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	73	-	-	-	-	-	-	-	-	-
Off balance sheet transactions	**99**	**2.520**	**-**	**-**	**8.847**	**9.765**	**2.208**	**202**	**-**	**-**
C.1 Financial derivatives with equity swaps	-	(2)	-	-	(4.647)	(8.487)	-	-	-	-
- Long positions	-	1.259	-	-	2.100	639	1.104	101	-	-
- Short positions	-	1.261	-	-	6.747	9.126	1.104	101	-	-
C.2 Financial derivatives without equity swaps	27	-	-	-	-	-	-	-	-	-
- Long positions	63	-	-	-	-	-	-	-	-	-
- Short positions	36	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guaranties issued	-	-	-	-	-	-	-	-	-	-

Currency of denomination: Australian Dollar										
Item / Time band	**On demand**	**More than 1 day to 7 days**	**More than 7 day to 15 days**	**More than 15 days to 1 month**	**More than 1 month to 3 months**	**More than 3 months to 6 months**	**More than 6 months to 1 year**	**More than 1 year to 5 years**	**More than 5 years**	**No fixed term**
Cash assets	**4.556**	**-**	**-**	**190**	**-**	**-**	**-**	**-**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	4	-	-	-	-	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	4.556	-	-	186	-	-	-	-	-	-
- Banks	4.556	-	-	186	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
Cash liabilities	**397**	**-**	**-**	**182**	**184**	**16**	**318**	**-**	**-**	**-**
B.1 Deposits and current accounts	381	-	-	182	184	16	318	-	-	-
- Banks	381	-	-	182	184	16	318	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	16	-	-	-	-	-	-	-	-	-
Off balance sheet transactions	**166**	**6.767**	**-**	**72**	**487**	**440**	**-**	**-**	**-**	**-**
C.1 Financial derivatives with equity swaps	-	(2.373)	-	72	(111)	-	-	-	-	-
- Long positions	-	2.197	-	72	188	220	-	-	-	-
- Short positions	-	4.570	-	-	299	220	-	-	-	-
C.2 Financial derivatives without equity swaps	(76)	-	-	-	-	-	-	-	-	-
- Long positions	45	-	-	-	-	-	-	-	-	-
- Short positions	121	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guaranties issued	-	-	-	-	-	-	-	-	-	-

Currency of denomination: other currencies										
Item/Time band	**On demand**	**More than 1 day to 7 days**	**More than 7 day to 15 days**	**More than 15 days to 1 month**	**More than 1 month to 3 months**	**More than 3 months to 6 months**	**More than 6 months to 1 year**	**More than 1 year to 5 years**	**More than 5 years**	**No fixed term**
Cash assets	**6.508**	**162**	**2.072**	**2.911**	**489**	**-**	**-**	**-**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	6.508	162	2.072	2.911	489	-	-	-	-	-
- Banks	6.508	162	2.072	2.911	489	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
Cash liabilities	**4.820**	**1.251**	**2.043**	**119**	**5**	**81**	**316**	**-**	**-**	**-**
B.1 Deposits and current accounts	4.679	1.251	2.043	119	5	81	316	-	-	-
- Banks	4.679	1.251	2.043	119	5	81	316	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	141	-	-	-	-	-	-	-	-	-
Off balance sheet transactions	**139**	**14.434**	**1.761**	**2.290**	**965**	**13.559**	**-**	**164**	**-**	**-**
C.1 Financial derivatives with equity swaps	-	5.292	(1.761)	(1.512)	(495)	(459)	-	-	-	-
- Long positions	-	9.863	-	389	235	6.550	-	82	-	-
- Short positions	-	4.571	1.761	1.901	730	7.009	-	82	-	-
C.2 Financial derivatives without equity swaps	(75)	-	-	-	-	-	-	-	-	-
- Long positions	32	-	-	-	-	-	-	-	-	-
- Short positions	107	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guaranties issued	-	-	-	-	-	-	-	-	-	-

» SECTION 4 - OPERATIONAL RISKS

QUALITATIVE INFORMATION

A. General aspects, management processes and methods for measuring operational risk

Operational risk is the risk of suffering losses deriving from the inadequacy or failure of procedures, human resources and internal systems, or from external events. This type includes, among others, losses deriving from internal/external frauds, human errors, business interruptions, unavailability of systems, contractual non-fulfilment and natural catastrophes. Operational risk includes legal risk, but does not include strategic and reputational risks.

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

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

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

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

- IT applications for the collection of operating losses;
- Risk Self Assessment (RSA) is a qualitative and quantitative analysis for operational risk exposure, whose added value consists of estimating the Group's expected and unexpected losses (quantification of possible risk events both in terms of economic impact and frequency of occurrence) attributed to the various corporate processes mapped and validated at the Group's Company;
- operating risk loss data from external sources (DIPO - Italian Operational Loss Database, joined by the Banca Sella Group)[7].

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.

In 2010, the Banca Sella Group planned and implemented some interventions aimed at further strengthening this process. In particular, it worked to strengthen follow-up activities, which were centralised at a single structure of Sella Servizi Bancari ("Operative Controls"). The follow-up, as we

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

know, consists of verifying that the solutions adopted to remove the events avoid their re-presentation in the future. The concentration of these activities makes it possible to have a single actor for Group services/companies in terms of follow-up, focusing interventions on anomalous events of a relevant degree[8], which are the result of anomalies in terms of poor service, claims, or inspection reports, whether they derive from reports prepared by inspection offices or the compliance department, as well as for all anomalies reported by regulators for any Group companies.

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.

With a view to pursuing the continuous improvement of the Group's capacity to intercept symptoms of process vulnerability in advance and have an immediate perception of the areas most greatly exposed to risks, in 2010 a reorganisation project was initiated involving business processes with an "end-to-end" approach[9]. This project, which is set to continue in 2011 too, involves processes being regrouped into macro-processes and then into macro-classes. An operating risk rating will also be assigned, not only to the individual process but also to the higher levels of regrouping, with a view to providing an overview of the areas of intervention under the scope of the entire process chain and planning action to reduce comprehensive exposure to operating risk.

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

Monitoring of the risk translates also into specific reporting functions at all levels of the corporate organization, in accordance with the legislation which states that timely information must be

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[8] *Each anomaly is classified on the basis of a scale divided into discrete classes of growing risk from 1 to 5.*

[9] *The process is defined as "end-to-end" when it is set up in such a way as to form a "value flow" in complete logic of satisfying the intended purpose of the customer, whether internal or external, starting from the request and running through to delivery of the service.*

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
- the outcome of line audits;
- the trend in service levels;
- the "internal operational risk rating" [10] (R.I.R.O) on the basis of an analysis of some KPIs (Key Performance Indicators) and KRIs (Key Risk Indicators).

This evidence is disclosed, at different levels of details and according to severity, to the managers overseeing risks, the CEOs, appointed committees and corporate bodies.

With regards to the pending legal issues, we would point out that there are no individual disputes of any particularly relevant amount. There are, instead, several cases, particularly concerning investment services, for which the assessment process of the risk of adverse judgement has resulted in the determination of an allocation. In this regard, please refer to "Part B – Information on the liabilities – Section 12 "Provisions for risks and charges".

QUANTITATIVE INFORMATION

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

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

PART F INFORMATION ON CAPITAL

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

» SECTION 1 - CAPITAL

A. QUALITATIVE INFORMATION

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

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

- pay out policies;
- issues of subordinated bonds.

As of 31 December 2010, the excess Regulatory Capital with respect to the compulsory levels is of an amount in line with the risk profile adopted by the Bank, permitting development in keeping with the expected growth targets.

B. QUANTITATIVE INFORMATION

B.1 Consolidated equity: breakdown by type of company

	Total 31/12/2010	Total 31/12/2009
Capital	100.500	100.500
Share premiums	49.414	49.414
Reserves	314.504	293.919
- profit reserves	314.503	293.920
a) legal	28.759	28.759
b) statuory	70.077	60.848
c) treasury shares	-	-
d) others	215.667	204.313
- others	-	-
Equity instruments	-	-
(Treasury shares)	-	-
Valuation reserves:	1.114	5.219
- Financial assets available for sale	1.114	5.219
- Tangible assets	-	-
- Intangible assets	-	-
- Foreign investments hedges	-	-
- Cash flow hedges	-	-
- Exchange rate differences	-	-
- Non current assets held for sale	-	-
- Actuarial profits (losses) on defined benefit pension plans	-	-
- Quote of valuation reserves for minority equity interests accounted with equity method	-	-
- Special revaluation laws	-	-
Profit (loss) for the year (+/-) of the group and of third parties	4.219	23.073
Shareholders' equity	**469.751**	**472.125**

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

Asset/Amount	Total 31/12/2010		Total 31/12/2009	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	-	1.998	-	-
2. Equity securities	3.112	-	5.219	-
3. UCITS units	-	-	-	-
4. Loans and advances	-	-	-	-
Total	**3.112**	**1.998**	**5.219**	**-**

B.3 Valuation reserves of financial assets available for sale: annual changes	Debt securities	Equity securities	UCITS units	Loans and advances
1. Opening balance	**-**	**5.219**	**-**	**-**
2. Increases	**12**	**-**	**-**	**-**
2.1 Increases in fair value	12	-	-	-
2.2 Reversal to income statement of negative reserves	-	-	-	-
- following impairment	-	-	-	-
- following realization	-	-	-	-
2.3 Other changes	-	-	-	-
3. Decreases	**2.010**	**2.107**	**-**	**-**
3.1 Reductions in fair value	2.010	1.408	-	-
3.2 Impairment losses	-	-	-	-
3.3 Reversal to income statement from positive reserves: following realization	-	699	-	-
3.4 Other changes	-	-	-	-
4. Closing balance	**(1.998)**	**3.112**	**-**	**-**

» SECTION 2 - CAPITAL AND ADEQUACY RATIOS

2.1 Regulatory capital

A. QUALITATIVE INFORMATION

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

1. Tier 1 capital

This comprises:

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

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

2. Tier 2 and Tier 3 capital

This comprises:

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

Issuer	Interest rate	Interest type	Issue date	Maturity date	Early redemption from	Currency	Original amount *(euro thousand)*	Contrbiution to regulatory capital *(euro thousand)*
Banca Sella Holding	1,350%	variable	16-sep-02	16-mar-13	No	EURO	50.000	48.282
Banca Sella Holding	1,300%	variable	1-sep-03	1-sep-14	No	EURO	24.612	23.082
Banca Sella Holding	1,500%	variable	15-jul-04	15-jul-15	No	EURO	18.560	18.253
Total hybrid instruments (Upper Tier II)								**89.617**
Banca Sella Holding	1,200%	variable	14-nov-05	14-nov-11	14-nov-07	EURO	4.000	3.998
Banca Sella Holding	1,864%	variable	15-dec-04	15-dec-14	15-dec-10	EURO	40.000	40.000
Banca Sella Holding	1,217%	variable	28-nov-06	28-nov-16	28-nov-12	EURO	50.000	50.000
Banca Sella Holding	1,112%	variable	21-jun-07	21-jun-17	21-jun-13	EURO	10.000	9.500
Banca Sella Holding	1,020%	variable	06-jun-08	06-jun-14	06-jun-10	EURO	11.120	10.360
Banca Sella Holding	1,506%	variable	27-dec-07	27-dec-17	27-dec-13	EURO	30.000	29.400
Total eligible subordinated (Lower Tier II)								**143.258**
Banca Sella Holding	1,050%	variable	4-apr-08	4-apr-11	No	EURO	20.000	18.743
Total 3rd level subordinated (Upper Tier III)								**18.743**
Total								**251.617**

Hybrid instruments (Upper Tier 2)

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

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

Lower Tier 2 subordinated liabilities

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

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

Lower Tier 3 subordinated liabilities

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

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

B. QUANTITATIVE INFORMATION

	Total 31/12/2010	Total 31/12/2009
A. Tier 1 capital before application of prudential filters	**462.808**	**460.296**
B. Tier 1 capital prudential filters	**(90)**	**(30)**
B.1 Positive IAS/IFRS prudential filters (+)	-	-
B.2 Negative IAS/IFRS prudential filters (-)	(90)	(30)
C. Tier 1 capital including ineligible items (A+B)	**462.718**	**460.266**
D. Tier 1 capital ineligible items	2.534	2.580
E. Total Tier 1 capital (C-D)	**460.184**	**457.686**
F. Tier 2 capital before the application of prudential filters	**235.986**	**257.989**
G. Tier 2 capital prudential filters	**(1.556)**	**(2.609)**
G.1 Positive IAS/IFRS prudential filters (+)	-	-
G.2 Negative IAS/IFRS prudential filters (-)	(1.556)	(2.609)
H. Tier 2 capital including ineligible items (F+G)	**234.430**	**255.380**
I. Tier 2 capital ineligible items	2.534	2.580
L. Total Tier 2 capital (H+I)	**231.896**	**252.800**
M. Total Tier 1 and Tier 2 ineligible items	46.851	46.851
N. Regulatory capital (E+L-M)	**645.229**	**663.635**
O. Tier 3 capital	6.359	7.858
P. Regulatory capital including Tier 3 (N+O)	**651.588**	**671.493**

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

2.2 Capital adequacy

A. QUALITATIVE INFORMATION

In financial year 2009 the "New capital adequacy rules for Banks" (Bank of Italy Circular No. 263 of 27 December 2006) came into effect, incorporating the regulations on the subject of international Convergence in the measurement of capital and capital ratios (Basel II). In this context, the capital of the Bank must represent at least 8% of total weighted assets (total capital ratio) deriving from the typical risks of the banking and financial business (credit, counterparty, market and operational risks), weighted on the basis of regulatory segmentation of the counterparty debtors and taking account of credit risk mitigation techniques.

As can be seen from the quantitative information presented in the table showing the risk assets and prudential capital requirements, the company exhibits a ratio between Tier 1 capital and risk weighted assets of 45,95% and a ratio between total regulatory capital and risk weighted assets of 65,07%, well above the minimum requirement of 8%.

B. QUANTITATIVE INFORMATION

Category/Amount	Non-weighted amounts		Weighted amounts/requirements	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
A. RISK ASSETS				
A.1 Credit and counterparty risk				
1. Standardize approach	3.174.649	3.968.418	1.001.239	1.057.637
2. Internal rating based approach	-	-	-	-
2.1 Basic	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securizations	2.868	9.034	969	8.761
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			60.133	63.458
B.2 Market risks			8.906	11.006
1. Standardized approach			8.906	11.006
2. Internal models			-	-
3. Concentration risk			-	-
B.3 Operational risk			11.073	12.622
1. Standardized approach			11.073	12.622
2. Internal models			-	-
3. Advanced approach			-	-
B.4 Other capital requirements			-	-
B.5 Other computing items			-	-
B.6 Total capital requirements			80.112	87.086
C. RISK ASSETS AND CAPITAL RATIOS				
C.1 Risk weighted assets			1.001.397	1.088.575
C. 2 Tier 1 capital/Risk weighted assets (Tier 1 capital ratio)			45,95%	42,04%
C.3 Regulatory capital including Tier 3/Risk weighted assets (Total capital ratio)			65,07%	61,69%

PART G AGGREGATION OPERATIONS REGARDING COMPANIES OR BUSINESS LINES

During the year no aggregation operations regarding companies or business lines occurred.

PART H RELATED PARTY TRANSACTIONS

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).

» SECTION 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 2010 to the above-mentioned key company personnel in the parent company are set out in the following table:

Fees paid to managers with strategic responsibilities (including managers who also serve as directors) *(amounts in euro thousands)*	2010
a) short-term employee benefits	3.309,4
b) post-employment benefits	-
c) other long-term benefits	-
d) severance indemnities	103,8
e) share-based payments	-
Total	**3.413,2**

The following table shows payments received in 2010 by Directors and Statutory Auditors of the Company:

Fees received by directors and statutory auditors *(amounts in euro thousands)*	2010
Directors	1.529,2
Statutory Auditors	255,6

» SECTION 2 – INFORMATION ON RELATED PARTY TRANSACTIONS

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

Outsourcing contracts

In order to take the important opportunities arising from the analysis of the Group's organizational structure and the new regulatory context, since 1st April 2009 the Group adopted, through the contribution of business operations, a consortium company limited by shares, denominated Sella Servizi Bancari S.C.p.A., aimed at providing outsourced services among companies within and outside the Banca Sella Group.

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

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

In exchange for these services the Group companies in 2010 have paid Banca Sella Holding S.p.A. total fees of 1,6 million euro; on the same date, the Parent company paid 17,9 million euro to the consortium company for the services received.

The table below sets out assets, liabilities, guarantees and commitments existing as of 31 December 2010 differentiated by the different types of related parties:

Related-party transactions *(amounts in euro thousands)*	
	Directors and Managers
Loans & Receivables	1.137,3
Payables	4.159,5
Guarantees given	291,9
Guarantees received by the Group	19,8

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

Main intra-group balance sheet items

Items	31/12/2010 Amount (euro thousands)	31/12/2010 Weight %
Total financial assets	100.400	10,0%
Total loans & receivables	833.344	45,0%
Total other assets	7.318	16,5%
Total financial liabilities	22.845	16,8%
Total payables	1.647.635	86,9%
Total other liabilities	12.360	12,7%

Main intra-group income statement items

Items	31/12/2010 Amount (euro thousands)	31/12/2010 Weight %
Total interest income	21.056	42,6%
Total interest expense	16.140	57,6%
Total fee income	10.961	11,1%
Total fee expense	13.391	22,1%
Administrative expenses	22.508	30,2%
Other operating expenses	38	2,0%
Other operating income	4.725	33,6%

PART I PAYMENT AGREEMENTS BASED ON OWN EQUITY INSTRUMENTS

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

PART L SEGMENT REPORTING

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

INDEPENDENT AUDITORS’ REPORT

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AUDITOR'S REPORT ON THE STATUTORY FINANCIAL STATEMENTS PURSUANT TO ARTICLES 14 AND 16 OF LEGISLATIVE DECREE N. 39 OF 27 JANUARY, 2010)

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

1. We have audited the statutory financial statements of Banca Sella Holding S.p.A.as of and for the year ended December 31, 2010, which comprise the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and the related notes to the financial statements. These financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art.9 of Italian Legislative Decree n. 38/2005 are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

   For the opinion on the prior year's financial statements, the data of which are presented for comparative purposes, reference should be made to our auditors' report issued on 14 April, 2010.

3. In our opinion, the statutory financial statements of Banca Sella Holding S.p.A. as of and for the year ended December 31, 2010 comply with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art.9 of the Italian Legislative Decree n.38/2005; accordingly, they give a true and fair view of the financial position of Banca Sella Holding S.p.A., and of the results of its operations and its cash flows for the year then ended.

4. The Directors of Banca Sella Holding S.p.A. are responsible for the preparation of the report on operations in accordance with the applicable law and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the specific section on the corporate governance, with reference to the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998, paragraph 2, letter b), with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by Consob. In our opinion the report on operations and the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998 paragraph 2, letter b) included in the specific section on corporate governance are consistent with the financial statements of Banca Sella Holding S.p.A. as of, and for the year ended 31 December, 2010.

DELOITTE & TOUCHE S.p.A.

Signed by
Vittorio Frigerio
Partner

Turin, Italy
April 13, 2011

This report has been translated into the English language solely for the convenience of international readers.

Resolution of the Ordinary Shareholders' Meeting of 2nd May 2011

The Ordinary Shareholders' Meeting unanimously

approves

- the Board of Directors' report on operations for financial year 2010;
- the Financial Statements at 31st December 2010, consisting of: Balance Sheet, Income Statement and Notes to the Financial Statements and relevant attachments;
- the profit distribution proposal contained in the Directors' Report, amounting to 0,0095 Euros per share.

appoints

- Deloitte & Touche S.p.A. to carry out the legal auditing of the accounts pursuant to legislative decree 39/2010, for the nine-year term 2011/2019;

approves

- the Board of Directors' Report on corporate governance;

acknowledges

- the Board of Directors' Report on the implementation of remuneration policies;
- the review of the internal audit work on the methods for ensuring the conformity of remuneration procedures with the regulatory context;

resolves

- certain modifications and additions to the document on the Banca Sella Group's remuneration policies.