BANCA SELLA

BIELLA
since 1886

REPORT AND FINANCIAL STATEMENTS AT 31 DECEMBER 2012

Joint stock company
Head office in Biella – capital and reserves 528.959.788
Participant of the Interbank Fund for the Protection of Deposits and the National Guarantee Fund
Enrolled on the Registers of Banks and of Banking Groups
Tax Code and VAT n. 02224410023
Subject to the direction and coordination of Banca Sella Holding S.p.A.

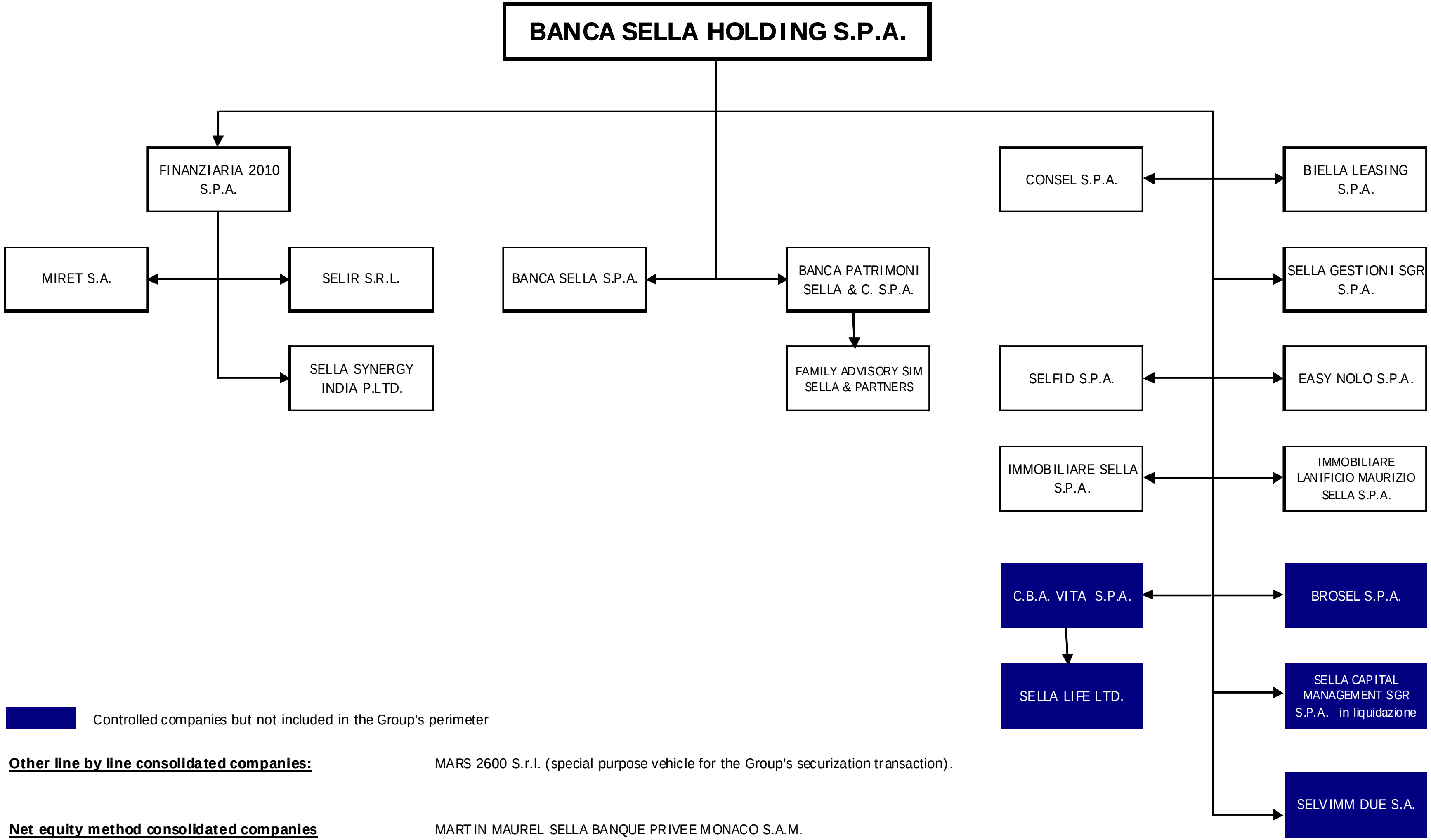
Piazza Gaudenzio Sella 1 - 13900 Biella (Italy)
Tel. 015 35011 – Fax 015 351767 – Swift SELB IT 2B
Internet site www.sella.it

BANCA SELLA GROUP

Contents

Map of the Banca Sella Group

at the March 1, 2013



Controlled companies but not included in the Group's perimeter

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

Net equity method consolidated companies

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

BANCA SELLA – Main Corporate Boards

BOARD OF DIRECTORS

In office up the approval of the 2013 financial statements

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

(*) appointed on April 27, 2012

BOARD OF STATUTORY AUDITORS

In office up the approval of the 2013 financial statements

Auditor - Chairman	Paolo Piccatti
"	Vincenzo Rizzo (*)
"	Riccardo Foglia Taverna
Alternate Auditor	Daniele Frè (*)
" "	Michela Rayneri (*)

(*)appointed on April 27, 2012

GENERAL DIRECTION

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

Ordinary Meeting

Notice of Call

The Shareholders are called to the Ordinary Meeting, to be held in Biella, Piazza Gaudenzio Sella 1, and possibly via tele/videoconference in Lecce, viale Marconi 25, or in Rome, via Bertoloni 9/11, or in Trento, via Oss Mazzurana 63, at 15.00 pm on 29 April 2013 in first call, and, if necessary, on 06 May 2013, at the same place and time, in second call, to discuss and resolve on the following

Agenda

1) decisions pursuant to Article 2364, 1st paragraph, point 1), of the Italian Civil Code;
2) decisions pursuant to Articles 2380 b and 2364, 1st paragraph, points 2) and 3) of the Italian Civil Code;
3) acknowledgement of the Board of Directors' Report on the implementation of remuneration policies;
4) acknowledgement of the review of the internal audit work on the methods for ensuring the conformity of remuneration procedures with the regulatory context;
5) acknowledgment of the policies of internal control relevant to risk and conflicts of interest in respect of related parties;
6) modifications and additions to the document on the Banca Sella Group's remuneration policies.

Biella, 12 April 2013

BANCA SELLA
The Chairman

Report on operations

» SUMMARY DATA

Introduction

With regards to these financial statements of Banca Sella, we would remind you that this year saw the implementation of the second and final stage of the "One Bank" project, which entailed, on 1 October 2012, the merger by acquisition of Banca Sella Nord Est Bovio Calderari (with accounting effect as from 1 January 2012).

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

As at 31 December 2012, the accounting and operative results set out in the financial statements and the report on operations include the contribution of Banca Sella Nord Est Bovio Calderari. In the tables below, the main data for the companies/business units involved in the merger are indicated.

CONFERMENT STATEMENTS *(thousand euro)*

Capital asset situation	Banca Sella at 31 December 2011	Banca Sella Nord Est Bovio Calderari at 31 December 2011	Total	Proportion (%) of BSNE of total
Total assets	9.780.823,7	791.836,4	10.572.660,1	7,5%
Cash loans	6.807.404,5	596.910,2	7.404.314,7	8,1%
Financial assets	682.129,2	44.127,1	726.256,3	6,1%
Direct deposits (exclusive of repurchase agreements)	8.350.040,2	635.090,6	8.985.130,8	7,1%
Indirect deposits	10.845.271,6	496.602,3	11.341.873,9	4,4%
Total deposits	19.611.643,1	1.153.681,8	20.765.324,9	5,6%
Economic situation	**Banca Sella at 31 December 2011**	**Banca Sella Nord Est Bovio Calderari at 31 December 2011**	**Total**	**Proportion (%) of BSNE of total**
Net interest income	194.148,4	13.662,3	207.810,7	6,6%
Net income from services	143.829,9	8.036,0	151.865,9	5,3%
Net banking income	337.978,3	21.698,3	359.676,6	6,0%
Operating costs	224.745,8	22.388,1	247.133,9	9,1%
Net value adjustments for impairment losses	-87.634,0	-4.903,3	-92.537,3	5,3%
Operating profit	113.232,5	-689,9	112.542,6	-0,6%
Profit for the year (net)	8.986,1	-2.360,7	6.625,4	-35,6%
Staff and branches	**Banca Sella at 31 December 2011**	**Banca Sella Nord Est Bovio Calderari at 31 December 2011**	**Total**	**Proportion (%) of BSNE of total**
Branches	280	41	321	12,8%
Employees	2.829	191	3.020	6,3%

To better understand the Bank data and trend, the comparative column as at 31 December 2011 gives the aggregated data of Banca Sella and Banca Sella Nord Est Bovio Calderari; the individual accounting results are given in the conferral statements specified previously.

SUMMARY DATA *(euro millions)*

Item	31/12/2012	31/12/2011	Change absolute	Change %
BALANCE SHEET				
Total assets	9.919.806,7	10.572.660,1	(652.853,4)	-6,2%
Cash loans[1]	7.629.465,5	7.404.314,7	225.150,8	3,0%
Guarantees given	322.432,4	324.952,7	(2.520,3)	-0,8%
Financial assets	872.334,1	726.256,3	146.077,8	20,1%
Tangible and intangible fixed assets	79.718,4	78.495,5	1.222,9	1,6%
Direct deposit[2] (excluding repurchase agreements)	8.748.009,2	8.985.131,0	(237.121,8)	-2,6%
Repurchase agreement	246.378,5	438.320,1	(191.941,6)	-43,8%
Indirect deposit [3]	11.116.269,8	11.341.873,9	(225.604,1)	-2,0%
Total deposit	20.110.657,5	20.765.325,0	(654.667,5)	-3,2%
Regulatory capital	775.182,1	764.460,7	10.721,4	1,4%
INCOME STATEMENT[4]				
Net interest income	200.609,8	207.810,7	(7.200,9)	-3,5%
Net income from services	167.950,7	151.865,9	16.084,8	10,6%
Net banking income	368.560,5	359.676,5	8.883,9	2,5%
Operating costs [5]	256.934,2	247.133,9	9.800,3	4,0%
Operating profit	111.626,3	112.542,7	(916,4)	-0,8%
Net value adjustments for impairment losses	(98.530,2)	(92.537,6)	(5.992,6)	6,5%
Income tax	(4.395,7)	(13.559,7)	9.164,0	-67,6%
Profit for the year (net)	6.982,3	6.625,4	356,9	5,4%

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

(2) The aggregate represents the sum of the following items of the Balance Sheet Liabilities: 20 "Due to customers" and 30 "Outstanding securities".

(3) The aggregate does not include the item "cash", relating to asset management, wich is included in the item "direct deposit". Instead, it contains the component relating to insurance premiums, as a footnote to the table of Administration and dealing on behalf of third parties.

(4) As per items reported in the reclassified 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	31/12/2012	31/12/2011	Changes absolute	Changes %
Employees	2.996	3.020	-24	-0,8%
Branches	319	321	-2	-0,6%

» ECONOMIC – FINANCIAL INDICATORS

To better understand the Bank data and trend, the comparative column as at 31 December 2011 gives the aggregated data of Banca Sella and Banca Sella Nord Est Bovio Calderari.

ALTERNATIVE PERFORMANCE INDICATORS		
Item	**31/12/2012**	**31/12/2011**
PROFITABILITY RATIOS *(%)*		
R.O.E. (return on equity) (1)	1,3%	1,3%
R.O.A. (return on assets) (2)	0,1%	0,1%
Net interest income(3) / Net banking and insurance income(3)	54,4%	57,8%
Net income from services (3) / Net banking and insurance income (3)	45,6%	42,2%
Cost to income (4)	66,9%	66,5%
PRODUCTIVITY RATIOS *(in euro thousand)*		
Net banking and insurance income (3) / Average number of employees (5)	129,4	157,7
Gross operating profit (3) / Average number of employees (5)	39,2	49,3
Cash loans / Number of employees at year end	2.696,9	2.583,5
Direct deposit / Number of employees at year end	3.092,3	3.135,1
Total deposit / Number of employees at year end	7.108,8	7.245,4
BALANCE SHEET RATIOS *(%)*		
Cash loans / Direct deposit	87,2%	82,4%
Cash loans / Total assets	76,9%	70,0%
Direct deposit / Total assets	88,2%	85,0%
CREDIT RISK RATIOS *(%)*		
Impaired assets / Cash loans	6,0%	5,6%
Net value adjustments to loans / Cash loans	1,3%	1,2%
SOLVENCY RATIOS *(%)*		
Tier 1 capital ratio	11,26%	11,21%
Total Capital Ratio	17,96%	17,65%

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

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

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

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

(5) The comparison of the indices of productivity in relation to the average number of employees is not homogeneous, since the average of the data for 2011 is affected by the merger with Sella and Banking Services from the transfer of the business of payment systems and customer care; operations involving nearly 1.200 employees

» MACROECONOMIC SITUATION

World context

2012 was marked by a weakening of the world economy. In the Eurozone, tax austerity policies and the lesser drive of the export demand made a significant contribution towards the deceleration of economic activities; moreover, the continued restrictive financial conditions penalised the countries characterised by critical situations in terms of their public accounts, despite the progressive recovery from the tension associated with the sovereign debt crisis recorded during the latter months of the year. In the United States, the recovery of the residential market and the positive dynamics, albeit moderate, of private consumption represented the main elements supporting growth, offsetting the weakening seen in non-residential investments and the negative contribution made by stocks and public spending. Japan benefited from post-earthquake interventions and the tax incentives in support of personal spending during the first part of the year; subsequently, the lack of these factors of support and the cooling off of export demand resulted in a sudden slow to growth. Emerging countries suffered the weakness of the major advanced economies, showing a progressive deceleration during 2012: expansive monetary and tax interventions adopted by the economic policy authorities have, however, successfully limited the intensity of this decline and laid the basis for the start to a recovery in some of the main emerging economies even from the last few months of the year.

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

- the US economy concluded 2012 with an average annual gross domestic product rate of change of 2,2%, an improvement on the +1,8% year on year seen in 2011. Residential investments, which in 2011 made virtually no contribution to growth, recorded positive increase rates in all quarters of 2012: encouraging signs that confirm the recovery underway in the residential segment also came from the monthly indexes concerning house prices, house sales and constructor faith. Non-residential investments have been characterised by a positive start to the year, followed by a cooling-off phase during the central quarters, and recovery, albeit limited, enjoyed by the machinery and software component during the closing months.
  The trend of family wealth, characterised by the continued recovery of the financial component and the first signs of recovery of the real estate component, provided important support to personal spending; other factors that helped support private consumption, against an employment market situation that remains poor, can be seen in the rapid progress made in reducing family debt and the very accommodating monetary policy orientation. The difficulties experienced by the US employment market in recovering the ground lost during the major recession are behind the decision by the Federal Reserve to pursue the support of employment as a priority objective and to adopt further monetary stimulation steps: more specifically, in September the US Central Bank announced a new purchase plan of securities linked to the real estate market ("mortgage-backed securities") at a rate of 40 billion dollars a month, and in December, in the run-up to the expiry of the programme to extend the average duration of the government securities held, it introduced a purchase plan of US public debt securities, for a value of 45 billion dollars a month; in both cases, the Federal Reserve did not specify the terms within which purchases were to be made, reserving the right to decide on the basis of the evolution of the reference macro-economic context. Important news was also announced with regards to the indications of the Federal Reserve on the future level of the policy rate: after having extended the time frame to mid-2015, during which it undertook to keep the official rate at exceptionally low levels, in December the Central Bank decided to restrict the objective rate on the Federal Reserve funds to the evolution of the forecast inflation and unemployment rate, in order to make its communication with the public more effective and transparent. As concerns the tax policy, the understanding reached right at the end of the year concerning the "fiscal cliff" successfully avoided the drastic budget restrictions envisaged by current legislation: more specifically, the agreement entailed the extension of much of the encumbrances and tax benefits expiring, thereby limiting the increase in the tax burden. As concerns expenditure, on the other hand, the bipartisan agreement has

postponed the sequester of public spending of approximately 90 billion dollars per year, as established by the 2011 Budget Control Act, by two months; it should have come into force in January. Some major issues remain to be faced and in particular the definition of a cost-cutting plan, as supported by the Republicans and essential in guaranteeing the return of public debt to a sustainable path, and the raising of the debt ceiling limit: in this respect, the decision to suspend the debt limit until 19 May, passed by Congress early 2013, will enable the matter to be dealt with somewhat less urgently and will thereby assure the prioritisation of discussions on public spending;

- the **Euro zone** saw a negative trend in gross domestic product at 0,4% in 2012, worse than the +1,4% recorded in 2011. The fragility of the domestic demand, worsened by fiscal austerity policies in the countries committed to public deficit repayment plans, and the process of reducing de-stocking, were only partially offset by the positive contribution of net exports. As already seen in 2011, the area's aggregated growth figure is the summary of the trends of the individual States that are fairly heterogeneous: the countries that are most vulnerable to the sovereign debt crisis, like Italy and Spain, have continued to accumulate a gap with respect to the more solid economies, like that of Germany, although even this latter has not been immune to a progressive weakening seen in 2012 and which became even more evident towards the close of the year. With respect to the sovereign debt crisis, some important decisions have been made in order to strengthen European governance and the integration process. The European Council of 1 and 2 March concluded with the signing of the Fiscal Compact by twenty-five States (all the European Union Member States with the exception of the United Kingdom and the Czech Republic): the Fiscal Compact establishes that all countries subscribing to it must include the rule of balancing the budget in their national legal orders, with the application of automatic corrective mechanisms in the event of deviation. At end June, moreover, the Heads of State and Government reached an agreement on making the move to a single supervisory mechanism of banks Europe-wide, to be implemented quickly and which, in actual fact, lays the basis for a future banking union: once the mechanism has been introduced, the European Stability Mechanism (ESM) can intervene directly in the recapitalisation of the banks, in order to break the vicious cycle of banks and sovereign states. At the European summit of December, work continued on the development of the banking union project: the general agreement reached between the Heads of State and Government establishes that the single supervisory mechanism will come into force as from 1 March 2014 or, at the latest, within twelve months of the definition of the related legislative framework, and that the direct supervision of the banking institutes of the Eurozone shall be entrusted to the European Central Bank, paying close attention to the independence of the departments responsible for managing monetary policy, and those responsible for supervising it. The major efforts made throughout the European Community to manage the crisis are part of a stage of growing fear for the situation currently seen in Spain: in June, Rajoy's government made a request for support for its domestic banks, which was favourably upheld by the Euro-group through the concession of aid of up to € 100 billion. Subsequently, the approval of the restructuring plans of the four state-controlled Spanish banks enabled the recapitalisation needs to be quantified as e 37 billion. In turn, the European Central Bank showed very willing to intervene in favour of restoring the correct function of the monetary policy transmission and its support of economic growth: on 29 February, the second extraordinary three-year refinancing operation took place, at which point the European Central Bank assigned € 529,5 billion euros to the 800 applicant banks of the European Central Bank; on 5 July, the official rate was reduced by 25 basis points and taken to the current level of 0,75%; at the meeting held on 6 September, the Frankfurt institute disclosed details of a new plan to purchase the government securities of countries belonging to the monetary union, which the European Central Bank is willing to undertake. The purchases, referred to as Outright Monetary Transactions (OMTs) may involve countries that in the future could request the financial assistance of EFSF/ESM and countries that are already subjected to an adjustment programme once access to markets has been re-acquired and will concern securities with residual term/maturity of between one and three years, with no quantitative limits set outright; a condition essential to activating the purchase of government securities by the European Central Bank will be respect of the conditions established by the State-saving provisions EFSF/ESM. The Greece assistance programme has been subsequently reviewed with the aim of bringing the Greek public debt back along a sustainable path: in February and March a second aid plan was defined, which envisaged a commitment of the official segment for e 130 billion in 2012-2014 and at the same time a debt restructuring programme has been implemented, held by the private segment, which has reached an investment of € 199 billion out of the total nominal value of € 206 billion. The worsening of the outlook, the political uncertainty and the delays in implementing reforms have, however, prevented Greece from respecting the commitments made, driving the European Union, the European Central Bank and the International Monetary Fund to suspend payment of the second tranche of aid. The EuroGroup of 26 November finally introduced less ambitious budget objectives and provided for measures aimed at making Greece's adjustment less onerous; these include the buyback of public debt securities for a nominal figure of € 31,9 billion: the success of this latter enabled the definitive approval of the second payment of aid to the country. With specific reference to Italy, the recession that began in the third quarter of 2011 continued throughout 2012, although the second part of the year showed some attenuation of the drop in economic business. The 2,1% reduction, archived by the gross domestic product in 2012 and which is compared with the +0,4% of the previous year, is the result of the continued weakness of the domestic demand, which suffers the effects of the severe manoeuvre to restore balance to the public accounts and the high costs of finance; the interchange with other countries has proved to be the only support of the economic business;

- in Asia, **Japan**, after having outperformed the other economies of the G3 in the first half of 2012, from July to September slowed sharply (-3,5% as an annualised result, as compared with the -0,1% of the second quarter and +5,7% of the first three months of 2012), which led to a technical recession, partly also due to the weakening of the domestic demand and export demand, in a context of generalised weakness of its main commercial partners and also involving the deterioration of relations with China following the territorial dispute connected with the Senkaku islands.
  The elections held on 16 December in the meantime sanctioned the victory of the Liberal Democratic Party guided by Shinzo Abe, and with it important news in the management of the economic policy: the new administration, respecting its claims made during the election campaign, immediately announced expansive tax measures for 20,2 trillion yen (4,2% of the GDP), including direct public expenditure of 10,3 trillion (2,1% of the GDP) allocated, according to the government, to have most of its impact in the tax year 2013/2014. The Central Bank, acting on the instructions of the Prime Minister Abe, during the first meeting held in 2013 when it left the reference spread of the official rate unchanged at 0-0,1%, introduced an explicit inflation target of 2% and announced a new method by which to purchase securities as from 2014, which, with respect to that in place until December 2013, has no time limit. Despite continuing to record sustained growth rates, if compared with those of developed economies, **China** and **India** have continued the slowing up seen in 2011 and ended up archiving 2012 as the worst performance in the last decade. With a change in the gross domestic product of 7,8%, following the 9,3% recorded in 2011, China, and India, which closed 2012 with growth just above 5%, following the 7,5% of the previous year, suffered both the weakness of the advanced countries, transmitted on the related export demand, and the lesser dynamism of domestic demand. A favourable inflationist trend and a reassuring public budget situation enabled the economic policy authorities of China to take action in support of the cycle, reducing the cost of money in June and July, and encouraging investments, particularly in infrastructures. In India, dealing with high inflation and twin deficits (budget and current items), the Central Bank cut the official rate just once in 2012, postponing a second expansive intervention to January 2013, with signs of a moderation of prices.

THE FINANCIAL MARKETS

The long-term market interest rates in the USA have been affected by a tendency to decline in March-July 2012, benefiting from tension on the sovereign debt of the more vulnerable countries of the Eurozone; subsequently, the announced willingness by the European Central Bank to embark on a new purchase plan of the government securities of Eurozone countries favoured a slight upward turn of the US ten-year returns. The extremely accommodating approach maintained by the Federal Reserve in managing the monetary policy has, however, contributed towards keeping US interest rates at historically-low levels. The average 10-year rate in the

USA was 1,78% in 2012, as compared with the average of 2,76% recorded in 2011. The German long-term rate, after a first quarter of basic stability, started to decline until reaching an all-time low of 1,17% at the start of June; the following months saw no single-direction trend, yet the German ten-year return continued to stand at historically very low levels. The average 10-year rate in Germany was 1,57% in 2012, down on the 2,65% seen in 2011. The progress made throughout the European Community in managing the sovereign debt crisis in the Eurozone have encouraged the return recorded by interest rates on Italian government securities as from August; despite this, the annual average Italian 10-year rate (5,47% in 2012), is slightly up on the 5,35% average in 2011.

In 2012, the stock markets saw an increase of approximately 13,4% (MSCI World). The stock markets have benefited from the downsizing of fears of the Eurozone holding out and the accommodating approach seen in the management of the monetary policy by the main world Central Banks.

THE BANKING SYSTEM

In this context, the credit business of the Italian banking system continued its weakening, which was most marked in the component towards businesses. The credit trend has suffered the major weakness in demand by business and families, on the one hand, and restrictive supply conditions, despite the attenuation towards the end of the year, on the other. The recession has inevitably affected the quality of loans; the deterioration of the credit rating of the public issuer has also increased the cost of deposits and made it particularly difficult for Italian banks to obtain funds on the international markets. The policies implemented during the year by the Eurosystem have enabled the gradual removal of the restrictions to liquidity borne by the Italian banks; retail deposits have grown and, also thanks to the repayment of financial tension in the peripheral countries of the Eurozone, towards the end of 2012, some intermediaries returned to gaining finance on the capital market.

Italian bank loans to the private residential sector in December 2012 stood at € 1.722 billion, recording annual progress of 0,6% after 3 months of moderate decline; the trend shows a significant deceleration with respect to the growth of 1,8% seen in 2011. The reduction in loans to businesses (-3,3% at € 865 billion) and families (-1,4% at € 610 billion), was more than offset by the growth in the residual loan categories to other financial institutions (+24%, € 248 billion), which in December 2012 accounted for approximately 14% of loans to private individuals. In the family segment, the drop in loans (-1,4%) seen during the year is compared with a growth rate of 4,4% recorded the previous year. As concerns loans to non-financial companies, the decline in volumes (-3,3%) was particularly marked for the amounts due in 1-5 years throughout all months of the year, until reaching an annual drop of 8,5% in December 2012; the shorter-term component reduced by 1,9%, whilst a less intense negative trend was recorded for loans beyond 5 years with deceleration rates that went from growth of 2,8% in 2011 to a drop of 2,7%.

In 2012, credit quality continued to decline. The volume of gross non-performing positions at year end stood at € 125 billion, up 16,6% on last year with a ratio of gross non-performing positions and loans of 6,28% (from 5,44% at end 2011) and a ratio of net non-performing positions and loans of 3,33% (from 2,7% at end 2011).

At the end of the year, deposits in Euro with Italian banks represented by residents' deposits and bonds, reached 2.318 billion euro, representing growth of 7,1% on an annual basis, faster in respect to the rates seen in 2011. The acceleration is evident in the bond component, which grew in the first eleven months of the year at rates higher than 10%, before closing December by slowing to annual growth of 5% and € 951 billion; the bond segment incorporates state-backed bank issues and those held by the banks themselves, as they are used as collateral in refinancing operations with Central Banks. The deposits component returned to sustained growth in 2012, at year end reaching an annual growth rate of 9,9%.

With regards to the figures of the income statement, the main listed banking groups recorded a reduction of both interest margins during the first nine months of the year, penalised by the reduction in the volumes of loans and the drop of market rates only partially offset by the repricing of loans, and net commission, due to the reduced financial intermediation business and the weight of commission expenses connected with state guarantees of bond emissions to be used as collateral with the European Central Bank. The drop in the interest margin and net commission was in any case extensively offset by the progress made by net proceeds from trading, which enabled the banks to achieve modest improvement in net receipts from banking. In terms of costs, efforts continued to limit payroll and other administrative costs, whilst the cost of poor credit continued the growth that had begun during the second half of 2011.

The strengthening of equity continued in 2012, in line with the indications given by the supervisory authorities, and was particularly marked during the first half. The strengthening mainly took place through capital increases, the reduction of risk-weighted assets and, to a lesser extent, through self-financing and the buy-back of hybrid capital instruments. For the top 5 Italian banking groups in particular, a major acceleration in the adjustment to meet new minimum capital requirements was forced on them by the recommendations following the so-called "capital exercise" carried out by the European Banking Authority (EBA).

» BALANCE SHEET DATA

To better understand the Bank data and trend, the comparative column as at 31 December 2011 gives the aggregated data of Banca Sella and Banca Sella Nord Est Bovio Calderari; the individual accounting results are given in the conferral statements specified previously.

RECLASSIFIED BALANCE SHEET *(euro thousand)*

ASSETS	31/12/2012	31/12/2011	Change % on 2011
Financial assets [1]	872.334,1	726.256,3	20,1%
Due from banks	931.488,9	1.979.743,0	-52,9%
Cash loans[2]	7.629.465,5	7.404.314,7	3,0%
Tangible and intangible fixed assets [3]	79.718,4	78.495,5	1,6%
Tax assets	116.203,7	92.069,1	26,2%
Other assets [4]	290.596,1	291.781,5	-0,4%
TOTAL ASSETS	**9.919.806,7**	**10.572.660,1**	**-6,2%**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Due to banks	22.618,9	163.140,9	-86,1%
Direct deposit [5]	8.994.387,7	9.423.451,1	-4,6%
Financial liabilities hel for trading	23.898,7	33.732,2	-29,2%
Tax liabilities	33.914,8	35.714,8	-5,0%
Other liabilities [6]	266.675,8	353.580,9	-24,6%
Provisions for specific purposes [7]	46.003,2	43.380,5	6,0%
Shareholders' equity [8]	532.307,6	519.659,7	2,4%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**9.919.806,7**	**10.572.660,1**	**-6,2%**

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

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

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

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

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

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

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

(8) Given by the sum of the following balance sheet liabilities items: 130 "Valuation reserves"; 160 "Reserves", 170 "Share premiums", 180 "Share capital" and 200 "Profit for the year".

Banking business with customers saw a +3% increase in loans (7.629,5 million euro), with respect to € 7.404,3 million recorded at the end of the previous year, (the figure includes infra-group commitments to Biella Leasing and Consel in the amount of 1.040 million euro, net of which commitments stand at € 6.589,5 million with respect to the € 6.604,3 million as at 31 December 2011).

Analysis of the balance sheet shows how the new liquidity portfolio management policy adopted in the last years continued, resulting in the assets:

- an increase of financial asset (+20,1%), partially due to the contribution made by the financial assets held by Banca Sella Nord Est Bovio Calderari, equal to € 44,1 million;
- a reduction in amount receivable from banks (-52,9%), mainly due to the lesser stocks held in the reciprocal account;
- a smaller stock of debt securities following the reduction of renewals of past due securities.

In liabilities, the reduced amounts payable to banks was mainly due to the lack of stocks that as at 31 December 2011, Banca Sella Nord Est Bovio Calderari held on the reciprocal account with Banca Sella.

Finally, as at 31 December 2012 shareholders' equity came to € 532,3 million, up 2,4% (approximately € 13,7 million) following the improvement to the valuation reserve of financial assets available for sale.

Total deposit

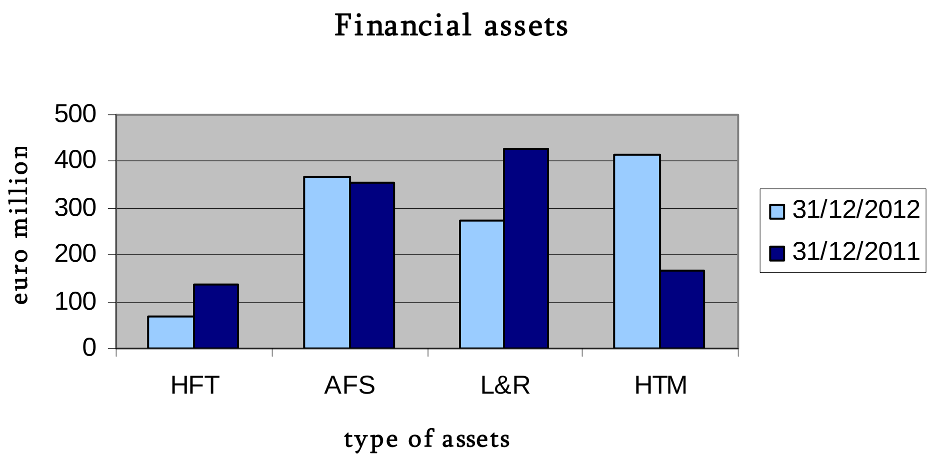
Breakdown of total deposit	31/12/2012	31/12/2011	Change % on 2011
Direct deposit (excluding repurchase agreements)	**8.748.009**	**8.985.131**	**-2,6%**
- Due to customers	7.517.179	7.275.751	3,3%
- Outstanding securities	1.230.830	1.709.380	-28,0%
Repurchase agreements	**246.379**	**438.320**	**-43,8%**
Indirect deposit	**11.116.270**	**11.341.874**	**-2,0%**
- Portfolio management	1.035.286	1.218.717	-15,1%
- Custody and admi nistration of securities	9.498.230	9.478.254	0,2%
- Indirect deposit elated to income from insurance activities	582.754	644.903	-9,6%
Total indirect deposit (including repurchase agreements)	**20.110.658**	**20.765.325**	**-3,2%**

Total deposits reduced by 3,2% with respect to December 2011: both components, direct deposits, excluding repurchase agreements (-2,6%) and indirect deposits (-2%), declined. Direct customer deposits have increased, above all in time deposits. The major competition on deposit returns seen in 2012 has, in fact, resulted in growth of almost 400 million in restricted deposits. Debenture loan stocks are instead down, as placement with customers was below the issues maturing.

Instead, under the scope of indirect deposits, portfolio management reduced slightly as, in the central part of the year, some transfers were made abroad by customers concerned over the country's uncertain position. Increased tax pressure also played a part. The contribution of administered deposits remains stable. The insurance component also declined on last year. As explained previously, the deterioration of the credit rating of Italy increased the cost of deposits and made it more expensive for the bank to obtain funds on the international markets.

Financial assets (debt securities)

Securities portfolio (*euro millions*)	31/12/2012	31/12/2011
Held for trading (HFT)	68,1	138,0
Available for sale (AFS)	366,3	383,0
Receivables from banks (L&R)	272,3	477,1
Receivables from customers (L&R)	0,2	0,2
Held to maturity (HTM)	412,5	172,2
TOTAL	**1.119,4**	**1.170,5**



At 31 December 2012 the bank held a securities portfolio of 1.119,4 million euro which, in accordance with the International Accounting Standards, was divided into the following categories:

Financial assets held for trading

This segment is composed of Italian government bonds, bonds issued by banks of the Banca Sella Group and bonds issued by other bank bonds of high creditworthiness or supranational. At 31 December 2012 the following types of securities were held:

- Italian government bonds 37%;
- Banca Sella Group bonds 32%;
- Senior bank bonds 26%;
- Supranational bonds (EIB) 5%.

The balance of this segment reduced during the year by approximately € 69,9 million, comparing the figures with the 2011 aggregated amount, in fact, during the year, following the acquisition of Banca Sella Nord Est Bovio Calderari, Italian government securities were conferred into this segment worth approximately € 3,3 million.

The greatest changes regard the reduction of bank bonds (approximately -36 million euros), the increase in Italian government securities (approximately +19 million euros) and the reduction of Banca Sella Group bonds (approximately -54 million euros). This latter change is partly due to the merger by acquisition between Banca Sella and Banca Sella Nord Est Bovio Calderari; as at 31 December 2012, Banca Sella in fact held approximately € 44 million in bonds issued by Banca Sella Nord Est Bovio Calderari, which following the merger, are no longer part of the financial assets.

With regard to asset allocation, the variable component represented about 49%, while 51% was invested in fixed rate securities with short-term maturity. Exposure to interest rate risk was very contained for the entire period in question.

Financial assets available for sale

This sector consists of EIB supranational bonds, Italian government bonds and bank bonds of high creditworthiness. At 31 December 2012 the following types of securities were held:

- BOT 21%;
- CTZ 2%;
- CCT 51%;
- BTP 19%;
- Senior bank bonds 6%;
- Supranational bonds (EIB) 1%.

During the year, the balance of this segment reduced during the year by approximately € 16,7 million; the comparison with 31 December 2011 considers the acquisition of Banca Sella Nord Est Bovio Calderari, in fact Italian government securities were conferred into this segment worth approximately € 21 million.

The most significant changes regard the BOTs (approximately +40 million euros) and the CTZs (approximately -46 million euros).

With regard to asset allocation, the variable component represented about 52%, while the remaining 48% was invested in fixed rate securities with short or medium-term maturity. Exposure to interest rate risks was kept very limited for the entirety of the period in question. The security with the longest maturity date in the portfolio matures on 01 November 2017.

Due from banks

This section consists exclusively of bonds issued by Banca Sella Holding. During the year, the segment reduced by approximately € 204,8 million following the maturity of bonds that were only partially renewed.

During the year, following the incorporation of Banca Sella Nord Est Bovio Calderari, Banca Sella Holding bonds were transferred to this sector in the amount of 45 million euro.

Receivables from customers

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

Financial assets held to maturity

Financial assets held to maturity include instruments held for long-term investment purposes and comply with the size parameters laid down in a framework resolution by the Board of Directors.

The securities included in this category amounted to 412,5 million euro, and were exclusively Italian government securities, more specifically:

- CTZ 4,8 million;
- CCT 28,7 million;
- BTP 379,0 million.

During the year, the balance of this segment grew significantly (approximately +240,3 million euros) and is the main change in financial assets as a whole.

Following the acquisition of Banca Sella Nord Est Bovio Calderari, Italian government bonds were transferred to this category in the amount of 40 million euro.

The Bank's cash and cash equivalents

The year 2012 was characterised by a gradual attenuation of the tensions in relation to the banking system's liquidity situation. More specifically, the accentuated narrowing of the spread on returns on Italian government bonds recorded during the year, following approval by the ECB of the OMT (Outright Monetary Transactions) programme, resulted in an overall improvement of the average liquidity position of the Italian banks. Despite the mentioned drop in the spread on BTPs, access to medium/long-term forms of finance on the institutional inter-banking market for small and medium sized Italian banks, with ratings around the level of investment grade, remained difficult and in any case particularly expensive. In coherence with this, and above all towards the end of the year, tension was recorded on the cost of marginal customer deposits, also due to the increased competition brought about by particularly aggressive offers by some banks. The unsecured interbank market continued, as in 2011, to record exchanges essentially concentrated only for extremely short maturity dates (mostly overnight) and for smaller amounts.

The European Central Bank continued its support of the banking system:

- offering (at end February), the second of the two LTRO (Long-Term Refinancing Operation) at 3 years;
- maintaining the full-allotment method of funds throughout the year for all Eurosystem loan operations;
- in July lowering the rates by 25bps, taking them to 0,75% and at the same time modifying the tax corridor for overnight facilities (Deposit Facility and Marginal Lending Facility);
- in September approving said OMT programme.

Liquidity management has always been, since the very start, fundamentally to ensure normal banking business in times of tension. In Banca Sella and the Group, maintenance of suitable liquid funds has always been considered a cornerstone of prudent business management, dealing with the strategies, processes and operating methods by which to ensure effective management, both in the short-term and structurally.

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

The process of liquidity management and control made it possible in 2012 to maintain an adequate level against the mentioned difficulties on the inter-banking market. The deterioration recorded for some of the early warning indicators in the latter part of last year returned to normal during the early months of 2012, also following an improvement of the systemic context. The positive tendency of the most important liquidity indicators continued for the remainder of the year, in the wake of the interventions by the European Central Bank and the lack of tension on the Italian public debt and Eurozone. This trend regarded the main structural and short-term indicators, both on a Group level and as concerns Banca Sella.

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

Cash loans

At the end of FY 2012, cash loans to ordinary customers came to € 7.495,4 million (6.807,4 as at 31 December 2011) with a change of 11,8% on last year. Net of the contribution made by Banca Sella Nord Est Bovio Calderari (€ 596,9 million), the increase stands at 1,3%. As concerns unsecured loans, the total amount is € 306,5 million, +1,8% on 2011.

In an economic situation that is even more difficult that 2011, the Bank continued to support families and small businesses and SMEs showing suitable economic prospects and acting as going concerns.

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

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

Loans to businesses continued in collaboration with the leasing company of the Banca Sella Group and, as concerns loans to private individuals, during the fourth quarter, the convention was activated with Consel, the Group's consumer credit company, for the disbursement of consumer credit loans; this method is in addition to the possible disbursement with Consel of the product "salary-backed loans".

The possibility of adhesion by customers continued to the Abi-Consumer Associations respite, for the suspension of payment of the instalments, and the New Measures for Credit to Small and Medium Enterprises agreement was implemented, intended to suspend instalments and extension the duration of loans, as well as for the financing of investments and the advance of receivables due from the public administration.

Following the earthquakes in the region of Emilia Romagna, the Bank supported the populations struck with beneficial-rate loans and initiatives suspending payments connected with the implementation of regulatory provisions.

During the course of 2012, the Bank continued its concrete collaboration with Regional Bodies, Category Associations and Loan Consortia and also made use of the funds made available by the EIB and the national Deposits and Loans Institute.

In view of the difficult economic context, a major boost was given to the training and involvement of staff operating in the credit sector and activities concerning the control of credit supplied were also very important.

Early 2012, the fifth loan securitisation operation was implemented, concerning performing mortgage loans disbursed to private customers and regarding 4.958 contracts worth an approximate total of € 398 million.

LOANS PORTFOLIO QUALITY

In 2012, the analytical valuation parameters of impaired loans classed as watchlist revoked and non-performing were reviewed.

This review led to an update of some of the valuation elements and some discounting estimates.

The underlying principles of the impaired loan valuation process continue to be the valuation and determination of analytical estimates of recovery for individual customers and loan types, taking account of all the valuation elements present, namely sureties acquired and/or acquirable, the customer's income and assets, legal actions available, possibility of out-of-court agreements, etc.

This revision of the analytical valuation parameters means that the application of the valuation methods is suitable, even if the external scenario changes and in different macroeconomic contexts.

The results obtained applying the above methods are presented in the section on Accounting Policies and in the Notes, of the present financial statements.

Non-performing loans

Net non-performing positions at year end total € 186,6 million (including securitisation volumes), up 30,38% on a yearly basis, with an incidence on total loans for cash of 2,49%. Growth is largely due to the merger by incorporation of Banca Sella Nord Est Bovio Calderari.

In the period examined, the flow of gross new non-performing positions was € 152,3 million, up 15,9% on the flow of last year, as the conditions of the real economy were negatively reflected with significant impacts on the quality of family and business credit. Moreover, increases have been seen due to the contribution made by Banca Sella Nord Est Bovio Calderari for € 36,2 million.

Collections on non-performing positions amounted to about 28,8 million euro, slightly up on last year.

In 2012, as in previous years, a series of positions were identified for which legal and amicable debt collection actions have been concluded unsuccessfully or partially unsuccessfully, and in December these were sold without recourse. The operation involved a total of 3.453 positions with a total gross exposure, at the time of cancellation, of € 43,2 million, net exposure of 0,9 million and specific adjustment provisions of 42,3 million, deriving from value adjustments on receivables already debited to the income statement.

At 31 December 2012 the number of non-performing positions was 9.527, of which 78,8% of these were below the threshold of 50.000 euro. Finally, 34,0% were under the threshold of 5.000 euro.

In December 2012, the coverage ratio referred to non-performing positions was 59.75%, whilst at the end of last year it was 63,21%. The change recorded during the year of 3,46 percentage points is particularly due to the transfer of loans completed in December 2012, which, as in previous years, involved a batch of positions on which analytical adjustments had already been made, on average of 98%. The cancellation of theses receivables, almost entirely adjusted, resulted in a reduction of the coverage ratio of the non-performing positions. The anomalous loan hedge rate, intended as total value adjustments made to deteriorated loans fro cash and gross loans disbursed, stands at 42,23%, whilst the figure as at 31 December 2011 was 41,22%.

During the year, a test was performed on the credit valuation parameters classified as non-performing, which, in particular, resulted in a review of the estimated time for discounting, the application of which, as highlighted in the Accounting Policies section of these financial statements, in any case has not affected maintenance of the coverage ratio, which remains above the system average.

Watchlist loans

Revoked watchlist positions totalled 55,5 million euro at the end of the year (net cash exposures including securitisations). During the period in question, the amount of new entries totalled 177 million euro, (gross exposures) a 10% increase over the previous year.

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

In December 2012, the coverage ratio referred to non-performing positions was 40,11%, whilst at the end of last year it was 44,98%.

The number of revoked watchlist positions was 2.711, of which 87,4% were below the threshold of 50.000 euro, and 42,7% were below 5.000 euro.

Non-revoked watchlist positions totalled 167,1 million euro at the end of the year (net cash exposures including securitisations).

As at 1 January 2012, non-revoked watchlist positions amounted to € 203,6 million. With respect to the figures at the start of the year, exposure to positions classified under this category is down 17,91%.

Early 2012, non-revoked watchlist positions accounted for 3,19% of cash uses for positions that had not been cancelled by Banca Sella; as at 31 December 2012, this percentage had dropped to 2,69%.

Non-revoked watchlist positions include 446 positions with total exposure of € 108,7 million, which benefit from collateral.

Without prejudice to the unique nature of the category in terms of supervisory notifications, the calculation of equity requirements and representation in the financial statements, for internal management purposes, the following types of without prejudice to are identified:

- subjective watchlist positions, namely exposure towards customers that, on the basis of the elements in the Bank's possession, are believed to be in temporary difficulties that are forecast to be overcome within 12/18 months;
- objective watchlist positions, whose situation of temporary difficulty is governed by Bank of Italy legislation.

As at 31 December 2012, the amount of non-revoked watchlist positions of Banca Sella numbered 2.294 clients: 1.106 for total exposure of € 160,3 million are represented by customers classified as subjective watchlist and 1.888 for total exposure of € 6,8 million are represented by customers classified as objective watchlist.

Of the subjective watchlist positions 35, for total exposure of € 30,4 million, consist of business customers who presented the banks with a restructuring plan in accordance with Art. 67 or Art. 182-bis of the Bankruptcy Law.

In FY 2012, exposure to customers classified as subjective watchlist reduced by 17,33% and exposure to customers classified as objective watchlist reduced by 29,45%.

The 1.106 customers classified as subjective watchlist present average exposure, as at 31 December 2012, of € 145.000; 457 of these have exposure in excess of € 50.000 and 649 have less exposure. The 1.888 customers classified as objective watchlist present average exposure, as at 31 December 2012, of € 3.600; 24 of these have exposure in excess of € 50.000 and 1.864 have less exposure.

The measurement of non-revoked watchlist positions for the purpose of determining value adjustments is made analytically at the time of classification to watchlist and subsequently each time new, significant events occur that make a new valuation necessary. The valuations to be applied to watchlist positions by the Anomalous Credit service are marked by the determination of the real possibility of returning to a performing status and, where this possibility is in doubt, to quantify the possible loss after having taken action to recover. The evaluation of the adjustments is made, as a general rule, considering the equity of the debtor, its income capacity, its financial balance, the prospects of the segment to which it belongs, managerial or entrepreneurial capacity, the regularity of managing bank relations and the customer morality, also considering any guarantees backing the credit facilities granted.

Non-revoked watchlist positions with exposure of less than € 10.000 are measured using lump sum adjustments made by applying a percentage calculated and decided on the basis of statistical historic data on losses for the three previous years to the amount.

In all, analytical adjustments applied to the watchlist population not revoked by Banca Sella as at 31 December 2012, amounts to e 17,4 million. Average cover of non-revoked watchlist positions has grown in 2012 by 83,59%, going from 5,67% of exposure for cash at the start of 2012, to 10,41% as at 31 December 2012.

In FY 2012, the average cover for subjective watchlist positions grew, going from 5,31% to 10,38% whilst average cover of objective watchlist dropped, going from 12,97% to 11,54%.

Restructured loans

During the course of 2012, 117 new positions assigned to restructuring were admitted. At year end, restructured loans amount to 138 positions for an accounting balance of € 27,7 million. The new entrances refer to 6 new positions restructured in a pool with other banks for an accounting balance of € 11,7 million (of which 3 positions for a total of € 1,5 million already present in Banca Sella Nord Est Bovio Calderari) and a further 111 positions for which the Bank has renegotiated the original contractual conditions with an accounting balance of € 3,3 million.

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

-4,7 million euro in restructured loans;

-4,3 million euro in SFP (participating financial instruments).

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

As at 31/12/2012, the accounting balance of the Comital position was € 4,2 million, which had dropped in FY 2012 by € 372 thousand, as envisaged by the plan.

Situation at 31 December 2012	n. positions	account balance	discounting IAS
restructured positions in pool	16	22.231.015	981.505
restructured positions objective	122	5.527.372	240.970
Total	**138**	**27.758.387**	**1.222.475**

For pool RESTRUCTURED positions, full recovery of the credit is assumed, net of any reduction envisaged by the agreement. The foregoing arises from the assumption that these agreements (pursuant to Art. 67, paragraph 3, letter d) of the bankruptcy law, pursuant to Art. 182-bis of the bankruptcy law), reached by customers and a pool of creditor banks, are implemented on the basis of a plan able to assure the restoration of the debt exposure of the business and ensure a restoration of the balance of its financial situation, the reasonableness of which is certified by a professional registered on the professional rolls of auditors meeting the requirements set out under art. 28, letter A and B, in accordance with Art. 2501-bis, paragraph 4 of the Italian Civil Code. The book value of the loan rescheduled is discounted - IAS 39 - on the basis of the new rescheduling of the debt and new rate compared with the original contractual conditions.

For OBJECTIVE RESTRUCTURED positions, namely agreements reached by the debtor and the bank aimed at renegotiating debt exposure, classified under "restructured exposures" in accordance with circular 272 of 30 July 2008, is formulated applying the internal principles of "Classification, management and valuation of watchlist positions" to determine forecast recovery. The book value thus determined is discounted - IAS 39 - on the basis of the new rescheduling of the debt and new rate compared with the original contractual conditions.

Past-due and/or deteriorated loans in excess of thresholds granted

Past due and deteriorated loans in excess of thresholds granted totalled 38,9 million euro at the end of the year (net cash exposures including securitisations).

As at 1 January 2012, past due and deteriorated loans in excess of thresholds granted amounted to € 19,8 million.

At the first detection (as at 31 January 2012) of the full application of the new legislation, which reduced the threshold of detection of past-due items to 90 days, past-due and loans in excess of thresholds granted of Banca Sella amounted to € 28,5 million.

With respect to the detection at the start of the year, exposure on positions classified in this category increased, at year end, by 95,5%, whilst with respect to the first detection, it grew by 36,5%.

Past due and loans in excess of thresholds of Banca Sella Nord Est Bovio Calderari as at 1 January 2012 numbered 36, with exposure of € 1,9 million, for which adjustments were booked for € 39,4 thousand.

As at 31 January 2012, with the coming into force of the new legislation on the detection of past due and loans in excess of thresholds, in Banca Sella Nord Est Bovio Calderari, past due loans grew to € 2,1 million.

As at 31 December 2012, past due and loans in excess of thresholds relating to the North-East territory numbered 67, for a total of € 2,9 million, with adjustments of € 47,5 thousand.

The incidence of past due and loans in excess of thresholds of Banca Sella Nord Est/North East territory out of the total past due loans of the one bank, went from 6,6% at the start of the year to 7,5% at the end of the year.

AT 31 December 2012, the amount of past-due and loans in excess of thresholds of Banca Sella numbered 1.500 positions; at 1 January 2012, there were 692 and as at 31 January 2012, they numbered 1.214.

At the start of the year, past due and loans in excess of thresholds accounted for 0,31% of cash uses for positions that had not been cancelled by Banca Sella; as at 31 December 2012, this percentage had risen to 0,63%.

Past-due and loans in excess of thresholds include 215 positions with total exposure of € 25,1 million, which benefit from collateral.

Customers classified as past-due and loans in excess of thresholds, with individual exposures in excess of € 50.000 numbered 169; their total exposure came to € 26,2 million. There were 1.331 customers with exposure of less than € 50.000.

Past-due and loans in excess of thresholds exceeding € 25.000 are measured at the time of classification and subsequently, when new significant events occur that require a new measurement. The valuations to be applied are marked by the determination of the real possibility of returning to a performing status and, where this possibility is in doubt, to quantify the possible loss after having taken action to recover.

Past-due and loans in excess of thresholds with exposure of less than € 25.000 can be measured using lump sum adjustments made by applying a percentage established on the basis of statistical historic data on losses for the three previous years to the amount.

In all, analytical adjustments applied to the amount of past-due and loans in excess of thresholds of Banca Sella as at year end, amounts to € 1,4 million. Average cover of past-due and loans in excess of thresholds has dropped in 2012 by 40%, going from 5,97% of exposure for cash at 1 January 2012, to 3,58% as at 31 December 2012.

Shareholders' equity and regulatory capital

Shareholders' equity

Shareholders' equity: breakdown by type			
Items	Total 31/12/2012	Total 31/12/2011	Var %
Capital	281.597	269.145	5%
Share premiums	298.722	267.840	12%
Profit reserves	(53.139)	(52.333)	2%
Equity instruments	-	-	-
(Treasury shares)	-	-	-
Valuation reserves Financial assets available for sale	(389)	(12.648)	-97%
Actuarial profits (losses) on defined benefit pension plans	(1.465)	1.853	-179%
Profit (loss) for the year (+/-) of the	6.982	8.986	-22%
Shareholders' equity	**532.308**	**482.843**	**10%**

At 31 December 2012 Banca Sella's equity book value, including profits for the period, totalled 532,3 million, an increase of 49 million euro (+10%) with respect to 31 December 2011. The change in the items is partly due to the merger with Banca Sella Nord Est Bovio Calderari and partly to the improvement in the valuation reserve for financial assets available for sale, which has improved, going from a negative value of -13 million euros to -0,4 million euros, thanks to the positive trend of the financial markets.

Regulatory capital

Regulatory capital			
Items	31/12/2012	31/12/2011	Var %
Tier 1 capital	486.044	450.555	8%
Tier 2 capital	290.146	263.527	10%
Total Tier 1 and Tier 2 ineligible items	-	-	0%
Regulatory capital	**775.182**	**714.082**	9%
Credit and counterparty risk	302.615	275.271	10%
Market risks	1.576	1.243	27%
Operational risk	41.120	37.783	9%
Total capital requirements	345.310	314.296	10%
Risk weighted assets	4.316.377	3.928.701	10%
Tier 1 capital/Risk weighted assets (Tier 1 capital ratio)	11,26%	11,47%	-2%
Regulatory capital including Tier 3/Risk weighted assets (Total capital ratio)	17,96%	18,18%	-1%

The regulatory capital and capital ratios have been calculated on the basis of the figures in the balance sheet and income statement determined by applying the IAS/IFRS international accounting standards, in accordance with Circular no 155/91 of the Bank of Italy, and later updates, containing "Instructions for preparing reports on regulatory capital and prudential ratios". The weighted amounts and ratios at 31 December 2012 were calculated on the basis of the Basel 2 standard.

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

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

» INCOME STATEMENT DATA

To better understand the Bank data and trend, the comparative column as at 31 December 2011 gives the aggregated data of Banca Sella and Banca Sella Nord Est Bovio Calderari; the individual accounting results are given in the conferral statements at the start of this report.

RECLASSIFIED INCOME STATEMENT *(euro thousand)*

Item	31/12/2012	31/12/2011	% Change over 2011
10 Interest and similar income	346.326,7	334.261,7	3,6%
20 Interest and similar expenses	(145.716,9)	(126.551,0)	15,1%
70 Dividends and similar income	-	100,0	-
NET INTEREST INCOME AND DIVIDENDS	**200.609,8**	**207.810,7**	**-3,5%**
40 Fee income	232.276,5	201.769,8	15,1%
50 Fee expenses	(73.821,2)	(55.787,3)	32,3%
80 Net gains/(losses) on trading activities	8.380,3	4.779,6	75,3%
90 Net gains/(losses) on hedging activities	1.115,2	1.103,8	1,0%
Net income from service	**167.950,7**	**151.865,9**	**10,6%**
NET INTEREST AND OTHER BANKING INCOME	**368.560,5**	**359.676,5**	**2,5%**
150 Administrative expenses:			
a) Personnel expenses	(152.414,5)	(134.048,4)	13,7%
IRAP on personnel and seconded personnel expenses (1)	(5.445,7)	(5.163,4)	5,5%
b) Other administrative expenses	(119.501,7)	(127.379,9)	-6,2%
Recovery of stamp duty and other taxes (2)	24.753,5	22.472,6	10,2%
170 Value adjustments on tangible assets	(7.267,3)	(5.601,1)	29,7%
180 Value adjustments on intangible assets	(11.905,9)	(7.094,4)	67,8%
190 Other operating expense/income (after deducting "Recovery of stamp duty and other taxes")	14.847,3	9.680,8	53,4%
Operating costs	**(256.934,2)**	**(247.133,9)**	**4,0%**
OPERATING PROFIT/(LOSS)	**111.626,3**	**112.542,6**	**-0,8%**
160 Net provisions for risks and charges	(4.047,5)	(1.776,7)	127,8%
130 Net value adjustments for impairment on:			
- loans and receivables	(98.530,2)	(92.537,6)	6,5%
- financial assets available for sale	-	(555,2)	-
- other financial transactions	(849,1)	530,0	-
100 Gains/(losses) on sale or repurchase of:			
- loans and receivables	(399,5)	(403,5)	-1,0%
- financial assets available for sale	3.103,7	1.929,2	60,9%
- financial liabilities	489,2	451,7	8,3%
240 Gain/(loss) on disposal of investments	(14,9)	4,6	-
PROFIT FROM CONTINUING OPERATIONS BEFORE TAXES	**11.378,0**	**20.185,2**	**-43,6%**
260 Income taxes for the period on continuing operations (after deducting "IRAP on personnel and seconded personnel expenses")	(4.395,7)	(13.559,7)	-67,6%
PROFIT FROM CONTINUING OPERATIONS AFTER TAXES	**6.982,3**	**6.625,4**	5,4%
280 Profit/(losses) on asset disposal groups held for sale after tax	-	-	-
PROFIT/(LOSS) FOR THE YEAR	**6.982,3**	**6.625,4**	**5,4%**

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

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

Income Statement Reclassification Criteria

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

Reclassifications involved:

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

PROFITABILITY

The comments below refer to the Income Statement items reclassified as shown in the table in the preceding page. The comparison of the data as at 31 December 2012 and as at 31 December 2011 is influenced by the merger by acquisition of Banca Sella Nord Est Bovio Calderari by Banca Sella, which took accounting effect on 1 January 2012.

The net profit for the year amounted to approximately 7 million euro, +5,4% on 31 December 2011. The level of R.O.E. stood at 1,3%.

The year was marked by a general reduction of the interest margin, including on a system level, in the case of Banca Sella, the reduction was limited (-3,5% as compared with the aggregated 2011 data). The reduction is due mainly to a drop in the volumes of loans together with a decline in market rates; in actual fact a weakness has been recorded in the demand by businesses and families both for the generalised crisis situation and the high supply conditions applied following the increased risk parameters.

Net commission, despite considering the conferral of the business unit of Payment Systems in May 2011, differently to the system trend, increased by 8,5%, despite the weight of the increased commission expense (+32,3%), mainly connected with state guarantees of bond issues used as collateral with the European Central Bank.

The good trend seen in net receipts from banking, which remained positive (+2,5% as compared with the aggregated 2011 data) was also assisted by the positive performance of trading assets.

In terms of costs, action continued to limit operating expenses, which despite the merger with Banca Sella Nord Est Bovio Calderari and considering the merger by acquisition of Sella Servizi Bancari and the Payment Systems BU, they effectively dropped by 2% with respect to the 4% increase reported by the reclassified statement; whilst the cost of credit once again had a major effect on the period results.

Net interest income

At 31 December 2012 net interest income amounted to 200,6 million euro, down by 3,5% compared with the previous year, which shows the 2011 aggregated data.

The impact on net banking income fell from 57,8% in December 2011, to 54,4% in December 2012.

Net income from services

The trend in net income from services, which amounted to a total of 168 million euro, showed a rise of 10,6% compared with 2011, in which it was 151,9 million euro. Considering the comprehensive data of the two banks and the conferral of the Payment Systems business unit in May 2011, effective growth stands at 8,9%.

This component represented 45,6% of net banking and insurance income (42,2% at 31 December 2011).

Net income from services main components (in million of euro)			
	31/12/2012	31/12/2011	Var %
Payment services	63,0	51,0	23,5%
Trading for third parties and order collection	18,3	20,0	-8,6%
Asset management	23,5	20,6	13,9%
Insurance products placing	7,6	7,6	-0,1%
Trading and hedging activities	9,5	5,9	61,4%
Other	46,0	46,7	-1,4%
Total	**168,0**	**151,9**	**10,6%**

Despite the effect of the crisis striking the average Italian family and reducing its spending power and consequently slowing consumption, the commission part of payment services recorded a good trend (+23,5%) despite the issue of new cards having slowed during the year.

A preference is seen for the use of debit cards rather than credit cards.

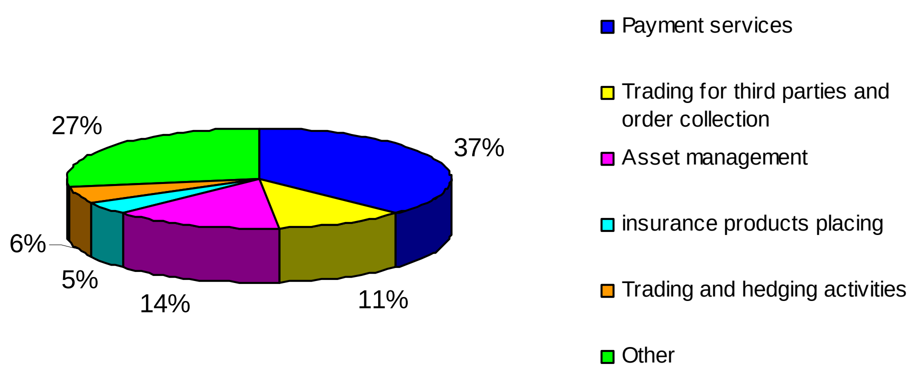
Income from assets managed stood at € 23,5 million, showing good growth on 2011; in actual fact, after a first part of the year that was very volatile on the bond and share markets, and in particular those of Europe, and a subsequent recovery stage during the second half, due both to the lesser tension on the markets and the strong narrowing of the BTP-BUND spread and the trend of the share markets, customers returned their trust to the service, recording a substantial growth of volumes.

Commission on the listing of insurance products show a trend that is substantially in line with last year.

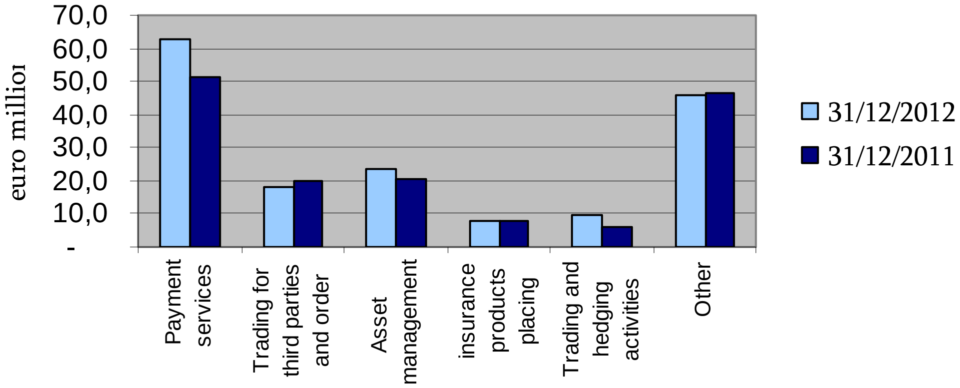
Trading and hedging initially suffered the tension on the financial markets that characterised the first part of the year, recovering towards the end of FY 2012 with a good performance (+61,4%).

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

Net income from services - weight of service



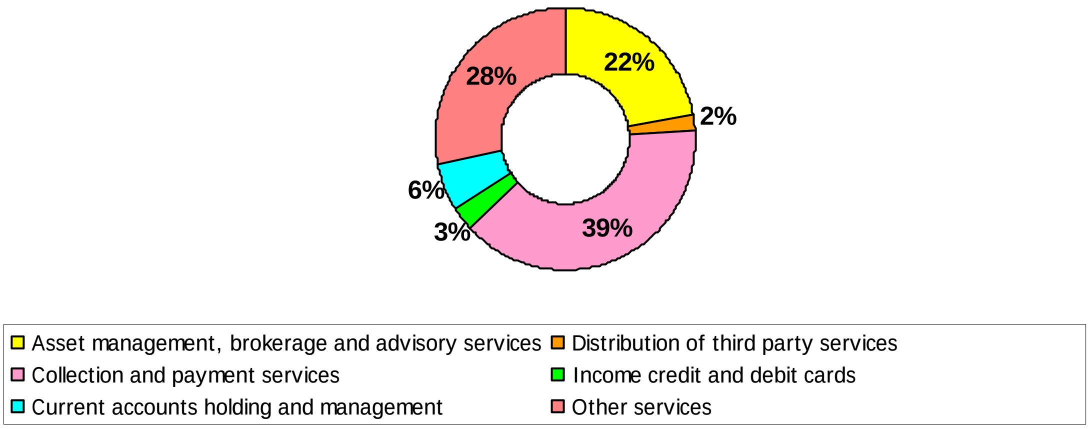
Net income for services



Operating revenues

The money management margin, together with services management, leads to a total result of 368,6 million euro, a 9% increase over 31 December 2011. If the 2011 aggregate data for Banca Sella and Banca Sella Nord Est Bovio Calderari are taken into consideration, the increase is 2,5%, in line with that registered, on average, in the context of the Italian banking system. This is above all thanks to the positive performance in gains from trading activities, totalling 8,4 million euro in 2012, in respect to 4,8 million euro in 2011 and net commission, which grew by 6,6% (as explained previously), going against the trend of the Italian banking system.

composition of net commissions %



Operating costs

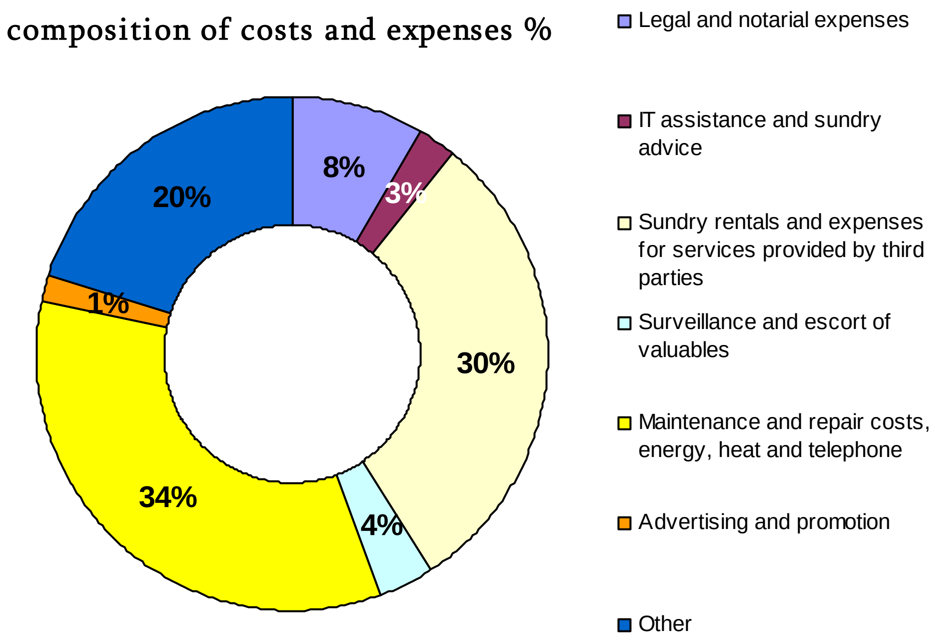
For a correct analysis of the Operating Costs segment, we need to consider the merger by acquisition of Sella Servizi Bancari in May 2011, which means that the aggregated data of last year is not perfectly homogeneous.

In actual fact, operating costs of € 256,9 million, net of the positive contribution of € 15 million relative to "Other operating expenses/income" have effectively reduced by 2%, insofar as, for a useful comparison, to the data of the reclassified statement of € 247,1 million of 2011, we need to add € 15,2 million in costs relating to the first 5 months of the consortium company of the Group, Sella Servizi Bancari.

The efficiency indicator known as the cost-to-income ratio, which is the ratio of operating costs (after deducting IRAP on personnel costs), net of losses linked to operational risks and net banking, comes in at 66,9%, substantially in line with the 66,5% recorded at 31 December 2011.

Breakdown of operating costs			
	31/12/2012	31/12/2011	Change %
Administrative expenses:			
a) Personnel expenses	(152.414,5)	(134.048,4)	13,7%
IRAP on net personnel and seconded personnel expenses	(5.445,7)	(5.163,4)	5,5%
b) Other administrative expenses	(119.501,7)	(127.379,9)	-6,2%
Recovery of stamp duty and other taxes	24.753,5	22.472,6	10,2%
Value adjustments on fixed assets	(7.267,3)	(5.601,1)	29,7%
Value adjustments on intangible fixed assets	(11.905,9)	(7.094,4)	67,8%
Other operating expenses/income (after deducting "Recovery of stamp duty and other taxes")	14.847,3	9.680,8	53,4%
Operating costs	**(256.934,2)**	**(247.133,9)**	**4,0%**

For more information, following the merger by acquisition of Sella Servizi Bancari mentioned previously, the main percentages are given that consider the costs of the first 5 months of FY 2011 with reference to the consortium company:
payroll costs go from +13,7% to +2,2%, other administrative expenses from -6,2% to -11%, value adjustments on tangible fixed assets from +29,7% to -2,8%, value adjustments on intangible fixed assets from 67,8% to -1,4% and other operating income/expenses from +53,4% to -36,7%.



Operating profit

The operating result amounted to 111,6 million euro, a reduction of 0,8% compared with the figure at 31 December 2011.

Operating profit			
	31/12/2012	31/12/2011	Change %
- net banking income	368.560,5	359.676,5	2,47%
- operating costs	(256.934,2)	(247.133,9)	3,97%
Operating profit	**111.626,3**	**112.542,6**	**-0,81%**

Allocations and adjustments

Net allocations to provisions for risks and charges

During the year provisions of 4 million euro were set aside for risks and charges, an increase over 2011, for the most part allocated against operational risk.

Value adjustments for credit impairment

Net value adjustments on loans and advances amounted to 98,5 million euro, up by 6,5% compared to the 92,5 million euro of the aggregated previous year.

This item represents 1,3% of total lending. The generalised crisis context and difficulty experienced by families and businesses has meant that value adjustment have once again had a major impact on the period result.

Value adjustments for credit impairment			
	31/12/2012	31/12/2011	Change %
- loans and receivables	(98.530,2)	(92.537,6)	6,48%
- available-for-sale financial assets	-	(555,2)	-100,00%
- other financial transactions	(849,1)	530,0	-260,23%

Income taxes

Exclusive of IRAP relative to expenses for personnel which was reclassified, increasing said component, the percentage impact of income taxes on continuing operations before taxes was 38,6%.

The non-deductibility for IRAP of the value adjustments on credit led to increased taxes for about 5,7 million euro corresponding to 50,2 percentage points on the tax rate. The so-called "Robin Hood tax” introduced by Legislative Decree 25/06/2008 no. 112 (turned into Law 06/08/08 no. 133) which implies that 4% of interest expenses is non-deductible, caused an increase in taxes of approximately 1,3 million euro, corresponding to about 11,8 percentage points in the tax rate.

On the other hand, the tax rate percentage has been positively influenced by the recording on the financial statements of the amounts of the claims relative to redemption rights for deductibility from IRES or the IRAP connected with payroll expenses, forecast for the tax period 2007 - 2011. More specifically, lesser tax has been recorded in relation to previous years for approximately € 7 million, with a positive incidence on the tax rate of 62 percentage points.

Without the effect of the three above-mentioned components, the tax rate would have been around 38,6%.

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

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

Overall profitability

	ITEMS	31/12/2012	31/12/2011
10.	**Net income (loss)**	**6.982.298**	**8.986.107**
	Other comprehensive income (net of tax)		
20.	Financial assets available for sale	13.385.137	(9.673.575)
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	(3.465.383)	(415.793)
100.	Share of valuation reserves connected with investments meaured with net equity method	-	-
110.	**Total other comprehensive income (net of tax)**	**9.919.754**	**(10.089.368)**
120.	**Total comprehensive income (item 10+110)**	**16.902.052**	**(1.103.261)**

The amount entered under financial assets available for sale refers to the impact of the valuation reserves relative to that portfolio. The positive trend of the item above all relates to the public debt securities component, which benefited from the reduction of the BTP-BUND spread, particularly during the second part of the year.

By contrast, the reduction in the rates had a negative effect on the actuarial component of severance indemnity.

The main component of comprehensive income consists of the change in the valuation reserves relating to the portfolio of financial assets available for sale (item 20). The particularly positive trend is above all due to the component relating to Italian public debt securities held by the Bank.

When analysing the aggregate, it is important to remember the trend of the financial markets in 2012, particularly towards the latter part of the year, when the major tension on the financial markets that had marked 2011 began to ease off somewhat. This has resulted in a re-appreciation of the assets held in the portfolio in relation to debt securities, particularly due to the mentioned macroeconomic trends that also concerned Italy, with a consequent recovery on the spread between the Bund and the BTPs.

By contrast, the reduction in the rates had a negative effect on the actuarial component of severance indemnity (item 90).

» COMMERCIAL MANAGEMENT

During the course of the year, as envisaged in the 2010-2012 strategic plan, implementation of the "new commercial model and bank of the future" envisaged by the old strategic plan and which is pursued in the new approved plan. The commercial model pursued the following objectives:

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

This evolution was based on the following guidelines:

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

This evolution, together with a serious organisational review of the branch operations, has made it possible to have greater awareness of customer demands, as well as increase the time dedicated to commercial activities, thanks to the improved efficiency it will bring. For 2012, no need was seen to increase the number of branches, rather there was a strategic redistribution of them throughout the territory. In 2012, specifically on 16 July 2012, three new branches were opened: Foglizzo (TO), Rubiana (TO) and Lerma (AL); at the same time three other branches were closed: Pontecagnano (SA), Turin C.so Stati Uniti (TO) and Bologna Via Massarenti (BO);

At 31 December 2012, the situation of Bank branches is shown in the following table:

Breakdown by region and branch region

	31/12/2012		31/12/2011	
REGION	**Number of branches**	**Weight % region on total**	**Number of branches**	**Weight % region on total**
Piemonte	131	41,1%	129	46,2%
Sardegna	3	0,9%	3	1,1%
Toscana	11	3,4%	11	3,9%
Valle d'Aosta	6	1,9%	6	2,2%
Emilia Romagna	15	4,7%	16	5,7%
Lazio	16	5,0%	16	5,7%
Liguria	8	2,5%	8	2,9%
Lombardia	17	5,3%	17	6,1%
Veneto (*)	24	7,5%	0	0,0%
Trentino Alto Adige (*)	15	4,7%	0	0,0%
Friuli Venezia Giulia (*)	1	0,3%	0	0,0%
Abruzzo	1	0,3%	1	0,4%
Marche	5	1,6%	5	1,8%
Molise	1	0,3%	1	0,4%
Campania	15	4,7%	16	5,7%
Puglia	29	9,1%	29	10,4%
Sicilia	21	6,6%	21	7,5%
TOTAL	**319**	**100,0%**	**279**	**100,00%**
ITALY				
North	217	68,0%	176	63,1%
Central	33	10,3%	33	11,8%
South & Islands	69	21,6%	70	25,1%
TOTAL	**319**	**100,0%**	**279**	**100,00%**

(*) Acquired following the merger by incorporation of Banca Sella Nord Est Bovio Calderari.

Private banking

2012 ended with net deposits totalling 192 million euro, with a growth rate 4,6%. Total deposits exceeded 4,4 billion euro. The first four months of the year were positive, whilst in the central part of the year some important transfers abroad were made by customers particularly alarmed by the uncertainty at the time relating to the country system. The effect deriving from the increased tax pressure is far from negligible.

The aggregate direct deposits recorded a good performance (+32,5%), but the development of the managed segment should be noted, with net flows of € 169 million. Technical forms include significant growth of the UCITS component.

Also in relation to the acquisition of target customers, 2012 yielded satisfactory results, with a positive net change of 387 openings of new contracts.

The year's economic results are particularly satisfactory, recording banking income exceeding 20,4 million euro, a 10,3% increase with respect to the previous year. The trend of revenues from services is worthy of note, up (12,2% gross and 16,6% net) on last year, with all income components increasing, not only those from investment services.

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

From an organisational viewpoint, activity continued strengthening the specialised structures on the Territory, in particular through the establishing of two new private desks, on Ferrara and Bologna, in continuity with the more extensive overall design, which involves improving cost to income on the more "mature" markets and symmetrical investments in the contexts showing greatest potential.

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

As for last year, two new customer events were organised, the first held in Milan and the second in Rome. In this case too, results were positive in terms of developing new relations and deposit flows.

As concerns the evolution of the range of offer, towards year end marketing began of the new Unit Linked Z Platform of Zurich, which extended the open architecture logic to also include the financial insurance segment; the new Sella Private current a/c was launched as a current account dedicated to the target, a real access "portal" to Private Banking; the range of individual asset management options has been further extended.

Asset management

At 31 December 2012, Banca Sella's asset management volumes, including liquid funds, were 1.352,1 million euro, of which 998,8 million (73,8%) were placed by the Private Banking service and 347,42 million (25,6%) were placed by the branch network. The aggregate volumes show an increase of about 14% compared to 31 December 2011.

The figures above take into consideration the volumes coming from Banca Sella Nord Est Bovio Calderari (approximately 78 million euro) following the merger by its incorporation into Banca Sella in the context of the completion of the "One Bank" project.

2012 was a year marked by a slowing to world growth, by the need to limit the US public debt and deficit, by the European sovereign debt crisis and by a major trust crisis by investors, particularly foreign investors, in certain areas of the old continent. These variables have determined a first part of the year that was extremely volatile on bond and share markets, particularly those of Europe, and a subsequent recovery stage during the second half. These dynamics during the first few months of 2012 contributed to outgoing flows that particularly involved the Equilibrio and Multilinea lines listed by Private Banking, whilst the latter part of the year saw lesser market tension and, in particular, the strong narrowing of the BTP-BUND spread and the trend of share markets, taking interest back to product, recording a substantial growth of volumes listed by financial promoters and an increase in deposits on fund management lines dedicated to retail and an extremely positive "markets" effect on volumes.

In 2012, the range of asset managements offered to private customers was extended with the launch of the Equilibrio Private Internazionali lines with the aim of meeting the demand for greater diversification of investments, both according to geographic area and currency required by private customers.

Again with the aim of ensuring greater diversification and the search for investment opportunities, both according to geographic area and currency, the retail range has been enriched by the GPF Obbligazionaria Globale.

During the year, rationalisation and renewal of the range of products, a process that had begun in 2011 and which has enjoyed good customer response, was drawn to a close.

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

On-Line Trading

For 2012, the on-line trading business was influenced by the reduction of trade seen on a system level (Borsa Italiana recorded a total reduction of volumes of 16% for the share segment and 23% for derivatives during the year), consequently Banca Sella recorded net banking income from on-line trading that had dropped 9,9% on the previous year, despite the fact that the first 3 months of 2012 recorded positive results.

The On Line Trading Service activities developed mainly in the following directions:

- consolidation of the service levels intended as an improvement of the system stability and the performance in sending orders;
- innovation in the product array offered and increasing the number of instruments tradeable on-line;
- diversification of the offer between Trader and Investor customers;
- execution of commercial initiatives aimed at acquiring new Trade customers, carried out in part through the organisation of training events to support customer operations.

In relation to product innovation, 2012 was the occasion to release various new features, such as the Options Viewer, the Excel information plug-in, the on-line trading on Mini Future Ftse 100 (IDEM market), the Future OAT and the main Stock Options (listed on the Eurex Market) as well as the extension of computer services by means of the introduction of Eurostoxx indices and the BTP-Bund spread.

As concerns the segmentation of the offer, interventions were organised on the economic conditions and specific functions released with a view to more greatly diversifying the offer according to the operations and different needs of customers (traders or investors). To this end, trading commission dedicated to investors making sporadic purchases and sales of securities on-line, to whom a new version of the "Tol Investor" platform has also been released, designed to be simple and user-friendly and therefore suited to less evolved customers wishing to operate on financial markets through the electronic channel.

With reference to activities aimed at ensuring the commercial development of new relations and the delivery of quality training to customers, in 2012 too teaching meetings were organised, held by the best market professionals, both of the Group and externally, with 72 training days involving 1.355 people (customers or potential customers). With respect to previous years, specific events have also been activated on trading in shares, options and automatic trading organised in collaboration with Borsa Italiana, held in the historic Palazzo Mezzanotte in Piazza Affari. Finally, as in previous years, the on-line trading area participated in the two main sector fairs held in Rimini and Milan.

Commercial

Companies

The context in which companies have now been operating for some time is and remains complex.

Companies must be able to remain competitive on a highly-selective market, thereby showing a clear need for stable, professionally well-prepared interlocutors able to understand indeed anticipate needs, suggesting solutions with high added value.

In this situation, the structure of commercial companies becomes even more important and was strengthened in FY 2012, with the aim of yet better monitoring relations with segment customers.

The Commercial Companies professionals are required to proactively manage the relationship, which, in addition to gaining the fidelity of the company customer through the offer of dedicated products and services, also enables a timely, correct management of credit, guiding and preventing any critical situations in the companies.

Last year, the work of Commercial Companies focused on assisting the companies in their internationalisation, through the offer of collection and payment products, insurance (through Brosel, a company of the Banca Sella Group specialised in insurance brokerage) and suitable hedge instruments to cover the exchange rate risk for companies operating in currencies other than the euro.

The Goods Export Service, which was progressive decentralised in 2012 into the territories, was strengthened, also through the use of commercial figures supporting Commercial Companies in visits to customers.

Flanking international payment and collection services, the offer that the Commercial Companies make available to businesses includes products dedicated to financing investments for internationalisation, if applicable also flanked by the SACE guarantee with which the collaboration agreement was renewed.

The companies' needs analysis highlights a drive for a greater dimensioning of the companies and the search for capital for business growth projects in order to face up to the growing challenges presented by the market. To support the companies in these needs, the entire structure of the Commercial Companies has been subject to a training plan on Extraordinary Finance matters (M&A, mergers, acquisitions) by the Banca Sella Holding - Corporate Finance division, which is specialised in serving companies in this scope.

Moreover, the consulting of Commercial Companies continues and intensifies this year too, in order to facilitate companies in computerisation and innovation. The offer in this scope particularly focuses on business promoting sales on-line and which need to optimise collection and payment processes in addition to business processes.

As concerns the disbursement and management of credit, the Commercial Companies were able to use instruments made available under the "New Measures for Credit to Small and Medium sized Enterprise" agreements, with a view to supporting business showing positive economic prospects, in assuring the financial resources necessary to overcome the crisis period, promoting the recovery and development of business, also through loans connected with the increased own means developed by the business.

Loans were also made available, granted by means of agreements promoted by the banking association, to mobilise receivables due from the public administration to SMEs and to encourage SME investment projects.

Early 2013, a structure will be established dedicated to Business Finance, with the aim of providing yet more commercial assistance to the network and customers under this scope, particularly in terms of Risk Management and Extraordinary Finance services.

Moreover, to better supervise companies, including smaller ones, it was decided to establish the professional role of the Commercial Small Businesses, operative within the branch, with the task of monitoring relations with the Business, both in terms of credit management and commercial development and gaining fidelity in the relationship.

Agricultural and Alternative Energy

Despite the objective difficulties due to the economic and financial outlooks that marked the whole of 2012, the Agricultural and Alternative Energy segment recorded interesting growth, both as concerns volumes (loans +10,6%, deposits +10,3%) and profitability (net receipts from banking +28,5%). The specialised activity on the agricultural and agricultural-industrial segment contributed towards significant growth also as concerns the opening of new accounts (7,5%) thanks to carefully-focused action on the main production chains of the historic areas (dairy-cheese-making, wine culture, rice culture) and the offer of an articulated catalogue of products and services, duly studied to meet the demands of industry players.

In terms of credit, attention focused on the priority use of guarantee instruments aimed at reducing credit risk and the impact on the absorption of equity, first and foremost the use of the direct guarantee of SGFA for the agricultural segment (increase in guaranteed loans +19,1%).

In 2012 too, the support given to investments in the Renewal Energy field (and particularly photovoltaic and biomass) was also significant, through the consolidation of the valuable synergy with Biella Leasing in perfecting and formulating effective, interesting financial instruments despite the evolution and changes due to alterations in the relevant legislation.

Activity on both areas took place by using the commercial monitoring of the four Agricultural Commercial Representatives, who, in 2012, to increase the effectiveness of the monitoring and support of the network, were included in the territorial workforces. The objective for 2013 will be to identify new resources to be included in the territories that are as yet not covered.

Bancassicurazione

As concerns the listing of Life insurance products of the company of the CBA Vita Group, deposits concentrated mainly on products that can be re-evaluated and, in particular, on CBA Tuo Valore, a product launched late 2009 in combination with the current account Conto Tuo Valore.

With reference to branch III products, in the second half of the year listing resumed of index-linked contracts; different from products listed in the past, this new type of contract provides for a guarantee of capital, in accordance with the provisions of Ivass Regulation no. 32 of 11 June 2009.

With reference to pure risk products, as from September, listing began of a new temporary form of death with decreasing capital to cover mortgages or other loans and with characteristics that are compliant with that specified by Ivass Regulation no. 40 of 03 May 2012.

Finally, following the sentence by the European Court of Justice on 1 March 2011, which as from 21 December 2012 prohibited the application of different conditions according to gender, the catalogue of products distributed has been updated, providing for undifferentiated conditions for male and female insured parties. With the occasion, in order to better personalise the temporary policy for death at constant capital, the cost of smoker and non-smoker insured parties was differentiated.

An agreement was also signed with Zurich Life Assurance Plc, belonging to the Zurich Insurance Group, to intermediate an insurance product referred to as the Z Platform Solution, which is unit-linked, for the entire life, addressed above all to private customers.

In the "damages" sector, 2012 saw the continued listing of products of InChiaro Assicurazioni, the company held by C.B.A. Vita (part of the Banca Sella Group) with HDI Assicurazioni.

In addition to confirming, as for last year, the good results obtained in listing policies of the elementary branch, increasing their penetration with customers, product adjustments were made, also with a review of the commercial policies, in compliance with legislative changes that came into force during the year and concerning policies linked to loans and civil liability and car policies.

Mutual Funds and SICAVs

With the exception of the very first months, which confirmed the weakness of the end of 2011, 2012 was, as a whole, very positive for deposits on investment funds and the related income. Deposits on bond asset classes were particularly important, as confirmation of the already preponderant presence in our customers' portfolios, to an even greater extent than the system. The funds that can be traced to these asset classes also benefited from the strengthening of euro bond performance recorded in 2012, in particular those of peripheral countries, which favoured the performance of these instruments.

Net deposits for 2012 show a positive balance of € 292 million, of which € 283 million on UCITS of product companies that are no longer part of the Group; the funds managed by Sella Gestioni also, however, recorded net positive deposits, particularly during the second half of the year, and were not, therefore, penalised by the progressive extension of "multibrand" listing.

Net UCTS deposit Banca Sella	2012			2011		
Category	Group UCTS	Third Party U	TOTAL 2012	Group UCTS	Third Party U	TOTAL 2011
share	-13,0	13,4	0,4	-13,2	2,3	-10,9
balanced	-9,3	14,5	5,2	8,8	2,5	11,3
flexible	-9,4	17,0	7,5	-1,7	-0,5	-2,2
monetary	-60,2	5,7	-54,6	-98,2	-16,3	-114,5
bonds	101,8	232,3	334,2	-133,2	-4,7	-137,9
Total	**9,8**	**283,0**	**292,8**	**-237,5**	**-16,7**	**-254,2**

Amounts in euro million

On-line Savings

The renewed appreciation by customers of mutual investments funds has been confirmed by the net deposit results achieved over the internet. The operations and volumes involved by transactions have increased, with positive net deposits of approximately € 26 million.

The range of funds available has been extended and the so-called accessory services, particularly savings plans, have continued to be found interesting by customers, to an even greater extent with respect to the already positive figure of 2011.

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

Administered savings

The aggregate of third-party securities in deposit, excluding asset managements, mutual funds and SICAVs, reached 8.589 million euro at 31 December 2012, showing an improvement of 4,3% on the figure of 8.231 million euro at the end of 2011. With regard to the main underlying trends, there was a major reduction in the bond component maturing within one year (-330 million euro less than in 2011), a growth in the bond component with maturity between 1 and 5 years (+162 million euro more than in 2011), a growth in the bond component with maturity after 5 years (+376 million euro more than in 2011) and decrease in the share component (+149 million euro more than in 2011).

Marketing and commercial organisation

Marketing

The marketing service analyses customer needs and expectations, market trends and demands; it promotes the offer studying the best possible solutions for customers using mixed marketing levers: advertisement, sales points, product and price.

In 2012, the two initiatives that most involved the marketing service were the projects and needs offer and the digital economy, flanked by more circumscribed initiatives such as Sella Fidelity and on-line communication campaigns. The project offers projects and needs as from 2012 over 72 branches; a project devoted to private (non-private) customers of Banca Sella through which we place the customer at the centre of our work in order to best satisfy its needs. Behind the offer is the greatest possible knowledge of our customers, of their needs, of their projects and demands. Through customised consulting, the objective is to proactively propose products and services that meet their needs even before they realise their actual requirements, and thereby increase fidelity.

Early 2012, commercial activities were supported by important local communication initiatives on the retired target to promote the acquisition of new customers hence a specific offer has been created in order to meet the demands in view of the change in legislation.

The offer of projects and needs at end 2012 has been opened to the whole network and the project has been enhanced with support/commercial flanking and communication initiatives.

The digital economy is an initiative that was created early 2012 to disseminate the digital culture and have Banca Sella known as a partner for the development of digital projects of our customers. The pilot project was Biella Città Digitale which has had and continues to have the aim of involving relations with institutional and commercial players of the "città digitale" and saw the involvement of the marketing department in the organisation of initiatives that have reached all components of the civil society (families, institutions, no-profit organisations, businesses, trade, artisans), the project scopes: involvement and training, business development, infrastructures and promotion of on-line banking services. The series of Biella Città Digitale meetings was preceded by a meeting on the matter of national scope, held on 7 June.

The project established in Biella has become a FORMAT proposed to additional sites: Lecce, Salerno, Treviso and Trento.

With the aim of measuring the concept of customer satisfaction, each year the marketing service follows a customer satisfaction survey that is carried out regularly in order to gather customer suggestions and comments and verify where intervention is needed to ensure continuous improvement. To that end, we note that in 2012 the NPS (net promoter score) index of the Group is 35,40%, recording an increase over the previous year by 2,6%.

Commercial organisation

With regards to the efficiency and productivity of the distribution networks, the activities coordinated by the commercial organisation service in 2012 enabled a reduction of the administrative load on the branches, by optimising processes and innovating.

The reduction of the workload achieved on the distribution network of Banca Sella was 6% of the total time available to branch colleagues; this was also possible thanks to the increase in operations made entirely independently by customer through electronic channels.

During the year, assignment of network roles was completed and the portfolio project initiated, with the aim of encouraging an evolution of the relations between customer and bank from a transactional approach towards a consulting model.

With the aim of providing suitable instruments in step with the times and the altered customer demands, in 2012 the Commercial Workstation was developed and started-up; this is a new application that will constitute the main workplace for the network and of which the key elements are its immediacy, the circularity of information and the value of the relationship.

Contact Center

In 2012, contacts increased by 2% over 2011, with customers appreciating alternative options to the telephone, such as chat and e-mail.

On the Telephone Banking service, call devices performed directly on the automatic answering service remain stable and the percentage of orders placed on the operator stands at 72%.

The SAS (Development Support) service has strengthened its commercial development activities, increasing products emitted in support of the network by 33% and dedicating its work to engaging with customers to establish appointments in branches with the aim of examining relationships and commercial activities.

Thanks to the synergy with the branches, the percentage of calls managed centrally has increased up to 41% of the telephone traffic of the centralised telephone numbers.

Direct channels

The direct channel service, being responsible for creating services that extend customer interaction methods, during the year initiated numerous strategic projects and initiatives.

As concerns Mobile Banking, the new smart phone and tablet platform has been released, with a particular focus on user experience for the customer and the functions available have been extended. Again under the scope of a mobile project, the concept of the family budget has been created, before also being extended to home banking; this is a tool that enables customers to better manage their income and expenses and allows the Bank to propose/suggest specific products for the customer.

Under the scope of the Direct Channels, a Customer Intelligence service has started to operate, which through business intelligence customer analyses has the aim of improving knowledge of the customer, therefore aimed at improving relations with the customer and the efficiency of the commercial business and proposals.

During the year, a new application was acquired, installed and configured that enables the automated, centralised management of commercial campaigns. Together with the analyses performed by the Customer Intelligence group, the new application aims to guarantee a better result than commercial campaigns.

Extension also continued of the functions available within the internet banking service, which enabled an 8% extension of the number of customers operating.

» RISKS AND CONTROL MANAGEMENT

CREDIT ORGANISATION

The main areas of activity in which the BSE Loans Organisation was involved in 2012 were:

- completion of the actions identified under the scope of the "Credit Quality" initiative, focused on improving credit management and quality;
- completion of the second step of the "One Bank" initiative;
- adjustment to comply with new legislative provisions, including, by way of example, the Liberalisation Decree, the CICR Resolution, ISVAP Provisions, Late Payment, etc.;
- commercial actions identified by the BSE Credit Products Department;
- organisational and procedural adjustments suggested following the inspection of the Bank of Italy.

CONTROLS AND FOLLOW UP

In 2012, Banca Sella's Controls and Follow Up Service continued and expanded its second-level control activities for the companies of the Group, including the use of outsourced controls aimed at containing operating risk, money-laundering risks deriving from anomalous transactions carried out by customers and credit risk, as well as continuing activities to optimise service by reducing overall costs.

In September 2012, in order to further strengthen the pre-existing monitoring of the risk of money laundering and the financing of terrorism, to improve the effectiveness and incisiveness of the interventions on customer due diligence processes and the identification of suspicious operations and to input to the consolidated computer archives (A.U.I.), the anti-money laundering department of the Italian Banks of the Group was centralised with the parent company.

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

During the year, controls of credit risk were also strengthened, introducing new second level checks aimed at monitoring compliance with the provisions of the decision-maker at the foot of the resolution. The monitoring system of credit management by means of CRM has also been strengthened, with the introduction of classifications for monitoring and improving the timeliness of intervention.

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

RISK MANAGEMENT AND INTERNAL AUDIT SYSTEM

Attention to risk management and mitigation continued in 2012 thanks to constant monitoring on the part of the internal audit departments established at the Parent Company and with the collaboration of the Control and Follow Up service discussed previously.

Operating risk

With the aim of constantly improving the culture and management of operational risks and to ensure adequate information flows, Banca Sella, like the other companies of the Group, for several years has used the organisational process known as the “Control Cycle” for the regulation of anomalies, the removal of the effects and causes generating them.

Once again in 2012 Banca Sella paid careful attention to managing operating risk, through the constant strengthening of organisational measures and tools for mitigation and control, including:

- continuation of mapping and validation of business processes with a view to end to end[1];
- certification and summary of service levels and line controls;

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

- the controls carried out through the so-called "alarm bells" (automatic processing with the aim of identifying and/or preventing any internal and/or external anomalies).

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

In addition, in order to ensure an assessment of the performance of the management of operational risk, the Parent Company Risk Management Service produces regular summary and detailed statements which summarise for each Group company and the Group as a whole, the degree of risk assumed in relation to:

- anomalous events and operating losses reported in the Audit Cycle database (highlighting the more serious anomalies);
- the outcome of line audits;
- the trend in service levels;
- the performance of the "internal operational risk rating" calculated on the basis of an analysis of some KPIs (Key Performance Indicators) and KRIs (Key Risk Indicators).

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

Credit risks

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

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

The Parent Company's Risk Management Service has the task of monitoring and quantifying the credit risk assumed by the Group companies, assessing its sustainability and, through the use of shared instruments, facilitating effective and proactive management. The Credit Control service of Banca Sella is focused on more traditional monitoring activities, mainly aimed at credit quality analysis.

In reference to the activities performed by the Parent Company's Risk Management and Audit Service, the evolutionary maintenance of the IT processes and procedures which support credit risk evaluation continued throughout 2012, including:

- the rating system for determining the credit quality of small businesses and SME segments: during the course of 2012, a new rating model was released, developed in cooperation with Crif, that made it possible to better classify the clientèle and increase predictive capacity. At the same time as the introduction of the new ratings model, the possibility was introduced of using tax models to calculate ratings;
- the scoring system for the determination of the credit rating associated with private customers; in 2012, development was completed of a new trend scoring model for private customers that will be released to production if the validation tests currently underway should be passed;
- IT procedure for identifying legal and economic bonds existing among customers;
- monitoring of risk-adjusted return;
- the procedures to check the admissibility requirements of credit-risk mitigation techniques.

For the whole of 2012, attention paid to credit quality and prudence in disbursing loans remained high. From the organisational viewpoint, this attention is pursued by the adoption of adequate credit assessment processes – including the Group's Rating Committee, formed in 2010 - based on the immediate, complete and accurate acquisition of the information necessary for customer assessment.

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

This takes place through a double structure:

- a central team, which monitors the exposure of the clientèle and intercepts the positions with clear signals of potential or effective credit impairment;

- a team in the field which deals with the management of the positions intercepted, and gives support and advice to the entire sales structure of the area of reference where each appointed team member works.

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

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

Interest rate, market, and liquidity risk

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

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

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

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

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

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

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

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

Legal risk

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

With regards to legal disputes pending, we note that the Bank is summonsed to some legal disputes originating from its ordinary business. In as much as it is not possible to predict the final results with certainty, it is held that any unfavourable results of said proceedings would not have, either singularly or as a whole, important negative effects on the financial and economic situation of the Bank.

Please also note that the Court of Lecce has decided the case brought by some minority shareholders of Banca Sella Sud Arditi Galati, a company that merged by acquisition into Banca Sella, believing it lawful for some of the shareholders to withdraw from Banca Sella Sud Arditi Galati, sentencing the latter, and Banca Sella for it, to determine the share liquidation value and perform the liquidation procedure pursuant to Art. 1437-quater of the Italian Civil Code. The Bank does not agree with the Court's decision and is therefore preparing an appeal if an agreement should not be reached by the parties.

Compliance risk

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

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

The compliance process is necessary in order to:

- supervise the risks of non-conformance deriving from the introduction of new relevant regulations or amendments to existing ones;
- transform the new regulatory context into opportunities and benefits for the clientèle and the company;
- carry out effective and efficient organisational and cultural adaptation.

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

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

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

MONEY LAUNDERING

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

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

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

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

The course available in e-learning mode was designed by ABI and allows the student to learn the necessary requisites of law and to understand the role of the Bank in the financial system. Classroom courses have different programmes and aims depending on the students, and allow for gaining knowledge and understanding of the internal organisational measures adopted by the banks of the Banca Sella Group in order to observe all the legal requisites to which they are subject. Because of the updating of the provisions of law, the internal reference regulations on money laundering have been reviewed.

In June 2012, with a view to improving the effectiveness and incisiveness of the interventions on operative processes to strengthen the view of the whole and facilitate the exchange of information, the Boards of Directors of the parent company and Banca Sella resolved to adopt a new organisational model in which the anti-money laundering department of Banca Sella was centralised with the parent company upon appointment of a contact person within the Bank.

The organisational model adopted establishes that both the Anti-money laundering department and the Anti-money laundering controls services depend directly on the parent company anti-money laundering department.

» SERVICES MANAGEMENT

PAYMENT SYSTEMS

As concerns the P.O.S. service, the activity of acquiring payment cards recorded a contrasting trend, marked by good growth of transactions made with Pagobancomat cards (+7.5% with respect to last year) and a drop in transactions made by credit cards (-3.5% with respect to 2011), highlighting for the whole year a phenomenon of customer preference to use debit cards in lieu of credit cards. Comprehensive volumes were basically in line with last year, confirming a slowing to consumption which had already been seen during the last few months of FY 2011.

Activities related to debit and credit cards issued by the Bank also slowed during the year due to the economic crisis, saw growth in terms of spending volumes, equal to +5.7% over the previous year.

In the e-commerce sector, thanks to the success of the Gestpay platform, with continuous technological renewal to cope with the growing demands of our customers, results in line with the targets were achieved in terms of turnover and income.

During the year, authorisation continued of operators qualified to accept payments by means of smart phone at their sales outlets (physical and on-line), by means of our "UpMobile" platform that continues to represent a new feature on the domestic market and which is proving to be of interest to numerous private and institutional customers.

INFORMATION TECHNOLOGY AND RESEARCH AND DEVELOPMENT ACTIVITIES

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

The most significant activities carried out during the year include:

- the positive conclusion of the "One Bank" project that led to the merger of the following assets of Banca Sella Nord Est Bovio Calderari into Banca Sella:
- in the context of Green IT, activities to complete the Private Cloud and the gradual migration of Windows and Linux environments to it continued, leading to savings of 11% on energy absorption of the Data Centers with respect to last year, and the simplification and optimisation of Disaster Recovery and Business Continuity procedures, as well as a significant reduction in provisioning times for new servers;
- the application changes necessary to manage the new organisational models introduced to the commercial network, in the context of the "New Commercial Model" initiative, which led to the introduction of specific scopes for both Territories and Aggregations areas;
- the display of new functions on ATMs (automatic teller machines) combined with the increased number of advanced ATMs installed, with a significant increase in the overall number of transactions carried out using this channel;
- the creation of new services in relation to our Mobile Payment solution in collaboration with an external technological partner;
- the comprehensive improvement of customer response times on all internal and on-line applications, thanks to the technological renewal applied to the central Storage component and the constant attention to monitoring and continuous improvement of applications, particularly of the on-line components of trading and home/mobile banking, average response times halved and the peaks were reduced by one unit of size;
- constant activities to introduce innovative solutions and extended use of the same in the context of the infrastructure together with actions leading to an increase in internal productivity in the context of development, making it possible to pursue an additional decrease in operational costs of 5% with respect to last year;
- the experimental use on a first group of employees of latest generation devices, tablets, to manage activities on the move, with the possibility of using functions of the computer system, a project that will be extended and enhanced during the three years 2013-2015;
- the release of integrated solutions focused on evolved investment consulting;
- the improvement of the management system for the start-up of production of departmental components

enables the "hot" release and minimises impacts of said release;

- continuation of activities to optimise printing processes, in particular in reference to increasing the use of electronic versions by customers, available on the SellaBox application, and review of communication aggregation mechanisms aimed at limiting paper printing, has resulted in an overall 6% reduction of volumes printed with respect to last year and the consequent reduction of environmental impacts;
- continuous evolution of the multi-bank computer system to keep suitability to new external legislative demands;
- the extension of the quantity of services available on the internet from the Company Computer System, thereby enabling an extension of the functions offered on the multi-channel mobile banking and home banking platforms and for the project under development of the new Commercial Workstation at present in a pilot version;
- the revision of the IT processes linked to the issue of the Services relative to ITIL with the introduction of an infrastructural solution for governing them for the Service Operation component;
- the continuance of the optimisation of the procedures, in pursuit of both improvement and greater efficiency of the processes and for the optimisation of the use of the resources;
- the review of the audit processes and methods in the sphere of software development aimed at generating greater internal efficiency;
- the selection and experimentation of a BPM (Business Process Management) tool with which to apply a structural review of processes including the effective measurement of process times; a project that will gradually be released during the three years 2013-2015;
- adaptation of the Data Center by the technological renewal of the infrastructures of central servers. This is to keep the infrastructures technologically adequate and make them suitable to support the growth of volumes, allowing, among other things, also for the reduction in energy consumption in favour of Green IT;
- the progressive adoption of open source software in production areas;
- research and development activity aimed at the selection of the technological solution with which to operate next year, revision, with a multi-device viewpoint, of the information system interfaces used by colleagues;
- the introduction into the Application Development segment of an organisational model that clarifies the separation of operational activities and the project component with a consequent improvement of project delivery times and an improvement of the efficiency and quality under the scope of the management of application procedures;
- the orientation on the growth of new roles of Business Analyst with the foreign companies of the Group in order to enable greater efficiency in the development of design solutions.

CHENNAI BRANCH

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

In 2012, the branch collected € 3,3 million from Information Technology services and IT support services. Deposit interest with banks yielded € 0,1 million. During the same period, the branch spent € 2,2 million on payroll expenses and € 0,9 million as other operative costs (administrative costs and amortisation, including amortisation of goodwill for € 0,4 million), thereby achieving a positive margin of € 0,2 million. If no consideration were taken of the amortisation of goodwill, pre-tax profits would have stood at € 0,7 million.

Net profits as at 31 December 2012, considering the amortisation of goodwill and the calculation of tax, stand at € 0,1 million (€ 0,3 million gross of the amortisation of goodwill).

» HUMAN RESOURCES

MANAGEMENT AND DEVELOPMENT

As at 31 December 2012, the Bank staff totalled 2.996 employees (including the 167 employees of BSE Chennai Branch). With reference to the total of 2.996, 91 employees (none of BSE Chennai Branch) are not working due to maternity or other leave. The net increase compared to the number in force at 31 December 2011 amounted to 167 persons.

The change in the workforce for 2012 was above all influenced by the extraordinary operation consisting of the merger by acquisition of Banca Sella Nord Est Bovio Calderari (which involved 185 colleagues) on 1 October 2012, and which resulted in the completion of the strategic initiative that had begun in 2011 referred to as "One Bank". The Banca Sella Group thus continues with the reorganisation of its internal structure aimed at reducing costs and increasing the quality of the service offered to customers.

internal personnel was mainly used to cover the positions of outgoing employees due to natural turnover.

New employees hired during the year, not considering the above-described extraordinary operation, numbered 54, of whom 31 in BSE Chennai Branch. Of the 23 new employees hired in Italy, 21 were formalised on an open-ended contract (of whom 19 due to transfers from other Group companies), 1 on a fixed-term contract and 1 on a professional apprenticeship contract.

Instead, 72 employees left (of whom 18 relating to BSE Chennai Branch) of whom:

- 48 resigned (of whom 18 relating to BSE Chennai Branch);
- 6 due to the end of short term contracts;
- 8 retired/reached an early retirement agreement;
- 1 terminated the contract by mutual agreement;
- 6 for transfers to other companies of the Group;
- 3 for other reasons.

At the end of the year, the average age of employees, excluding BSE Chennai Branch, stood at 40 years and 6 months, the average age over the years is increasing, also partly due to the slowing in hiring new employees; average seniority of service (considering the employment date within the Group) stands at 13 years and 4 months.

Human resources	31/12/2012	31/12/2011
Precise occupation at the end of the period	2.996	2.829
part time	355	315
average age	40 anni e 6 mesi	39 anni e 5 mesi
average term of service	13 anni e 4 mesi	12 anni e 4 mesi
average cost per employee (in euro)	50.873	45.960
training (in hours)	76.350	93.236
in the classroom	57.677	75.300
online and live meeting	34.132	38.092

TRAINING

In 2012, Company University activities continued, situated at the former Lanificio Maurizio Sella in Biella; 76,350 hours/man were delivered, recording an 18% drop on last year. Classroom training, at 57.677 person-hours, dropped on that seen in 2011 (-23,5%), while on-line training provided through the Group's e-learning platform remained virtually unchanged on FY 2011. In 2012 there was in increase in virtual classroom hours' training issued, almost 34.132 hours, equal to 44% of the total hours issued. Employees involved in training courses during the year totalled 2.472, of which 2.450 in force at 31 December 2011.

The average number of training hours per employee was approximately 27 hours. The training areas most covered were:

- insurance;
- financial consulting;
- credit;
- sales;
- legislative changes, with particular reference to transparency and security;
- information technology;
- development of individual skills.

The following were of particular importance:

- the training path relative to financial consulting, which saw the engagement and training of internal trainers located throughout the territory, in order to train all commercial operators involved by consulting;
- the training path relating to credit management, which involved all roles involved in the credit chain, with customised technical-specialised interventions according to the role, and which concluded with a workshop in the Company University focused on credit quality and the commercial management of the contract entrusted;
- the progressive involvement, which will continue in 2013, of all employees of the commercial network, in a training day seeking to further examine segment legislation, with particular reference to anti money laundering and anti-crime legislation.

» OTHER INFORMATION

TRANSPARENCY OF TRANSACTIONS AND BANKING SERVICES

In 2012, careful attention was paid to branch staff in order to verify the effective level of training and bridge any gaps seen with specific training courses.

The Transparency service visited 54 branches of Banca Sella (Piedmont, Lombardy, Emilia Romagna, Lazio and Sicily) with the following aims: to verify the Transparency documentation displayed and knowledge of the main Transparency rules.

The information collected during these trips, together with that which emerged from document checks and that deriving from the constant monitoring of anomalies entered into the control cycle, was essential in guiding the contents of the 7 training courses delivered during the year to branch staff and financial promoters.

Following the enactment in July 2012 of the report by the Supervisory Body in relation to the 10 inspections made of the branches of Banca Sella and Banca Sella Nord Est Bovio Calderari during the last quarter of 2011, the Transparency service, together with the Compliance and Legal services and the product managers, to coordinate the aspects necessary for the preparation for the response and verified the organisation of findings in the scheduled terms (an activity which will be completed in 2013).

AGREEMENT WITH CASSA DI RISPARMIO DI BOLZANO

Towards the end of 2012, an agreement was signed with Cassa di Risparmio di Bolzano SpA/Sudtiroler Sparkasse AG, for the transfer to this latter of the business unit numbering 26 bank branches and a private banking office of Banca Sella of the provinces of Trento, Bolzano and Belluno.

The agreement took the form of a binding offer made by Cassa di Risparmio di Bolzano/Sudtiroler Sparkasse accepted by Banca Sella. Detailed branch analyses are therefore underway, after which the definitive contract will be stipulated and, following this, the completion of the transfer envisaged for June 2013.

The operation determines a rationalisation of the distribution network of Banca Sella and a strengthening of the capital of the Bank and Group, guaranteeing a continuity of service supplied to customers.

The transfer therefore has specific genesis and reasons and does not, therefore, change the more general, consolidated development strategy of the commercial banking network, which, in fact, remains that of extending and strengthening the commercial capacity identified as the main lever for customer satisfaction and the Group development, with the aim of increasing market shares.

» OUTLOOK

THE SCENARIO

The world economy should show limited recovery in 2013.

In the United States, the intensity of growth will significantly depend on the evolution of the budgeting policy and the capacity of the economic policy players to strike a balance between the needs to consolidate the public accounts in the medium/long-term and the need in the short-term to provide support to a private demand that continues to be rather stagnant. Growth of the gross domestic product of the Eurozone will continue to be penalised by tax austerity policies, by the weakness of the employment market and the continued fragmentation of the financial markets associated with the sovereign debt crisis; however the renewed commitment by the European Community institutions and national governments in favour of progress in the integration process should encourage the continuation of a gradual recovery from tension on the government bond markets of peripheral countries and enable the start-up of a moderate recovery on an aggregate level. It is forecast that the main emerging countries will show an acceleration to growth with respect to 2012, although it is unlikely that the GDP change rates recorded in 2010-2011 will return.

In terms of consumer prices, the moderate growth should justify keeping inflation at limited levels in advanced countries; with reference to the emerging areas, the solidity of the domestic demand and the extensive liquidity in circulation may, in some cases, drive inflation and make it appropriate to be cautious in managing the monetary policy. In reference to the interest rate trends in the USA and the Euro Zone, management of monetary policy on the part of the Federal Reserve and the European Central Bank will remain relaxed. The forecast continued reduction of tension on the government securities of the more vulnerable countries to the sovereign debt crisis may determine a gradual rise in long-term interest rates in the USA and Germany.

The trend of banking volumes in 2013 will continue to suffer a negative impact of the weakness of the Italian economic business, although the continued recovery of tension on the financial markets should offset these tendencies, at least partially.

Loans should basically stagnate due to the weakness of the Italian economy and the need for a great many operators in the system to achieve a more balanced ratio of loans and sources of finance. Coherently with the improved climate on the financial market, indirect deposits should show a positive trend, whilst deposit growth may slow although remain positive.

In a context of loan stagnation, low official interest rates and a cost of deposits that tends to grow, the interest margin on core business in 2013 is unlikely to reach suitable growth rates; this tendency may be somewhat mitigated by the reduction of performance premiums on Italian public securities (with positive effects on bank deposits and, therefore, on the improvement of credit offer conditions) and the continuation of the extraordinary support to liquidity provided for the system by central banks. In terms of commissions, expectations are decreased due to the diminished savings capacity of Italian families, possible volatility in the financial markets and the worsened outlook for macroeconomic growth due to a situation of restrictive tax policies.

The unfavourable macroeconomic context for 2013 will keep the cost of credit high and the dynamics of intermediated volumes low. The continued pursuit of efficiency in the structural costs will therefore be an essential step in safeguarding profitability, but insufficient to guarantee the system suitable levels of capital return.

For more than 120 years the Banca Sella Group, as an independent, innovative, professional and dynamic business, has been guided in its daily activities by strong ethical and moral values.

The Group's reputation has been built up over time with responsible and correct conduct, which has always been consistent and characterized by prudence. The vision to which the Group's activities referred during 2012, is that of a group that intends to be recognised for:

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

During the period of the 2013-2015 Strategic Plan, there will be a gradual review and evolution of the Vision and the organisation and communication of its management, also making room for concepts of innovation, involvement, productivity and consulting.

Under the scope of the 2013-2015 Strategic Plan, given the analysis of the scenario, we believe that we can here report on the route undertaken by Banca Sella over the next three years, towards some strategic lines, which are explained briefly below.

- **Equity strengthening;**
- **Risk management;**
- **Human capital, mentality and organisation;**
- **Structural reduction of cost, increased productivity;**
- **Growth and business mix.**

The development of the 2013-2015 Strategic Plan and its putting into practise will mainly take place through the realisation of specific initiatives, which, for the most part, are the evolution of initiatives that had already begun in the previous strategic plan ,extending them, modifying them and/or finalising them as necessary.

The following strategic initiative will contribute towards strengthening the equity:

- **Capital Management Plan** which provides for the pursuit of the equity strengthening plan already undertaken.

Risk management will be assisted by the following initiatives:

- **Credit Quality:**the initiative, which began mid-2011, aims to continue to pursue credit quality improvement.
- **Credit review process:** this initiative is connected with the recovery of productivity and the reduction of costs.
- **IRB (Internal Rating Based): adoption of advanced credit management models:** the focus of this initiative is the reduction of risk in order to strengthen the equity.

Human capital will be supported by:

- **Human resources:** this initiative envisages the continuation of the action taken in 2012 in order to motivate, encourage, develop, cause to grow and look after the human capital.

The rationalisation and increased efficiency objectives will be assisted by the following initiatives:

- **Organisation**: the evolution of the organisation of Banca Sella looks, in line with compliance with the cost cutting objectives, to significantly improve productivity, in particular by means of a major revision and increased efficiency of processes.
- **Efficiency and quality through legislation**: the initiative, which began in 2011, involves the review and rationalisation of the production and management of the set of legislation of Banca Sella.
- **Management Control 2012 - 2014:** the initiative, which began in 2012, aims to achieve excellent quality levels in Planning and Control services.

The following will contribute towards the business development:

- **New commercial model:** through this initiative, which was started back in 2011, Banca Sella is developing a major change in the network model of the Commercial Bank, with which it intends to conceive and implement an entirely new business model, with a view to ensuring competitiveness on the market, increasing customer satisfaction and increasing commercial development;

- **The bank in the digital revolution**: in order to make the most of business opportunities connected with the Digital Economy, a dedicated initiative has been launched, which embraces all scopes all-round, which, in different ways, are connected with innovation and the internet.

GOING CONCERN: BANK STRATEGY, VOLUMES AND PROFITABILITY

With reference to the Bank of Italy, Consob and Isvap documents no. 2 of 6 February 2009 and no. 4 of 03 March 2010 in relation to the information to be provided in the financial reports on business prospects, with a specific focus on the business as a going concern, financial risks, impairment testing and uncertainties in the use of estimates, the Board of Directors confirms that it can reasonably expect that the Bank will continue operating in the foreseeable future and therefore certifies that the financial statements have been prepared in these terms, as a going concern.

The Bank's equity and financial structure and operating trend do not show any elements or signals that may give rise to any uncertainty on the business as a going concern.

For a disclosure relating to financial risks, impairment tests and uncertainties in the use of estimates, please refer to the information given in this report, to the comments on operating trends and/or the specific sections of the Notes to the statements.

EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

On 31 January 2013, a new branch of Banca Sella began operating in Turin, in Corso Peschiera. The number of branches therefore rises to 320 throughout national territory.

On 16 January 2013, as resolved by the Board of Directors of Banca Sella, a new organisation structure came into force, with the aim of starting works, from the start of the year, to achieve the objectives of the Strategic Plan. The main changes made outline a different allocation of duties within General Management, as a consequence of the change to the make-up which will be determined with the envisaged events of the current CEO. This new allocation of duties will no longer be themed (Commercial, Banking Services, Risks and Controls), but rather more greatly orientated on a unitary government, coordinated by the various areas.

TREASURY AND PARENT COMPANY’S SHARES

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

EQUITY INVESTMENTS AND RELATIONS WITH GROUP COMPANIES

The following table shows the relations between Banca Sella Holding and the other Group companies from the financial and economic points of view. Banca Sella supplies most of the outsourced services to the Group companies; it receives outsourced services from the parent company as concerns the services headed by it, namely, in particular: Corporate secretary, Inspectorate, IT security and the issue of debenture loans.

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

Counterparty	Other assets	Other liabilities	Financial assets held for trading	Due from banks	Due from customers	Due to banks	Due to customers	Hedging derivatives liabilities	Hedging derivatives assets	Financial liabilities hel for trading
Biella Leasing S.p.A.	453	1	-	-	416.041	-	891	-	-	-
Banca Patrimoni Sella & C.	1.960	3.400	-	18	-	3.728		-	-	-
Brosel S.p.A.	36	11	-	-	1	-	3.456	-	-	-
CBA Vita S.p.A.	1.047	4	-	-	1	-	24.012	-	-	-
Consel S.p.A.	256	-	-	-	624.013	-	56	-	-	-
Easy Nolo S.p.A.	321	526	-	-	2.090	-		-	-	-
Family Advisory SIM S.p.A. - Sella & Partners	17	77	-	-	4	-	249	-	-	-
Finanziaria 2010 S.p.A.	-	-	-	-	-	-	4.152	-	-	-
Immobiliare Sella S.p.A.	20	827	-	-	-	-	470	-	-	-
Immobiliare Lanificio Maurizio Sella S.p.A.	15	966	-	-	280	-	387	-	-	-
Mars 2600 S.r.L.	17	-	-	-	39.900	-	50.394	-	-	-
Sella Capital Management Sgr S.p.A in liquidazione	10	-	-	-	-	-	957	-	-	-
Sella Bank AG	26	-	-	11	-	19		-	-	-
Selfid S.p.A.	33	-	-	-	1	-	1.681	-	-	-
Sella Synergy India P.Ltd	-	-	-	-	-	-	1	-	-	-
Selir S.r.l.	23	553	-	-	250	-	191	-	-	-
Banca Sella Holding S.p.A.	767	4.857	7.203	624.087	-	6.336		125.602	27.868	13.173
Sella Gestioni SGR S.p.A.	1.809	-	-	-	3	-	2.171	-	-	-
Sella Life ltd	41	-	-	-	-	-	1.102	-	-	-
Overall total	6.851	11.222	7.203	624.116	1.082.584	10.083	90.170	125.602	27.868	13.173

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

Counterparty	Other operating expenses	Other operating income	Fee income	Fee expense	Interest receivable and similar income	Interest payable and similar income	Net gains/(losses) on hedging activities	Net gains/(losses) on trading activities	Negative differential settlement on hedging	Positive differential settlement on hedging	Administrative expenses Other administrative expenses (*)	Administrative expenses Personnel expenses (*)
Biella Leasing S.p.A.	1	442	466	-	8.421	2	-	-	-	-	-1	-57
Banca Patrimoni Sella & C.	17	2.935	-7	10.517	24	178	-	-	-	-	67	84
Brosel S.p.A.	-	59	231	-	-	2	-	-	-	-	10	-8
CBA Vita S.p.A.	-	199	3.199	-	-	866	-	-	-	-	-1	-48
Consel S.p.A.	-	306	882	-	13.132	-	-	-	-	-	-	6
Easy Nolo S.p.A.	-	486	18	-	36	-	-	-	-	-	6.576	-343
Family Advisory SIM S.p.A. - Sella & Partners	-	20	-	-	-	1	-	-	-	-	308	-18
Finanziaria 2010 S.p.A.	-	16	3	-	-	87	-	-	-	-	-	-
Immobiliare Sella S.p.A.	-	34	-	-	-	-	-	-	-	-	1.802	-
Immobiliare Lanificio Maurizio Sella S.p.A.	-	25	-	-	19	1	-	-	-	-	1.921	-
Mars 2600 S.r.L.	-	-	76	-	-	922	-	-	-	-	-	-
Sella Capital Management Sgr S.p.A in liquidazione	-	17	1	-	-	12	-	-	-	-	-	-
Sella Bank AG	-	21	83	-	-	139	-	-	-	-	-	-
Selfid S.p.A.	-	38	2	-	-	7	-	-	-	-	-2	-65
Selir S.r.l.	-	91	-	-	10	-	-	-	-	-	2.945	0
Banca Sella Holding S.p.A.	1	5.516	1.691	7.214	17.818	14.177	-14.023	-9.741	23.787	7.537	2.668	592
Sella Gestioni SGR S.p.A.	-	333	6.381	-	-	20	-	-	-	-	-2	-77
Sella Life ltd	-	18	-	-	-	28	-	-	-	-	-	-
Overall Total	19	10.556	13.026	17.731	39.460	16.442	-14.023	-9.741	23.787	7.537	16.291	66

(*) Negative amounts refet to expense recover

» PROPOSED ALLOCATION OF PROFIT

Dear Shareholders,
The Balance Sheet and Income Statement at 31 December 2012, 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 € 6.982.298,37 which we propose to allocate as follows:

Profit for the year	€ 6.982.298,37
- to the “Legal Reserve”, pursuant to Articles of Association	€ 837.875,80
- to the “Statutory Reserve”, pursuant to Articles of Association	€ 2.792.919,35
Remaining	€ 3.351.503,22
for Shareholders:0,00582 euro for each of the no. 563.193.010 shares	€ 3.277.783,22
to the “Fund for charity and sundry donations”	€ 70.000,00
and the remainder to the "Extraordinary reserve”	€ 3.719,90

Biella, 27 March 2013

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

Report of the board of statutory auditors

BANCA SELLA S.P.A.
Head Office at Piazza Gaudenzio Sella 1 - Biella
Share capital € 281.596.505
Register of Companies of Biella: 02224410023.
Register of Banks: 5626; ABI Code: 03268.
Subject to direction and coordination
by BANCA SELLA HOLDING S.p.A.

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING OF 29 APRIL 2013

Dear Shareholders,

Below is a summary of the contents and results of the year's activities including, amongst others, the completion of the *one bank* project, which, after the conferral of the business unit relating to electronic and traditional payment systems, the customer desk and customer area of Banca Sella Holding and the acquisition of Banca Sella Sud Arditi Galati and Sella Servizi Bancari in 2011, led to that of BANCA SELLA NORD EST BOVIO CALDERARI, with accounting effect as from 1 January 2012.

We can confirm, in the altered composition of the board as a result of Article 36 of Italian Law Decree no. 201/2011, that during the course of our operations and regular meetings, we have:

– supervised compliance with the provisions issued by the BANK OF ITALY, also as regards measures aimed at preventing money laundering and the financing of terrorism, concerning the notification of suspicious operations in accordance with Italian Legislative Decree no. 231/2007 and compliance with those of CONSOB, answering its requests following inspections; in January and October 2012, in accordance with Article 52 of the mentioned Italian Legislative Decree no. 231/2007, we notified anomalies in the inputs of the consolidated computer archives;
– acquired the results of the calculation of regulatory capital and the capital ratios prescribed by the BANK OF ITALY;
– supervised the process of preventing and managing risks as identified by the regulations;
– attended meetings of shareholders and the board, during which the directors informed us as to management events and we obtained information on compliance with the law, the articles of association and meeting resolutions, on the steps taken to avoid critical issues consequent to potential conflicts of interest and with regards to infra-group transactions and transactions with related parties, complete with all additional data necessary; in this respect, in accordance with that established by BANCA SELLA HOLDING, insofar as they may prove useful, we prepared the opinions sought of us on the group regulation for managing related party transactions, in June, and on its update and the adoption of the related internal audit policies, in December;
– noted the suitability of the organisational structure and internal audit system to the

dimensions and business carried out, as well as acquiring information from the supervisory body on the organisational, management and control model pursuant to Italian Legislative Decree no. 231/2001;

- noted, under the scope of the financial information process, compliance with the principles of diligent and correct administrative conduct, the capacity to correctly represent management events and the efficiency of the internal audit system, also through meetings with company officers and managers;
- begun systematic contacts with the managers of the internal control and compliance departments, in order to consider the operating results, the corrective intervention guidelines established when necessary and the progress of activation of the same;
- formulated hypotheses for the prevention and elimination of shortcomings;
- ensured the preparation of periodic reports on operations;
- reviewed the self-assessment process performed by the board in relation to the suitability and function of the company needs in the presence of diversified competences and professionalism, which, despite the comfort afforded by the results obtained, shows room for improvement as pointed out;
- carried out the considerations necessary to consider the independence requirements for each auditor to be confirmed.

In addition, pursuant to article 19 of Legislative Decree 39/2010, we carried out periodic meetings with DELOITTE & TOUCHE, both to follow execution of the auditing activities plan and the fulfilment of the same, as well as to exchange information about the respective operations and to receive information about the results of the same, and to ensure their independence - on which subject we harbour no doubts - which included acquiring the draft of the confirmation certification pursuant to article 17 of Legislative Decree 39/2010, including the following phrases:

> "(…) As the auditing company assigned to carry out the task of auditing the financial statements at 31 December 2012 for BANCA Sella S.p.A., we confirm that, on the basis of the information obtained and the verifications carried out, taking into account the regulatory and professional principles that govern auditing activities, for the period from 1 January 2012 through to the present date, no situations have been identified that have compromised our independence or that have created incompatibilities pursuant to articles 10 and 17 of Legislative Decree 39/2010 and the relative implementation provisions.
> In this respect, we also note that as of today you have not signalled any situations that have compromised our independent and/or given grounds for incompatibility of which you have become aware on the basis of the information at your disposal and the activities you have carried out thus far. (…)".
> In the same draft, as was requested, they add:
> "(…) Services other than auditing provided to BANCA Sella S.p.A. by the auditing company in question and other entities in its Network from 1 January 2012 through to the present date, exclusive of those already indicated in our analogous communication of 12 April 2012, determined on the basis of the information available to us, are indicated as follows:

- Completion of auditing procedures agreed upon for reports issued by the Bank in the context of securitisation operations, carried out by said Bank, for fees totalling 18.000 euro.
- Methodological support to the Bank's working party under the scope of the "Anti Money Laundering Legislation Analysis" for a price of € 41.400.
- Methodological support to the Bank's working party under the scope of the activities involved in balancing the consolidated computer archives, for a price of € 115.500. (…)".

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

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

We have also considered the structure and layout of both the draft financial statements as at 31 December 2012, totalling profits of € 6.982.298 (€ 8.986.107 in 2011) and the management report, which recalls the equity and economic effects of said acquisition, and the explanatory notes.

In the meeting for the period, DELOITTE & TOUCHE gave us advance notice of both the contents of the *Report on essential matters*, and the favourable results of their work and professional opinion, without exceptions and mentions of disclosures.

By virtue of the elements acquired directly and the layout and structure of the results given to the independent auditing firm, we believe that the draft financial statements and the proposed allocation of the period result - in compliance with the restrictions applicable to it and having noted the general indications given in BANK OF ITALY communication of 13 March 2013 concerning the "*2012 Financial Statements. Measurement of receivables, remunerations, distribution of dividends*" would appear to be basically respected in the group context, considering the business unit transfer indicated in the report on operations - are subject to approval.

Finally, we note that the Agenda for the next Shareholders' Meeting involves, in addition to the 2012 company accounts and destination of the relative profits, the following:

- the appointment of directors and the determination of their fees;
- the acknowledgement of:
  - the board's 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;
  - the internal audit policies relating to the risk activities and conflict of interest with regards to related parties;
- approval of the new document on the BANCA SELLA GROUP's remuneration policies.

11 April 2013

The Board of Statutory Auditors

Paolo Piccatti   Riccardo Foglia Taverna   Vincenzo Rizzo

FINANCIAL STATEMENTS AT 31 DECEMBER 2012

BALANCE SHEET

Assets	31/12/2012	31/12/2011(*)	Differences %
10. Cash and available liquidity	142.130.311	117.933.128	20,52%
20. Financial assets held for trading	88.458.493	161.392.734	-45,19%
40. Financial assets available for sale	371.371.157	355.673.934	4,41%
50. Financial assets held to maturity	412.504.482	165.062.570	149,91%
60. Due from banks	931.488.909	1.858.614.293	-49,88%
70. Due from customers	7.495.417.677	6.702.684.409	11,83%
80. Hedging derivatives	27.868.245	16.144.103	72,62%
90. Change in value of financial assets subject to macro-hedging (+/-)	134.047.774	104.720.086	28,01%
110. Tangible assets	34.917.011	29.367.369	18,90%
120. Intangible assets	44.801.419	42.161.267	6,26%
of wich:			
- goodwill	17.430.209	14.196.993	22,77%
130. Tax assets	116.203.723	85.483.458	35,94%
a) current	41.186.826	23.211.661	77,44%
b) deferred	75.016.897	62.271.797	20,47%
- of wich lex 214_2011	65.928.206	47.764.352	38,03%
150. Other assets	120.597.531	141.586.363	-14,82%
Total assets	**9.919.806.732**	**9.780.823.714**	**1,42%**

Liabilities and shareholders' equity	31/12/2012	31/12/2011(*)	Differences %
10. Due to banks	22.618.935	97.300.556	-76,75%
20. Due to customers	7.763.557.589	7.309.162.264	6,22%
30. Outstanding securities	1.230.830.133	1.457.209.279	-15,54%
40. Financial liabilities held for trading	23.898.744	31.724.843	-24,67%
60. Hedging derivatives	138.865.193	108.185.426	28,36%
80. Tax liabilities	33.914.819	34.704.543	-2,28%
a) current	30.351.155	31.796.527	-4,55%
b) deferred	3.563.664	2.908.016	22,55%
100. Other liabilities	127.810.557	219.823.374	-41,86%
110. Employee severance indemnities	33.153.960	27.082.763	22,42%
120. Provisions for risks and charges:	12.849.231	12.788.102	0,48%
a) retirement and similar obligations	-	-	-
b) other provisions	12.849.231	12.788.102	0,48%
130. Valuation reserves	(1.854.282)	(10.795.049)	-82,82%
160. Reserves	(53.139.012)	(52.332.891)	1,54%
170. Share premiums	298.722.062	267.839.516	11,53%
180. Share capital	281.596.505	269.144.881	4,63%
190. Own shares (-)	-	- -	
200. Profit for the year	6.982.298	8.986.107	-22,30%
Total liabilities	**9.919.806.732**	**9.780.823.714**	**1,42%**

(*) The amounts relating to 31 December 2011 relate exclusively to Banca Sella while those of 2012 are affected by the merger of Banca Sella North East Bovio Calderari in Banca Sella, which took place on 1 October 2012.

INCOME STATEMENT

Item	31/12/2012	31/12/2011(*)	Differences %
10. Interest receivable and similar income	346.326.680	311.259.890	11,27%
20. Interest payable and similar expense	(145.716.927)	(117.113.871)	24,42%
30. Net interest income	**200.609.753**	**194.146.019**	**3,33%**
40. Fee income	232.276.495	192.713.777	20,53%
50. Fee expenses	(73.821.189)	(54.304.170)	35,94%
60. Net fees	**158.455.306**	**138.409.607**	**14,48%**
70. Dividends and similar income	-	2.400	-100,00%
80. Net gains/(losses) on trading activities	8.380.265	4.256.493	96,88%
90. Net gains/(losses) on hedging activities	1.115.162	1.163.783	-4,18%
100. Gains/(losses) on sale or repurchase of:	3.193.433	(482.877)	-761,33%
a) loans & receivables	(399.509)	(396.443)	0,77%
b) financial assets available for sale	3.103.712	(536.103)	-678,94%
c) financial assets held to maturity	-	-	-
d) financial liabilities	489.230	449.669	8,80%
110. Net gains/(losses) on financial assets and liabilities at fair value through profit or loss	-	-	-
120. Net interest and other banking income	**371.753.919**	**337.495.425**	**10,15%**
130. Net value adjustments for impairment on:	(99.379.285)	(87.261.003)	13,89%
a) loans & receivables	(98.530.166)	(87.634.213)	12,43%
b) financial assets available for sale	-	(46.207)	-100,00%
c) financial assets held to maturity	-	-	-
d) other financial transactions	(849.119)	419.417	-302,45%
140. Net gains/(losses) on financial operations	**272.374.634**	**250.234.422**	**8,85%**
150. Administrative expenses	(271.916.194)	(238.630.317)	13,95%
a) personnel expenses	(152.414.475)	(122.944.275)	23,97%
b) other administrative expenses	(119.501.719)	(115.686.042)	3,30%
160. Net provisions for risks and charges	(4.047.532)	(1.466.593)	175,98%
170. Net value adjustments on tangible assets	(7.267.289)	(4.915.435)	47,85%
180. Net value adjustments on intangible assets	(11.905.859)	(7.078.581)	68,20%
190. Other operating expenses/income	39.600.842	30.629.900	29,29%
200. Operating costs	**(255.536.032)**	**(221.461.026)**	**15,39%**
210. Gains/(losses) on equity investments	-	-	-
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	(14.876)	4.621	-421,92%
250. Profit/(losses) from continuing operations before taxes	**16.823.726**	**28.778.017**	**-41,54%**
260. Income taxes for the period on continuing operations	(9.841.428)	(19.791.910)	-50,28%
270. Profit/(losses) from continuing operations after taxes	**6.982.298**	**8.986.107**	**-22,30%**
280. Profit/(losses) on asset disposal groups held for sale after taxes	-	-	-
290. Profit/(Loss) for the year	**6.982.298**	**8.986.107**	**-22,30%**

(*) The amounts relating to 31 December 2011 relate exclusively to Banca Sella while those of 2012 are affected by the merger of Banca Sella North East Bovio Calderari in Banca Sella, which took place on 1 October 2012.

STATEMENT COMPREHENSIVE INCOME

	ITEMS	31/12/2012	31/12/2011(*)
10.	**Net income (loss)**	**6.982.298**	**8.986.107**
	Other comprehensive income (net of tax)		
20.	Financial assets available for sale	13.385.137	(9.673.575)
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	(3.465.383)	(415.793)
100.	Share of valuation reserves connected with investments meaured with net equity method	-	-
110.	**Total other comprehensive income (net of tax)**	**9.919.754**	**(10.089.368)**
120.	**Total comprehensive income (item 10+110)**	**16.902.052**	**(1.103.261)**

(*) The amounts relating to 31 December 2011 relate exclusively to Banca Sella while those of 2012 are affected by the merger of Banca Sella North East Bovio Calderari in Banca Sella, which took place on 1 October 2012.

STATEMENT OG CHANGES IN SHAREOLDERS' EQUITY 2011

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

	Balance at 31/12/2010	Changes to opening balance	Balance at 01/01/2011	Allocation of profit of previous year: Reserves	Allocation of profit of previous year: Dividends and other uses	Changes in the period: Changes to reserves	Changes in the period – 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 31/12/2011	Shareholders' equity 31/12/2011
Share capital:														
a) ordinary shares	200.000.000	-	200.000.000	-	-		69.144.880	-	-	-	-	-	-	**269.144.880**
b) other shares	-	-		-	-	-	-	-	-	-	-	-	-	
Share premiums	100.000.000	-	100.000.000	-	-		167.839.516	-	-	-	-	-	-	**267.839.516**
Reserves:														
a) profit reserves	62.352.771	-1.417.981	60.934.790	4.871.601	-	7.972.261	-	-	-	-	-	-	-	**73.778.652**
b) others	7.904.570	-	7.904.570	-	-	-134.016.113	-	-	-	-	-	-	-	**-126.111.543**
Valuation reserves														
a) available for sale	-2.113.573	-	-2.113.573	-	-	-860.991	-	-	-	-	-	-	(9.673.575)	**-12.648.139**
b) cash flow hedging	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
c) special revaluation laws	-	2.268.883	2.268.883	-	-	-	-	-	-	-	-	-	-415.793	**1.853.090**
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Own shares	-	-	-	-	-	10.481.971	-	-10.481.971	-	-	-	-	-	**-**
Profit (loss) for the year	9.244.328	62.274	9.306.601	-4.871.601	-4.435.000	-	-	-	-	-	-	-	8.986.107	**8.986.107**
Shareholders' equity	377.388.096	913.176	378.301.271	-	-4.435.000	-116.422.872	236.984.396	-10.481.971	-	-	-	-	-1.103.261	**482.842.563**

STATEMENT OG CHANGES IN SHAREOLDERS' EQUITY 2012

Statement of changes in shareholders' equity at 31 December 2012 *(euro)*

	Balance at 31/12/2011	Changes to opening balance	Balance at 01/01/2012	Allocation of profit of previous year		Changes in the period								Shareholders' equity 31/12/2012
							Operations on shareholders' equity							
				Reserves	Dividends and other uses	Changes to reserves	Issue of new shares	Purchase of own shares	Distribution of extrahordinary dividends	Change in equity instruments	Derivatives of own shares	Stock options	Total comprehensive income for the period at 31/12/2012	
Share capital:														
a) ordinary shares	269.144.880	-	269.144.880	-	-		12.451.625	-	-	-	-	-	-	**281.596.505**
b) other shares	-	-		-	-	-	-	-	-	-	-	-	-	
Share premiums	267.839.516	-	267.839.516	-	-		30.882.546	-	-	-	-	-	-	**298.722.062**
Reserves:	-													
a) profit reserves	73.778.652	-	73.778.652	4.674.384	-	2.230.786	-	-	-	-	-	-	-	**80.683.822**
b) others	-126.111.543	-	-126.111.543		-	-7.711.291	-	-	-	-	-	-	-	**-133.822.834**
Valuation reserves	-													
a) available for sale	-12.648.139	-	-12.648.139	-	-	-1.126.409	-	-	-	-	-	-	13.385.137	**(389.411)**
b) cash flow hedging	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
c) special revaluation laws	1.853.090	-	1.853.090	-	-	147.423	-	-	-	-	-	-	-3.465.383	**-1.464.870**
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Own shares	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Profit (loss) for the year	8.986.107	-	8.986.107	-4.674.384	-4.311.723	-	-	-	-	-	-	-	6.982.298	**6.982.298**
Shareholders' equity	482.842.563	-	482.842.563	-	-4.311.723	-6.459.492	43.334.171	-	-	-	-	-	16.902.052	**532.307.572**

CASH FLOW STATEMENT– Direct Method

A. OPERATING ACTIVITIES *(euro)*	31/12/2012	31/12/2011(*)
1. Operations	**114.224.740**	**102.295.147**
Interest income collected (+)	343.055.898	308.279.636
Interest expense paid (-)	(145.716.927)	(117.113.871)
Dividends and similar income	-	2.400
Net fees (+/-)	158.455.306	138.409.607
Personnel expenses	(151.827.232)	(122.434.573)
Other costs (-)	(119.501.719)	(115.686.042)
Other revenues (+)	39.600.842	30.629.900
Taxes and duties (-)	(9.841.428)	(19.791.910)
2. Cash provided (used) by financial assets	**43.312.216**	**(1.673.708.036)**
Financial assets held for trading	81.314.506	169.919.768
Financial assets available for sale	6.789.654	(195.675.845)
Due from customers	(948.822.908)	(1.422.409.862)
Due from banks	927.125.384	(176.514.499)
Other assets	(23.094.420)	(49.027.598)
3. Cash provided (used) by financial liabilities	**141.917.596**	**1.663.864.792**
Due to banks	(74.681.621)	(21.723.988)
Due to customers	454.395.325	1.235.754.292
Outstanding securities	(226.379.898)	268.079.015
Financial liabilities held for trading	(7.826.099)	8.890.730
Other liabilities	(3.590.111)	172.864.743
Net cash provided (used) by operating activities	**299.454.552**	**92.451.903**

B. INVESTING ACTIVITIES	31/12/2012	31/12/2011(*)
1. Cash provided by:	**(6.639.100)**	**3.263.278**
Sales of equity investments	-	-
Sales/redemptions of financial assets held to maturity	-	-
Sales of tangible assets	(3.679.718)	295.587
Sales of intangible assets	(2.959.382)	2.967.691
Sales of subsidiaries and company divisions	-	-
2. Cash used by:	**(264.306.546)**	**(275.304.314)**
Purchase of equity investments	-	-
Purchase of financial assets held to maturity	(243.567.827)	(73.769.332)
Purchase of tangible assets	(9.152.089)	(26.918.514)
Purchase of intangible assets	(11.586.630)	(51.592.042)
Purchase of subsidiaries and company divisions	-	(123.024.426)
Net cash provided (used) by investing activities	**(270.945.646)**	**(272.041.036)**

C. FUNDING ACTIVITIES	31/12/2012	31/12/2011(*)
Issue/purchase of own shares	-	236.984.396
Issue/purchase of equity instruments	-	-
Distribution of dividends and other purposes	(4.311.723)	(4.435.000)
Net cash provided (used) by funding activities	**(4.311.723)**	**232.549.396**

NET CASH PROVIDED (USED) IN THE PERIOD	**24.197.183**	**52.960.263**

RECONCILIATION	31/12/2012	31/12/2011(*)
Cash and cash equivalents at start of year	**117.933.128**	**64.972.865**
Total net cash provided (used) in the period	24.197.183	52.960.263
Cash and cash equivalents at end of year	**142.130.311**	**117.933.128**

(*)The amounts relating to 31 December 2011 relate exclusively to Banca Sella while those of 2012 are affected by the merger of Banca Sella North East Bovio Calderari in Banca Sella, which took place on 1 October 2012.

Notes To The Financial Statements

PART A_ ACCOUNTING POLICIES

» A 1 GENERAL SECTION

Section 1 - Declaration of compliance with international accounting standards

This financial report has been drawn up according to the international accounting standards IAS/IFRS (including the SIC and IFRIC interpretation documents) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union as of 31 December 2012, pursuant to Community Regulation No. 1606 of 19 July 2002. As concerns the schemes and notes to the statements, the financial statements is prepared in application of the decrees of the Bank of Italy in the exercise of the powers established by Art. 9 of Italian Legislative Decree no. 38/2005 with the Provision of 18 November 2009 whereby the first update to Circular no. 262/05 as subsequently amended, 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.

Sezione 2 – Principi generali di redazione

The financial statements consist of the Balance Sheet, the Income Statement, the Comprehensive Statement of Income, the Statement of Changes in Shareholders' Equity, the Cash Flow Statement and the present Notes to the Financial Statements, and are accompanied by the Directors' Report on Operations, in total continuity with respect to 31 December 2011.

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

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

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

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

These financial statements were prepared taking into account Bank of Italy/CONSOB/ISVAP Document no. 4 of 3 March 2010 which, while not introducing any new obligations with respect to those already set forth in the international accounting standards, emphasises the need to ensure adequate financial reporting and a high degree of transparency, recommending the prompt and exhaustive application of these standards particularly as regards impairment tests, contractual clauses on financial debt, recovery of distressed debts and the "fair value hierarchy". Moreover, it considers the last two communications of the Bank of Italy: Amendments to Circular no. 262 "Bank financial statements: layouts and rules for preparation" of 18 January 2013 and Communication of 13 March 2013 - 2012 Financial Statements: measurement of receivables, remuneration, distribution of dividends.

During the course of 2012, the following accounting principles and interpretations entered into effect, as approved by the European Commission:

- Regulation no. 1205/2011, Amendments to IFRS 7 - Financial instruments: additional information - transfers of financial assets with application as from FY 2012;
- Regulation no. 475/2012 - Amendments to IAS 1 and IAS 19 with application as from FY 2013.

Regulation no. 1205/2011 supplements IFRS 7 with the aim of ensuring a more correct assessment of the risk connected with the transfer of financial assets and the related effects on the financial position of the entity and to make transfers more transparent, particularly securitisation operations.

Regulation no. 475/2012 approved some changes to IAS 1, aimed at increasing clarify of the Statement of Comprehensive Income (Other Comprehensive Income - OCI), by means of the grouping of items that will not in the future be reversed to the income statement and those that may be reversed to the income statement if certain conditions are met. The same Regulation approved the new version of IAS 19, which aims to encourage the comprehension and comparability of financial statements, particularly with reference to defined benefits plans. The most important news introduced regards the elimination of the "corridor method" with the immediate recognition in the Statement of Comprehensive Income of the changes in the value of bonds and assets used for the plan. The Regulation applies as from FY 2013: despite the failure to apply it early, the accounting method is in any case already in line with IAS 19, having, in FY 2011, altered the parameters used to determine severance indemnity. None of the European Community Regulations approving the international accounting standards described above therefore had any effect on the preparation of the financial statements as at 31 December 2012.

The financial statements have been prepared in coherence with the accounting standards and criteria used the previous financial statements.

Section 3 - Events subsequent to the balance sheet date

No events are recorded subsequent to the balance sheet date.

Section 4 – Other issues

In 2012, the analytical valuation parameters of impaired loans classed as watchlist revoked and non-performing were reviewed.

This review led to an update of some of the valuation elements and some discounting estimates.

The underlying principle of the impaired loan valuation process continues to be the valuation and determination of analytical estimates of recovery for individual customers and loan types, taking account of all the valuation elements present, namely sureties acquired and/or acquirable, the customer’s income and assets, legal actions available, possibility of out-of-court agreements, etc.

This revision of the analytical valuation parameters means that the application of the valuation methods is suitable, even if the external scenario changes and in different macroeconomic contexts.

Said process of revising the analytical measurement parameters of non-performing and watchlist loans with revocation of facilities has had an effect on the final balances of the adjustment provisions already incorporated in the interim position for € 7,8 million, of which non-performing € 6,6 million and watchlist positions revoked € 1,3 million.

» A 2 MAIN ACCOUNTING ITEMS

1 – Financial assets held for trading

Classification criteria

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

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

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

Recognition criteria

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

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

Assessment criteria

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

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

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

Derecognition criteria

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

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

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

2 – Financial assets available for sale

Classification criteria

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

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

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

Recognition criteria

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

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

Assessment criteria

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

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

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

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

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

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

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

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

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

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

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

Derecognition criteria

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

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

3 – Financial assets held to maturity

Classification criteria

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

Recognition criteria

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

Assessment criteria

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

Derecognition criteria

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

4 – Loans and Receivables

Classification criteria

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

Recognition criteria

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

Assessment criteria

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

Analytical valuations

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

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

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

The valuation parameters are connected to the following classes of past due or watchlist loans not revoked:

- analytical adjustments for exposures in excess of € 25.000 - past-due and/or deteriorated loans in excess of thresholds granted. The measurements that give rise to an analytical adjustment are proposed by the Anomalous Credit Management Service of Banca Sella to the Management or to the delegated mechanisms/collegial bodies. The measurement is performed at the time of classification and subsequently, if new, significant events occur that make a new evaluation necessary (e.g. significant reduction of exposure, acquisition of new guarantees, new prejudicial events, significant new trend anomalies, provision revoking loans to the system, registration of legal mortgages or start-up of enforcement proceedings on property concerned by our mortgage guarantee); the valuations to be applied are aimed at determining the real possibility of returning the position to performing status and, where this possibility is in doubt, the assessment of the possible loss after having taken action to collect. The evaluation of the adjustments must be made, as a general rule, considering the equity of the debtor, its income capacity, its financial balance, future prospects, professional or entrepreneurial capacity, the regularity of the customer in managing bank relations, also considering any guarantees backing the credit facilities granted.
- forfeit adjustments for exposures of less than € 25.000 - past-due and/or deteriorated loans in excess of thresholds granted. The forfeit adjustments are made by applying a fixed percentage to

the amount to be adjusted, as decided by Management of the individual banks, on the basis of statistics on the losses recorded for the three previous years.

- subjective watchlist positions, namely exposure towards customers that, on the basis of the elements in the Bank's possession, are believed to be in temporary difficulties that are forecast to be overcome within 12/18 months; on the database, these are recorded with the code INCS - Subjective Watchlist.
- objective watchlist positions, for which the temporary difficulties are governed by Bank of Italy legislation; in the database, these are indicated with the code INCO - Objective Watchlist.

The measurement of watchlist positions for the purpose of determining value adjustments is made analytically at the time of classification to watchlist and subsequently each time new, significant events occur that make a new valuation necessary. Significant events include, by way of example:

- significant reduction of exposure;
- change of ownership;
- acquisition of new guarantees;
- new prejudicial events;
- significant new trend anomalies;
- loan revocation provisions;
- registration of legal mortgages or start-up of enforcement procedures on property concerned by our mortgage guarantee.

The valuations to be applied to watchlist positions are marked by the determination of the real possibility of returning to a performing status and, where this possibility is in doubt, to quantify the possible loss after having taken action to recover.

For internal management and measurement purposes, the criteria are specified to be applied to the valuation of adjustments.

The evaluation of the adjustments will be made, as a general rule, considering the equity of the debtor, its income capacity, its financial balance, the prospects of the segment to which it belongs, managerial or entrepreneurial capacity, the regularity of managing bank relations and the customer morality, also considering any guarantees backing the credit facilities granted.

All positions are measured analytically at the time of making the decision to classify to watchlist and subsequently each time the general conditions of the trend of the relationship and/or acquisition of new guarantees require a change to be made:

Value adjustments to be applied will be determined by the Management of the individual bank on the proposal of the anomalous credit auditor service.

Although not compulsory, value adjustments can be made calculated on a forfeit basis in the cases specified:

a. Positions with uses within € 10 thousand: forfeit percentage calculated as the weighted average of adjustments made during the last three years to revoked positions with exposure of less than € 10 thousand, in relation to the exposure that said positions had last year. The percentage is reviewed every year on the basis of the latest historic series by the end of February of each year;

b. Positions with uses of more than € 10 thousand new entries to objective watchlist: average during the last 3 years of adjustments made to non-revoked watchlist positions with uses in excess of € 10 thousand. This method will only be applied for the first month of entrance to objective watchlist. For the next month, the adjustment will be calculated according to the new balances and percentage adjustment defined by the Bank during the previous month;

c. Positions with uses in excess of e 10 thousand already classed as objective watchlist the previous month: analytical measurement performed by the individual Banks the previous month. The percentage adjustment defined the previous month is applied to the new uses.

For objective watchlist positions with exposure of less than € 10 thousand, in the presence of specific motivations, individual valuation can be performed (by way of example, analytical valuation can be used for procedures that are entirely guaranteed by pledges or proceedings for which a loss is estimated as being significantly higher than that calculated by way of forfeit).
The valuation adjustment must be prepared considering the general condition of the customer in terms of credit rating and considering the real possibility of restoring the customer relationship to a performing status, after solving the trend anomalies that resulted in its classification to watchlist.

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

The valuation times are:

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

Following the process of revision of the methods, as described in the Report on Operations of the present financial statements, we updated some valuation parameters applied to disputed loans classified as non-performing and watchlist with revocation of the facilities:

- Estimated recovery to be assigned at the time of the revocation of the facilities for loans of up to € 50,000 with no collateral or assets to be enforced;
- Estimated recovery of credit to be evaluated for a transfer without recourse for which all stages of legal and amicable recovery have been concluded;
- Estimated discounting and negative cash flow for legal costs, relating to credits backed by collateral with property enforcement to be started and/or underway;
- Estimated discounting of loans admitted to bankruptcy proceedings;
- Estimated discounting for loans to be valued for transfer without recourse.

The updates and valuation parameters are backed by historical and statistical series, both the bank's own and representative of the national situation.

The revision specifically resulted in the identification of updates relative to the estimates for the discounting of disputed loans, mainly in terms of estimating forecast recovery terms of loans backed by mortgage guarantees.

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.

Collective valuations

Loans for which no specific objective evidence of loss has been found, which are normally performing loans, undergo collective valuation. Under the terms of the International Accounting Standards

(IAS/IFRS), the definition of the generic reserve for performing loans should follow a model based on incurred losses. The term incurred loss means a loss for which the fact that it has already happened is clearly identifiable, although it has not yet become manifest (loss “incurred” but not “recognized”). On the basis of its business and its own historical experience in the management and monitoring of exposure to credit risk, the Banca Sella Group has identified as the method of determination of incurred loss an approach based on the concept of expected loss. The term expected loss means the loss that a bank expects to suffer on average in a certain time frame.

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

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

Derecognition criteria

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

5 – Hedging transactions

Classification criteria: types of hedging

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

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

IAS 39 describes the following types of hedges:

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

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

Recognition criteria

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

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

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

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

Assessment criteria

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

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

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

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

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

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

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

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

6 – Tangible assets

Classification criteria

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

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

Recognition criteria

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

Assessment criteria

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

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

Derecognition criteria

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

7 – Intangible assets

Classification criteria

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

Recognition criteria

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

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

Assessment criteria

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

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

Derecognition criteria

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

8 – Current and deferred taxation

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

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

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

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

9 – Provisions for risks and charges

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

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

Provisions are set aside for risks and chargest only when:

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

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

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

The congruity of these amounts is also reviewed regularly.

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

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

10 – Payables and outstanding securities

Classification criteria

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

Recognition criteria

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

Assessment criteria

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

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

Derecognition criteria

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

11 – Financial liabilities held for trading

Classification criteria

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

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

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

Recognition criteria

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

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

Assessment criteria

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

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

Derecognition criteria

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

12 – Foreign currency transactions

Initial recognition

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

Following recognition

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

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

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

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

13 – Other information

Securitizations

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

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

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

Employee benefits

Employee severance indemnities are entered on the basis of their actuarial value. For the purposes of discounting to the present, the projected unit credit method is used; this involves the projection of the future outflows on the basis of historical statistical analyses and of the demographic curves, and the financial discounting of these flows on the basis of a market interest rate. The difference between profits and losses of actuarial valuations are recognized directly in equity, while the remaining components (the effect actualization) in the income statement.

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";
- 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 31/12/2012 (4)	Fair Value at 31/12/2012 (5)	Income components in case of no transfer (before tax)		Annual income components (before tax)	
					Valuation (6)	Other (7)	Valuation (8)	Other (9)
Debt securities			**15.725**	**15.725**	**- 629**	**-**	**- 629**	**-**
	HFT	AFS	15.725	15.725	- 629	-	- 629	-
Total			**15.725**	**15.725**	**- 629**	**-**	**- 629**	**-**

Key:

HFT = Financial assets held for trading

AFS = Financial assets available for sale

A.3.1.4 Effective interest rate and expected future cash flows from reclassified assets

Description	isin	rate	expected cash flow
CCT 01/03/14 TV	IT0004224041	1,85	16.166

A.3.2 Hierarchy of fair value

A.3.2.1 Accounting portfolios: fair value by level

Financial assets/liabilities at fair value	31/12/2012			31/12/2011		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	41.144	47.313	1	53.411	107.982	-
2. Financial assets at fair value through profit or loss	-	-	-	-	-	-
3. Financial assets available for sale	366.253	-	5.118	350.723	2.475	2.476
4. Hedging derivatives	-	27.868	-	-	16.144	-
Total	**407.397**	**75.181**	**5.119**	**404.134**	**126.601**	**2.476**
1. Financial liabilities held for trading	13	23.886	-	-	31.725	-
2. Financial liabilities at fair value through profit or loss	-	-	-	-	-	-
3. Hedging derivatives	-	138.865	-	-	108.185	-
Total	**13**	**162.751**	**-**	**-**	**139.910**	**-**

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.

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	**-**	**-**	**2.476**	**-**
2. Increases	**1**	**-**	**2.642**	**-**
2.1. Purchases	-	-	2.642	-
2.2. Profits allocated to:				
2.2.1. Income Statement	1	-	-	-
- of which capital gains	1	-	-	-
2.2.2. Shareholders' Equity	X	X	-	-
2.3. Transfers from other levels	-	-	-	-
2.4. Other increases	-	-	-	-
3. Decreases	**-**	**-**	**-**	**-**
3.1 Sales	-	-	-	-
3.2. Repayments	-	-	-	-
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	-	-	-	-
4. Closing balance	**1**	**-**	**5.118**	**-**

PART B INFORMATION ON THE BALANCE SHEET

» ASSETS

Section 1 - Cash and available liquidity - Item 10

1.1 Cash and available liquidity: breakdown	Total 31/12/2012	Total 31/12/2011
a) Cash on hand	142.130	117.933
b) Demand deposits at central banks	-	-
Total	**142.130**	**117.933**

Section 2 - Financial assets held for trading – Item 20

2.1 Financial assets held for trading: breakdown by type

Item/Amount	31/12/2012			31/12/2011		
	L1	L2	L3	L1	L2	L3
A. Cash assets						
1. Debt securities	41.134	27.015	1	53.397	81.347	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	41.134	27.015	1	53.397	81.347	-
2. Equity securities	-	-	-	-	-	-
3. UCITS units	-	-	-	-	-	-
4. Loans and advances	-	-	-	-	-	-
4.1 Reverse repurchase agreements	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
Total A	**41.134**	**27.015**	**1**	**53.397**	**81.347**	**-**
B. Derivative instruments						
1. Financial derivatives:	10	20.298	-	14	26.635	-
1.1 for trading	10	20.258	-	14	26.576	-
1.2 linked to fair value option	-	-	-	-	-	-
1.3 others	-	40	-	-	59	-
2. Credit derivatives:	-	-	-	-	-	-
2.1 for trading	-	-	-	-	-	-
2.2 linked to fair value option	-	-	-	-	-	-
2.3 others	-	-	-	-	-	-
Total B	**10**	**20.298**	**-**	**14**	**26.635**	**-**
Total A+B	**41.144**	**47.313**	**1**	**53.411**	**107.982**	**-**

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

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

This segment is composed of Italian government bonds, bonds issued by banks of the Banca Sella Group and bonds issued by other bank bonds of high creditworthiness or supranational. At 31 December 2012 the following types of securities were held:

- Italian government bonds 37%;
- Banca Sella Group bonds 32%;
- Senior bank bonds 26%;
- Supranational bonds (EIB) 5%.

The balance of this segment reduced during the year by approximately € 67 million.

The greatest changes regard the reduction of bank bonds (approximately -36 million euros), the increase in Italian government securities (approximately +19 million euros) and the reduction of Banca Sella Group bonds (approximately -54 million euros). This latter change is partly due to the merger by acquisition between Banca Sella and Banca Sella Nord Est Bovio Calderari; as at 31 December 2012, Banca Sella in fact held approximately € 44 million in bonds issued by Banca Sella Nord Est Bovio Calderari, which following the merger, are no longer part of the financial assets.

During the year, following the acquisition of Banca Sella Nord Est Bovio Calderari, Italian government securities were conferred into this segment worth approximately € 3,3 million.

With regard to asset allocation, the variable component represented about 49%, while 51% was invested in fixed rate securities with short-term maturity. Exposure to interest rate risk was very contained for the entire period in question.

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

Item/Amount	31/12/2012	31/12/2011
A. Cash assets		
1. Debt securities	**68.150**	**134.744**
a) Governments and Central Banks	25.335	3.083
b) Other public bodies	-	-
c) Banks	37.806	127.156
d) Other issuers	5.009	4.505
2. Equity securities	**-**	**-**
a) Banks	-	-
b) Other issuers:	-	-
- insurance companies	-	-
- financial companies	-	-
- non-financial companies	-	-
- others	-	-
3. UCITS units	**-**	**-**
4. Loans and advances	**-**	**-**
a) Governments and central banks	-	-
b) Other public bodies	-	-
c) Banks	-	-
d) Other subjects	-	-
Total A	**68.150**	**134.744**
B. Derivative instruments		
a) Banks		
- fair value	7.203	17.213
b) Customers		
- fair value	13.105	9.436
Total B	**20.308**	**26.649**
Total A+B	**88.458**	**161.393**

2.3 Cash financial assets held for trading: annual changes	Debt securities	Equity securities	UCITS units	Loans and advances	Total
A. Opening balance	**134.744**	**-**	**-**	**-**	**134.744**
B. Increases	**358.538**	**-**	**-**	**-**	**358.538**
B.1 Purchases	356.570	-	-	-	356.570
- of which: business combinations	3.309	-	-	-	3.309
B.2 Increases in fair value	786	-	-	-	786
B.3 Other changes	1.182	-	-	-	1.182
C. Decreases	**425.132**	**-**	**-**	**-**	**425.132**
C.1 Sales	389.405	-	-	-	389.405
- of which: business combinations	41.345	-	-	-	41.345
C.2 Redemptions	35.172	-	-	-	35.172
C.3 Reductions in fair value	46	-	-	-	46
C.4 Transfers to other portfolios	-	-	-	-	-
C.5 Other changes	509	-	-	-	509
D. Closing balance	**68.150**	**-**	**-**	**-**	**68.150**

Section 4 - Financial assets available for sale - Item 40

4.1 Financial assets available for sale: breakdown by type

Item/Amount	Total 31/12/2012			Total 31/12/2011		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	366.253	-	-	350.723	2.475	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	366.253	-	-	350.723	2.475	-
2. Equity securities	-	-	2.694	-	-	52
2.1 Carried at fair value	-	-	-	-	-	-
2.2 Carried at cost	-	-	2.694	-	-	52
3. UCITS units	-	-	-	-	-	-
4. Loans and advances	-	-	2.424	-	-	2.424
Total	**366.253**	**-**	**5.118**	**350.723**	**2.475**	**2.476**

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

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

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

This sector consists of EIB supranational bonds, Italian government bonds and bank bonds of high creditworthiness. At 31 December 2012 the following types of securities were held:

- BOT 21%;
- CTZ 2%;
- CCT 51%;
- BTP 19%;
- Senior bank bonds 6%;
- Supranational bonds (EIB) 1%.

During the year, the balance of this segment reduced during the year by approximately € 13 million.

The most significant changes regard the BOTs (approximately + 40 million euros) and the CTZs (approximately -46 million euros).

The comparison with 31 December 2011 considers the acquisition of Banca Sella Nord Est Bovio Calderari, in fact Italian government securities were conferred into this segment worth approximately € 21 million.

With regard to asset allocation, the variable component represented about 52%, while the remaining 48% was invested in fixed rate securities with short or medium-term maturity. Exposure to interest rate risks was kept very limited for the entirety of the period in question. The security with the longest maturity date in the portfolio matures on 01 November 2017.

The sub-item "Equity securities" includes minority shares; the most significant shares are in CBA Vita for € 2,1 million.

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

INFORMATION ON IMPAIRMENT TEST ON HOLDINGS

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

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

Companies subject to the impairment test (in thousands of euro)				
Entities	Cash generating unit (CGU)	Carrying value (before any write-downs of the year) A	Share of equity attributable B	Difference A-B
CBA Vita	CGU A	2.133	1.725	408

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

Imapirment test: CGU being more thorough analysis			
CGU	recoverable amount	Calculation methodology used	Outcome of the impairment test
CGU A	Fair value	actuarial method	The impairment test does not detect a loss of value

Method 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:

- Actuarial method: applied, in accordance with professional valuation practices, for insurance companies operating mainly in life business. The valuation is obtained by summing shareholders' equity, the value of the existing policies portfolio (embedded value) and the current value of future life production (appraisal value). The shareholders' equity is represented by the Company's net assets, deriving from the last accounting statement available, adjusted to the market value of underlying assets, if necessary. The in-force value is the present value of future cash flows on net profits which are expected to arise from policies in force at the valuation date, considering the cost of the solvency capital requirement. The value of new business is the present value of future cash flows on net profits which are expected to arise from newly issued policies, considering the cost of the solvency capital requirement.

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 for the calculation of the recoverable amount			
CGU	**Assumptions**	**Methods for determining**	**Notes**
CGU A	Shareolders' equity	Financial statements as at 31/12/2012	- With regard to returns on separate management were considered the expected trends in asset yields calculated to 31/12/2012, for the new production, as well as the return on assets to cover its margin, it was hypothesized a constant output of 3,5%
	Value of in-force	Life portfolio as of 31/12/12	- The discount rate used to discount the cash flows were assumed to be equal to 9%
	Value of future policies	The value of new business has been calculated by taking into account a time horizon of 10 years (2013-2022)	- With regard to the future expenses of management, it was assumed that the expenditure currently stationed reserves are sufficient to cover the costs of the existing portfolio. For the new business we have assumed an annual cost per policy by referring to the assessments based on data from the 2012 budget increased by a percentage equal to 2% per annum.

Conclusions

From the analysis performed, it can be seen that the recoverable value of the CGU is greater than the carrying value.

4.2 Financial assets available for sale: breakdown by borrowers/issuers		
Item/Amount	**31/12/2012**	**31/12/2011**
1. Debt securities	**366.253**	**353.198**
a) Governments and central banks	338.049	310.685
b) Other public bodies	-	-
c) Banks	28.204	37.986
d) Other issuers	-	4.527
2. Equity securities	**2.694**	**52**
a) Banks	-	-
b) Other issuers:	2.694	52
- insurance companies	2.133	-
- financial companies	534	31
- non-financial companies	27	21
- others	-	-
3. UCITS units	**-**	**-**
4. Loans and advances	**2.424**	**2.424**
a) Governments and central banks	-	-
b) Other public bodies	-	-
c) Banks	-	-
d) Other subjects	2.424	2.424
Total	**371.371**	**355.674**

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

Details on the item "Equity securities"	
	31/12/2012
Equity securities	2.694
- of wich: issued by subjects classified as non performing	-
- of wich: issued by subjects classified as wachlist exposures	-

4.4 Financial assets available for sale: annual changes

	Debt securities	Equity securities	UCITS units	Loans and advances	Total
A. Opening balance	**353.198**	**52**	**-**	**2.424**	**355.674**
B. Increases	**323.148**	**2.642**	**-**	**-**	**325.790**
B.1 Purchases	296.981	2.642	-	-	299.623
- of which: business combinations	29.840	2.642	-	-	32.482
B.2 Increases in fair value	16.032	-	-	-	16.032
B.3 Writebacks	-	-	-	-	-
- charged to the income statement	-	-	-	-	-
- charged to shareholders' equity	-	-	-	-	-
B.4 Transfers from other portfolios	-	-	-	-	-
B.5 Other changes	10.135	-	-	-	10.135
C. Decreases	**310.093**	**-**	**-**	**-**	**310.093**
C.1 Sales	277.679	-	-	-	277.679
- of which: business combinations	-	-	-	-	-
C.2 Redemptions	28.735	-	-	-	28.735
C.3 Reductions in fair value	158	-	-	-	158
C.4 Impairment losses	-	-	-	-	-
- charged to the income statement	-	-	-	-	-
- charged to shareholders' equity	-	-	-	-	-
C.5 Transfers to other portfolios	-	-	-	-	-
C.6 Other changes	3.521	-	-	-	3.521
D. Closing balance	**366.253**	**2.694**	**-**	**2.424**	**371.371**

Section 5 - Financial assets held to maturity - Item 50

5.1 Financial assets held to maturity: breakdown by type								
	Total 31/12/2012				Total 31/12/2011			
	Book value	*Fair value*			Book value	*Fair value*		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	412.504	433.066	-	-	165.063	131.034	17.546	-
- Structured	-	-	-	-	-	-	-	-
- Others	412.504	433.066	-	-	165.063	131.034	17.546	-
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.

Financial assets held to maturity include instruments held for long-term investment purposes and comply with the size parameters laid down in a framework resolution by the Board of Directors.

The securities included in this category amounted to 412,5 million euro, and were exclusively Italian government securities, more specifically:

- CTZ 4,8 million;
- CCT 28,7 million;
- BTP 379,0 million.

During the year, the balance of this segment grew significantly (approximately +247,4 million euros) and is the main change in financial assets as a whole.

Following the acquisition of Banca Sella Nord Est Bovio Calderari, Italian government bonds were transferred to this category in the amount of 40 million euro.

5.2 Financial assets held to maturity: borrowers/issuers		
Type of transaction/Amount	Total 31/12/2012	Total 31/12/2011
1. Debt securities	**412.504**	**165.063**
a) Governments and central banks	412.504	165.063
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	**412.504**	**165.063**

5.4 Financial assets held to maturity: annual changes

	Debt securities	Loans and advances	Total
A. Opening balance	**165.063**	**-**	**165.063**
B. Increases	**248.858**	**-**	**248.858**
B.1 Purchases	243.567	-	243.567
- of which: business combinations	7.058	-	7.058
B.2 Writebacks	-	-	-
B.3 Transfers from other portfolios	-	-	-
B.4 Other changes	5.291	-	5.291
C. Decreases	**1.417**	**-**	**1.417**
C.1 Sales	-	-	-
- of which: business combinations	-	-	-
C.2 Redemptions	-	-	-
C.3 Writedowns	-	-	-
C.4 Transfers to other portfolios	-	-	-
C.5 Other changes	1.417	-	1.417
D. Closing balance	**412.504**	**-**	**412.504**

Section 6 - Due from banks - Item 60

6.1 Due from banks: breakdown by type

Type of transaction/Amount	31/12/2012	31/12/2011
A) Due from central banks	**12.981**	**50.928**
1. Term deposits	-	-
2. Statutory reserve	12.981	50.928
3. Reverse repurchase agreements	-	-
4. Others	-	-
B) Due from banks	**918.508**	**1.807.686**
1. Current accounts and demand deposits	573.638	1.275.716
2. Term deposits	54.083	93.779
3. Other loans and advances	18.486	11.010
3.1 reverse repurchase agreements	-	-
3.2 financial leasing	-	-
3.3 others	18.486	11.010
4. Debt securities	272.301	427.181
4.1 structured	-	-
4.2 others	272.301	427.181
Total (book value)	**931.489**	**1.858.614**
Total (fair value)	**932.842**	**1.859.140**

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

This section consists exclusively of bonds issued by Banca Sella Holding. During the year, the segment reduced by approximately € 155 million following the maturity of bonds that were only partially renewed.

During the year, following the incorporation of Banca Sella Nord Est Bovio Calderari, Banca Sella Holding bonds were transferred to this sector in the amount of 45 million euro.

Section 7 - Due from customers - Item 70

7.1 Due from customers: breakdown by type

Type of transaction/Amount	31/12/2012			31/12/2011		
	Performing	Impaired		Performing	Impaired	
		Purchased	Others		Purchased	Others
1. Current accounts	1.109.809	-	137.801	962.521	-	102.916
2. Repurchase agreements	-	-	-	-	-	-
3. Mortgage loans	3.495.817	-	204.552	3.217.702	-	161.762
4. Credit cards, personal loans, salary-backed loans	362.600	-	6.792	380.710	-	3.690
5. Financial leasing	-	-	-	-	-	-
6. Factoring	-	-	-	-	-	-
7. Other loans	2.069.043	-	108.792	1.772.823	-	100.360
8. Debt securities	212	-	-	200	-	-
8.1 Structured	-	-	-	-	-	-
8.2 Others	212	-	-	200	-	-
Total (Book value)	**7.037.481**	**-**	**457.937**	**6.333.956**	**-**	**368.728**
Total (fair value)	**7.222.931**	**-**	**457.936**	**6.503.898**	**-**	**368.728**

The item as a whole is basically in line with last year, +1,3% considering the merger with Banca Sella Nord Est Bovio Calderari.

Current accounts have increased as a consequence of this merger; in actual fact, customers of this bank have been "migrated" to Banca Sella.

The sub-item "Other loans" includes "hot money", namely short-term loans that recorded the greatest increase on FY 2011.

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

7.2 Due from customers: breakdown by borrowers/issuers

Type of transaction/Amount	31/12/2012			31/12/2011		
	Performing	Impaired		Performing	Impaired	
		Purchased	Others		Purchased	Others
1. Debt securities issued by:	**212**	**-**	**-**	**200**	**-**	**-**
a) Governments	-	-	-	-	-	-
b) Other public bodies	-	-	-	-	-	-
d) Other issuers	212	-	-	200	-	-
- non-financial companies	212	-	-	-	-	-
- financial companies	-	-	-	200	-	-
- insurance companies	-	-	-	-	-	-
- others	-	-	-	-	-	-
2. Loans and advances to:	**7.037.270**	**-**	**457.936**	**6.333.755**	**-**	**368.729**
a) Governments	513	-	-	55	-	1
b) Other public bodies	19.093	-	-	15.694	-	213
c) Other subjects	7.017.664	-	457.936	6.318.006	-	368.515
- non-financial companies	3.383.962	-	330.577	3.015.946	-	256.752
- financial companies	1.136.323	-	729	891.389	-	571
- insurance companies	10	-	-	336	-	-
- others	2.497.369	-	126.630	2.410.335	-	111.192
Total	**7.037.482**	**-**	**457.936**	**6.333.955**	**-**	**368.729**

Section 8 - Hedging derivatives - Item 80

8.1 Hedging derivatives: breakdown by hedging type and by levels

	FV 31/12/2012			VN 31/12/2012	FV 31/12/2011			VN 31/12/2011
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	**-**	**27.868**	**-**	**495.788**	**-**	**16.144**	**-**	**402.140**
1) Fair value	-	27.868	-	495.788	-	16.144	-	402.140
2) Cash flow	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flow	-	-	-	-	-	-	-	-
Total	**-**	**27.868**	**-**	**495.788**	**-**	**16.144**	**-**	**402.140**

Key:

FV = fair value

VN = notional value

For information on hedging policies, please refer to Part E of these Notes to the statements below.

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	27.868	-	-	X	-	X	-	X	X
2. Portfolio	-	-	-	-	-	-	-	-	X
Total liabilities	**27.868**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**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	-	-

The amount refers to the fair value of the IRS (interest rate swap) hedging the bonds issued by the Bank.

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

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

Change in value of hedged assets	31/12/2012	31/12/2011
Positive change	**134.048**	**104.720**
1.1 of specific portfolios:	134.048	104.720
a) loans and recievables	134.048	104.720
b) financial assets available for sale	-	-
1.2 overall	-	-
Negative change	**-**	**-**
1.1 of specific portfolios:	-	-
a) loans and recievables	-	-
b) financial assets available for sale	-	-
1.2 overall	-	-
Total	**134.048**	**104.720**

9.2 Assets subject to macro-hedging of interest rate risk

	31/12/2012	31/12/2011
Hedged assets		
1. Loans and receivables	772.144	768.787
2. Financial assets available for sale	-	-
3. Portfolio	-	-
Total	**772.144**	**768.787**

The amount refers to the fair value of the loans hedged by the IRS (interest rate swaps).

Section 11 - Tangible assets - Item 110

11.1 Tangible assets: breakdown of assets carried at cost

Item/Amount	Total 31/12/2012	Total 31/12/2011
A. Assets used for business purposes		
1.1 owned	**31.823**	**28.485**
a) land	3.518	3.087
b) buildings	13.016	11.058
c) furniture	1.105	1.241
d) electronic equipment	8.115	6.903
e) other	6.069	6.196
1.2 acquired through financial leasing	**-**	**-**
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic equipment	-	-
e) others	-	-
Total A	**31.823**	**28.485**
B. Assets held for investment		
2.1 owned	**3.094**	**882**
a) land	2.399	234
b) buildings	695	648
2.2 acquired through financial leasing	**-**	**-**
a) land	-	-
b) buildings	-	-
Total B	**3.094**	**882**
Total (A+B)	**34.917**	**29.367**

11.3 Tangible assets used for business purposes: annual changes	Land	Buildings	Furniture	Electronic equipment	Others	Total
A. Gross opening balance	**3.087**	**15.561**	**12.572**	**78.965**	**35.673**	**145.858**
A.1 Total net impairments		4.503	11.331	72.062	29.477	117.373
A.2 Net opening balance	**3.087**	**11.058**	**1.241**	**6.903**	**6.196**	**28.485**
B. Increases	**431**	**2.649**	**418**	**5.093**	**2.007**	**10.598**
B.1 Purchases	431	2.591	418	5.093	2.007	10.540
- of which: business combinations	431	2.572	281	82	153	3.519
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	-	58	-	-	-	58
B.7 Other changes	-	-	-	-	-	-
C. Decreases	**-**	**691**	**554**	**3.881**	**2.134**	**7.260**
C.1 Sales	-	-	-	34	-	34
- of which: business combinations	-	-	-	-	-	-
C.2 Depreciation	-	691	554	3.839	2.134	7.218
C.3 Impairment losses charged to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Reductions in fair value charged to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) property, plant and equipment held for investment	-	-	-	-	-	-
b) assets held for sale	-	-	-	-	-	-
C.7 Other changes	-	-	-	8	-	8
D. Net closing balance	**3.518**	**13.016**	**1.105**	**8.115**	**6.069**	**31.823**
D.1 Total net impairments		10.036	15.648	77.409	35.543	138.636
D.2 Gross closing balance	**3.518**	**23.052**	**16.753**	**85.524**	**41.612**	**170.459**
E. Carried at cost	-	-	-	-	-	-

11.4 Tangible assets held for investment purpose: annual changes

	Total	
	Land	Buildings
A. Gross opening balance	**234**	**1.083**
A.1 Total net impairments		435
A.2 Net opening balance	**234**	**648**
B. Increases	**2.165**	**154**
B.1 Purchases	2.165	154
- of which: business combinations	34	154
B.2 Capitalised improvement expenses	-	-
B.3 Increases in fair value	-	-
B.4 Writebacks	-	-
B.5 Positive exchange differences	-	-
B.6 Transfers from buildings for business purposes	-	-
B.7 Other changes	-	-
C. Decreases	**-**	**107**
C.1 Sales	-	-
- of which: business combinations	-	-
C.2 Depreciation	-	49
C.3 Reductions in fair value	-	-
C.4 Impairment losses	-	-
C.5 Negative exchange differences	-	-
C.6 Transfers from other asset portfolios	-	58
a) buildings for business purposes	-	58
b) non-current assets held for sale	-	-
C.7 Other changes	-	-
D. Net closing balance	**2.399**	**695**
D.1 Total net impairments		948
D.2 Gross closing balance	**2.399**	**1.643**
E. Carried at fair value	-	-

Section 12 - Intangible assets - Item 120

12.1 Intangible assets: breakdown by type of asset				
Item/Amount	Total 31/12/2012		Total 31/12/2011	
	Limited term	Unlimited term	Limited term	Unlimited term
A.1 Goodwill	**X**	**17.430**	**X**	**14.197**
A.2 Other intangible assets:	**27.371**	**-**	**27.964**	**-**
A.2.1 Assets carried at cost	27.371	-	27.964	-
a) Intangible assets generated internally	4.974	-	3.656	-
b) Other assets	22.397	-	24.308	-
A.2.2 Assets carried at fair value	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**27.371**	**17.430**	**27.964**	**14.197**

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

International Accounting Standards 36 ("IAS 36") establishes the accounting and information principles for the financial statements relative to impairment of certain types of assets, including goodwill, illustrating the principles that a company must follow to ensure that their assets are registered in the financial statements (carrying value) at a value that does not exceed the recoverable value.

On the basis of that required under IAS 36, it is necessary to compare the carrying value of the goodwill with its recoverable value each time that there is an indication that the asset may have been subject to impairment and in any case at least once per year, at the time that the financial statements are prepared (Impairment Test).

The recoverable value of the goodwill is estimated in reference to the business units (Cash Generating Unit – CGU) in as much as the goodwill is not able to produce cash flow in an autonomous manner.

The CGU is the smallest identifiable group of assets able to generate financial inflows independent of incoming financial flows generated by other assets or groups of assets for which the Group has independent detection of the results through the management reporting systems.

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

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

Entities subject to an impairment test and related goodwill allocated (in thousands of euro)			
Entities	Cash generating unit (CGU)	Goodwill allocated	
		Current year before any impairment of the year	previous year
branches Milano via Gonzaga (1)	CGU 1	542	542
branches former Cram (2)	CGU 2	1.881	1.881
branches S.Michele e Fasano (3)	CGU 3	1.938	1.938
branches former BCC Camastra e Naro(4)	CGU 4	1.770	1.770
branches former Banca Generoso Andria (5)	CGU 5	8.066	8.066
branches Cadore (6)	CGU 6	3.233	
Total		**17.430**	**14.197**

(1)The entity subject to impairment test is the branch of Milan, Via Gonzaga, purchased by the Banco di Chiavari e della Riviera in 1999.

(2)The entity subject to impairment test is the group of branches purchased by the former-CRA Monreale in 1997.

(3)The entity subject to impairment test is the group of branches purchased by Credito Cooperativo di Ostuni in 2000.

(4)The entity subject to impairment test is the group of branches purchased by the former BCC Unione di Camastra e Naro in 2001

(5)The entity subject to impairment test is the group of branches purchased by the former-Banca Generoso Andria in 2001.

(6) The entity subject to impairment test is the group of branches purchased by the Unicredito Group in 2000. In 2011, they belonged to Banca Sella Nord Est Bovio Calderari, the company acquired by Banca Sella by means of merger on 1 October 2012.

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

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

Imapirment test: CGU being more thorough analysis			
CGU	recoverable amount	Calculation methodology used	Outcome of the impairment test
CGU 1	Value in use	Dividend discount model (version excess capital)	The impairment test does not detect impairment
CGU 2	Value in use	Dividend discount model (version excess capital)	The impairment test does not detect impairment
CGU 3	Value in use	Dividend discount model (version excess capital)	The impairment test does not detect impairment
CGU 4	Value in use	Dividend discount model (version excess capital)	The impairment test does not detect impairment
CGU 5	Value in use	Dividend discount model (version excess capital)	The impairment test does not detect impairment
CGU 6	Fair value	Multiples for comparable transactions	The impairment test does not detect impairment

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 method used for determining the Fair Value is described below:

Transaction Multiples Method: based on the estimate of multiples implicit in the prices of a sample of comparable entity transactions and the subsequent application of these multiples to the fundamental indicators of the CGU measured on the closing date; where necessary, these multiples are properly adjusted to take into consideration possible high-low yields relative to the entity at issue.

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

The estimate of value in use incorporates the following elements:

- estimate of future financial flows that the company envisages will derive from the continuous use of the asset and its final sale: the most recent budget plans relative to the CGU as approved by the governing bodies of the company were used as references. Apart from the period covered by said plans, the projections of financial flows are estimated by using, for the following years, a steady "g" rate aligned with the expected long-term inflation rate (2%);
- discount rate (Ke): it was calculated according to the Capital Asset Pricing Model (CAPM). The formula used is: Ke = Rf + Beta * (RM- Rf) where:
  - Rf is the risk free rate determined using the average recorded during the second half of 2012, using the ten year BTP performance. The value used was 5,25%;
  - (Rm – Rf) is the market risk premium. It is given by the difference between the yield of a diversified portfolio made up of all risky investments available in the market and the yield of a risk-free security. The value used amounts to 5%
  - Beta is the specific risk of the investment. Beta expresses the correlation between the yield of one risky investment and the yield of the market portfolio.
- capital requirement for the estimate of distributable cash flows (when the excess capital method was used): it was defined using that envisaged in the Supervisory regulations.

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

Situation forecasts on key indicators				
Eurozone	**2012**	**2013**	**2014**	**2015**
Real GDP	-0,5	0,0	1,2	1,6
Consumer price index	2,5	1,7	1,8	2,0
Official rates	0,75	0,5	0,5	1,0
Short-term interest rates (Euribor 3m)	1,6	1,8	2,0	2,2
Italy	**2012**	**2013**	**2014**	**2015**
Real GDP	-2,2	-0,5	0,9	1,1
Consumption	-3,0	-1,5	0,5	1,0
Consumer price index	3,3	1,9	2,0	2,0

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 2013-2015 appear weak and below the Eurozone average.
With reference to the financial segment, the scenario hypothesises a low level of interest rates on the money market with a tendency to see a gradual increase in rates only in the latter part of the three-year period.

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 for the calculation of the recoverable amount			
CGU	**Assumptions**	**Methods for determining**	**Notes**
CGU 1 CGU 2 CGU 3 CGU 4 CGU 5	Economic and financial variables	Three-Year Plan (2013-2015) approved by the Board of Directors of the company	- The forecast data, take into account a gradual recovery in the profitability of the retail banking business in which the CGU belong, essentially due: . the improvement in net interest income and income from services due to the expected increase of the masses with particular reference to the collection . by a slight increase in the spread within which is expected to improve the mark-up and a deterioration in the mark down . impact on the performance of credit losses gradually weakening especially in 2014 and 2015 as a result of the expected improvement of the economic situation . the continuation of the rationalization carried on operating costs - The discount rate used is equal to 9,40% having incorporated a Beta of 0,83.
	Discount rate	Estimated using the Capital Asset Pricing Model (CAPM)	
	Profitability over the forecast period	Constant annual growth rate of 2%	
CGU 6	Net banking income	Financial statements as at 31/12/2012	Multiples were determined by reference to the sale of 26 branches located in the east in progress among which are included in 5 of the 7 branches to which goodwill has been allocated. For the purposes of the impairment test is, therefore, referred to the sale price of fixed and applied the multiple implicit transaction to the magnitudes of the 7 branches.
	Direct deposits	Management data to 31/12/2012	

Sensitivity analysis

Since the value in use is determined by using estimates and assumptions that may contain some level of uncertainty, sensitivity analyses to verify the sensitivity of the results obtained to changes in the parameters and in the underlying hypotheses were carried out, as required by the IFRS.
In particular, the impact on the value in use of an increase in discounting rates and a decrease in the growth rate for terminal value purposes was verified.

The table below shows the sensitivity of the value in use of the various CGU to the increase/decrease in the discount rate or growth rate "g" to +/- 25 bps.

Sensitivity analysis				
CGU	**Changes in the discount rate**		**Changes in the rate of growth in profitability**	
	Changes considered	**Sensitivity% of the value in use**	**Changes considered**	**Sensitivity% of the value in use**
CGU 1	+ 25 b. p.	3,4%	- 25 b. p.	2,70%
CGU 2	+ 25 b. p.	3,2%	- 25 b. p.	2,6%
CGU 3	+ 25 b. p.	3,1%	- 25 b. p.	2,5%
CGU 4	+ 25 b. p.	3,4%	- 25 b. p.	2,8%
CGU 5	+ 25 b. p.	3,0%	- 25 b. p.	2,4%

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

Sensitivity analysis		
CGU	**Discount rate**	**Growth rate "g"**
CGU 1	N.S. (> 25%)	N.S. (<-25%)
CGU 2	N.S. (> 25%)	N.S. (<-25%)
CGU 3	17,2%	-10,4%
CGU 4	13,2%	-3,3%
CGU 5	17,6%	-11,5%

Conclusions

From the analysis performed, it can be seen that the recoverable value of all CGUs is greater than the carrying value.

The sensitivity analysis also revealed no indications of reduction in value requiring registration.

12.2 Intangible assets: annual changes

	Goodwill	Other intangible assets: generated internally		Other intangible assets: others		Total
		Limited term	Unlimited term	Limited term	Unlimited term	
A. Gross opening balance	**14.197**	**4.413**	**-**	**110.679**	**-**	**129.289**
A.1 Total net reductions in value	-	757	-	86.371	-	87.128
A.2 Net opening balance	**14.197**	**3.656**	**-**	**24.308**	**-**	**42.161**
B. Increases	**3.233**	**2.555**	**-**	**9.078**	**-**	**14.866**
B.1 Purchases	3.233	2.555	-	9.059	-	14.847
- of which: business combinations	3.233	-	-	27	-	3.260
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	-	-	-	19	-	19
C. Decreases	**-**	**1.237**	**-**	**10.989**	**-**	**12.226**
C.1 Sales	-	-	-	228	-	228
- of which: business combinations	-	-	-	-	-	-
C.2 Writedowns	-	1.218	-	10.688	-	11.906
- amortization	X	1.218	-	10.688	-	11.906
- 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	-	19	-	73	-	92
D. Net closing balance	**17.430**	**4.974**	**-**	**22.397**	**-**	**44.801**
D.1 Total net adjustments	-	1.975	-	97.311	-	99.286
E. Gross closing balance	**17.430**	**6.949**	**-**	**119.708**	**-**	**144.087**
F. Carried at cost	-	-	-	-	-	-

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

Current tax assets: breakdown	Total 31/12/2012	Total 31/12/2011
Prepaid taxes	29.376	19.257
Credits for withholdings	190	299
Assets from inclusion in tax consolidation	80	82
Tax credits	11.541	3.574
Total	**41.187**	**23.212**

"Amounts receivable from the tax authorities" include lesser IRES tax in accordance with Art. 2, paragraph 1-quater of Italian Law Decree no. 201/2011, which regulated the presentation to the tax authorities of the application for the refund of income tax due to deduction of the regional production tax (IRAP) weighing on the cost of labour incurred in the financial years running from 2007 to 2011.
Moreover, assets are recorded in view of provisional payments made whilst pending tax judgements, for a total value of approximately € 0,2 million. This amount includes direct or indirect tax with the related interest, collection fees and any sanctions.
These assets are kept recorded on the financial statements in line with the evaluation of the probable favourable outcome of the related tax disputes - of which these payments by way of guarantee constitute an accessory event - in accordance with the requirements set out in particular by IAS 37, in the paragraphs relating to potential liabilities.

Current tax liabilities: breakdown	Total 31/12/2012	Total 31/12/2011
Provisions for direct taxes	30.351	31.797
Total	**30.351**	**31.797**

13.1 - Deferred tax assets: breakdown	Ires	Irap	Others	31/12/2012	31/12/2011
Doubtful loans and receivables	65.704	8	-	65.712	47.409
Provisions for sundry risks and liabilities	3.521	-	-	3.521	3.743
Depreciation and valuation of buildings	4	-	-	4	1.521
Sundry administrative expenses	389	-	-	389	121
Writedowns of equity investments	-	-	-	-	-
Personnel expenses	57	-	35	92	99
Collective valuations of sureties issued	529	-	-	529	457
Liberation goodwill	223	9	-	232	507
Other assets	2.310	204	-	2.514	338
Total deferred tax assets (charged to income statement)	**72.737**	**221**	**35**	**72.993**	**54.195**
Depreciation and valuation of buildings	1.525	307	-	1.832	1.833
Measurement of available-for-sale financial assets	160	32	-	192	6.243
Total deferred tax assets (charged to shareholders' equity)	**1.685**	**339**	**-**	**2.024**	**8.076**

13.2 - Deferred tax liabilities: breakdown

	Ires	Irap	Others	31/12/2012	31/12/2011
Different calculation of depreciation of tangible assets	449	90	-	539	540
Different calculation of amortization of intangible assets	24	5	-	29	29
Capital gain on sale of company division	-	-	-	-	107
Goodwill	1.726	347	-	2.073	1.914
Other liabilities	26	-	-	26	3
Total deferred taxes (charged to income statement)	**2.225**	**442**	**-**	**2.667**	**2.593**
Valuation of tangible assets	-	-	-	-	315
Depreciation and valuation of buildings	747	150	-	897	-
Other liabilities	-	-	-	-	-
Total deferred taxes (charged to shareholders' equity)	**747**	**150**	**-**	**897**	**315**

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

	31/12/2012	31/12/2011
1. Initial amount	**54.195**	**31.937**
2. Increases	**25.267**	**27.933**
2.1 Prepaid taxes recognised during the year	21.455	16.851
a) relating to previous years	805	130
b) due to changes in accounting policies	-	-
c) writebacks	-	-
d) others	20.650	16.721
2.2 New taxes or increases of tax rate	2	69
2.3 Other increases	3.810	11.013
- of which: business combinations	3.806	11.013
3. Decreases	**6.469**	**5.675**
3.1 Prepaid taxes cancelled during the year	6.268	5.672
a) reversals	6.070	34
b) writedowns for unrecoverable items	138	8
c) changes in accounting policies	-	-
d) others	60	5.630
3.2 Reductions in tax rates	-	-
3.3 Other changes	201	3
a) trasformation into tax credits of L. 214/2011	190	-
b) other	11	3
- of which: business combinations	-	-
4. Final amount	**72.993**	**54.195**

For the information required by Circular 262/2005 of the Bank of Italy, 1st update on 18 November 2009 for the portion of deferred tax assets arising from tax losses carried forward to subsequent years, see table 13.1 of this section of the state sheet assets.

13.3.1 Changes in prepaid tax pursuant to Italian Law no. 214/2011 (offsetting the IS)		
	31/12/2012	**31/12/2011**
1. Initial amount	**47.764**	**28.395**
2. Increases	**21.383**	**21.843**
3. Decreases	**3.219**	**2.474**
3.1 Reversals	-	-
3.2 Transformation into tax receivables	190	-
a) deriving from period losses	190	-
b) deriving from tax losses	-	-
3.3 Other changes	3.029	2.474
4. Final amount	**65.928**	**47.764**

Paragraphs 55 to 56-bis of Art. 2, Italian Law no. 225 of 2010 established the possible conversion into tax receivables of prepaid tax recorded on the financial statements against the impairment of liabilities and goodwill, in particular if the individual financial statements record a period loss. This potential conversion has introduced an additional, supplementary collection method that is suitable to assuring the collection of said prepaid tax in all situations, regardless of future business profitability. This potential configuration therefore in any case provides sufficient basis on which to record and keep in the financial statements these types of prepaid tax. Said set-up is also confirmed by the joint Bank of Italy, Consob and ISVAP document no. 5 of 15 May 2012 (issued under the scope of the coordination table on the application of IAS/IFRS) in relation to the "Accounting of prepaid tax deriving from Italian Law no. 214/2011".

13.4 Changes in deferred tax liabilities (charged to income statement)		
	31/12/2012	**31/12/2011**
1. Opening balance	**2.593**	**58**
2. Increases	**193**	**2.595**
2.1 Deferred taxes recognized during the year	193	80
a) relating to previous years	90	-
b) due to changes in accounting policies	-	-
c) others	103	80
2.2 New taxes or increases in tax rates	-	55
2.3 Other increases	-	2.460
- of which: business combinations	-	2.460
3. Decreases	**120**	**60**
3.1 Deferred taxes cancelled during the year	118	60
a) reversals	118	60
b) due to changes in accounting policies	-	-
c) others	-	-
3.2 Reductions in tax rates	2	-
3.3 Other decreases	-	-
- of which: business combinations	-	-
4. Final amount	**2.667**	**2.593**

13.5 Changes in deferred tax assets (charged to shareholders' equity)		
	Total 31/12/2012	Total 31/12/2011
1. Opening balance	**8.076**	**1.008**
2. Increases	**548**	**7.084**
2.1 Prepaid taxes recognized during the year	-	4.807
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) others	-	4.807
2.2 New taxes or increases in tax rates	1	73
2.3 Other increases	547	2.204
3. Decreases	**6.600**	**16**
3.1 Prepaid taxes cancelled during the year	6.600	16
a) reversals	-	-
b) writedowns for unrecoverable items	-	-
c) due to changes in accounting policies	-	-
d) others	6.600	16
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
4. Final amount	**2.024**	**8.076**

The reduction of € 6,6 million refers to the changes in the reserves of debt securities of the category financial assets available for sale.

13.6 Changes in deferred tax liabilities (charged to shareholders' equity)		
	31/12/2012	31/12/2011
1. Opening balance	**315**	**-**
2. Increases	**582**	**315**
2.1 Deferred taxes recognized during the year	-	-
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) others	-	-
2.2 New taxes or increases in tax rates	6	7
2.3 Other increases	576	308
3. Decreases	**-**	**-**
3.1 Deferred taxes cancelled during the year	-	-
a) reversals	-	-
b) due to changes in accounting policies	-	-
c) others	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
4. Final amount	**897**	**315**

Section 15 - Other assets - Item 150

15.1 Other assets: breakdown

	31/12/2012	31/12/2011
Forms in stock	200	620
Payment orders to sundry others being debited	12.270	21.659
Current account cheques drawn against third parties	42.950	44.806
Current account cheques drawn against the bank	2.956	12.115
Deferred tax (no income taxes)	15.050	20.029
Regional contributions on work training contracts	720	-
Fees, commissions and other income in the process of collection	20.182	25.015
Expenses for improvements to third-party property	2.191	3.284
Portfolio adjustments	6.548	-
Advances and accounts payable	3.352	2.516
Charges/invoices to be issued towards customers	4.599	3.778
Disputed items not deriving from lending transactions	517	728
Deferrals on administrative expenses and fees	3.179	1.374
Others	5.884	5.664
Total	**120.598**	**141.587**

» LIABILITIES

Section 1 - Due to banks - Item 10

1.1 Due to banks: breakdown by type		
Type of transaction/Amount	31/12/2012	31/12/2011
1. Due to central banks	**-**	**-**
2. Due to banks	**22.619**	**97.301**
2.1 Current accounts and demand deposits	10.490	81.827
2.2 Term deposits	10.950	15.270
2.3. Loans and advances	23	23
2.3.1 financial leasing	-	-
2.3.2 others	23	23
2.4 Payables for own equity instrument repurchase commitments	-	-
2.5 Other payables	1.156	181
Total	**22.619**	**97.301**
Fair value	**22.619**	**97.301**

The reduction in this item was mainly due to the lack of stocks that as at 31/12/2011, Banca Sella Nord Est Bovio Calderari had on the reciprocal account with the Bank.
IAS 39 defines Fair Value as the “amount for which an asset could be exchanged, or a liability settled, between knowledgeable independent parties in an arm’s length transaction." Due to the characteristics of the debt, the fair value does not have noticeable differences from the book value and is, therefore, aligned with the same.

Section 2 - Due to customers - Item 20

2.1 Due to customers: breakdown by type		
Type of transaction/Amount	31/12/2012	31/12/2011
1. Current accounts and demand deposits	6.394.995	6.157.954
2. Term deposits	953.165	533.875
3. Loans and advances	267.137	442.331
3.1 repurchase agreement	246.379	416.331
3.2 others	20.758	26.000
4. Payables for own equity instrument repurchase commitments	-	-
5. Other payables	148.261	175.002
Total	**7.763.558**	**7.309.162**
Fair value	**7.763.558**	**7.309.162**

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

2.3 Detail of item 20 "Due to customers": structured debts		
	Totale 31/12/2012	Totale 31/12/2011
- structured debts	6.291	10.340
Total	**6.291**	**10.340**

Section 3 - Outstanding securities - Item 30

3.1 Outstanding securities: breakdown by type								
Type of security/Amount	Total 31/12/2012				Total 31/12/2011			
	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	1.230.675	-	1.259.124	-	1.457.000	-	1.441.235	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 others	1.230.675	-	1.259.124	-	1.457.000	-	1.441.235	-
2. Other securities	155	-	-	155	209	-	-	209
2.1 structured	-	-	-	-	-	-	-	-
2.2 others	155	-	-	155	209	-	-	209
Total	**1.230.830**	**-**	**1.259.124**	**155**	**1.457.209**	**-**	**1.441.235**	**209**

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

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

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

3.2 Details of Item 30 "Outstanding securities": subordinated securities		
	Total 31/12/2012	Total 31/12/2011
- subordinated securities	323.096	267.929
Total	**323.096**	**267.929**

3.3 Outstanding securities subject to micro-hedging		
	Total 31/12/2012	Total 31/12/2011
1. Securities subject to micro-hedging of fair value	**521.885**	**423.182**
a) interest rate risk	521.885	423.182
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	**521.885**	**423.182**

Section 4 - Financial liabilities held for trading - Item 40

4.1 Financial liabilities held for trading: breakdown by type										
Type of transaction/Group components	31/12/2012					31/12/2011				
	VN	FV			FV*	VN	FV			FV*
		L1	L2	L3			L1	L2	L3	
A. Cash liabilities										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
- credit linked notes	-	-	-	-	X	-	-	-	-	X
- reverse floater	-	-	-	-	X	-	-	-	-	X
- structured bonds: others	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
- credit linked notes	-	-	-	-	X	-	-	-	-	X
- reverse floater	-	-	-	-	X	-	-	-	-	X
- other structured securities: others	-	-	-	-	X	-	-	-	-	X
3.2.2 Others	-	-	-	-	X	-	-	-	-	X
Total A	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Derivative instruments										
1. Financial derivatives	X	13	23.886	-	X	X	-	31.725	-	X
1.1 Held for trading	X	13	23.886	-	X	X	-	31.725	-	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**	**13**	**23.886**	**-**	**X**	**X**	**-**	**31.725**	**-**	**X**
Total A+B	**X**	**13**	**23.886**	**-**	**X**	**X**	**-**	**31.725**	**-**	**X**

Key
FV = fair value
FV* = fair value calculated excluding changes in value due to changes in credit worthiness of the issuer after the issue date
NV = nominal or notional value
L1 = Level 1
L2 = Level 2
L3 = Level 3

At the end of the period the total amount of uncovered short positions is 0 euro thousands.

Section 6 - Hedging derivatives - Item 60

6.1 Hedging derivatives: breakdown by type of hedging and by hierarchical levels	Fair value 31/12/2012			VN 31/12/2012	Fair value 31/12/2011			VN 31/12/2011
	L1	L2	L3		L1	L2	L3	
A. Financial derivatives	**-**	**138.865**	**-**	**639.021**	**-**	**108.185**	**-**	**701.826**
1) Fair value	-	138.865	-	639.021	-	108.185	-	701.826
2) Cash flow	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flow	-	-	-	-	-	-	-	-
Total	**-**	**138.865**	**-**	**639.021**	**-**	**108.185**	**-**	**701.826**

Key:

VN =nominal or notional value

L1 = Level 1

L2 = Level 2

L3 = Level 3

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

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

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

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

Transaction/Type of hedging	*Fair value*						Cash flows		Foreign investments
	Micro					Macro	Micro	Macro	
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	More than one risk				
1. Financial assets available for sale	-	-	-	-	-	X	-	X	X
2. Receivables	-	-	-	X	-	X	-	X	X
3. Financial assets held to maturity	X	-	-	X	-	X	-	X	X
4. Portfolio	-	-	-	-	-	138.865	-	-	X
5. Other operations	X	X	X	X	X	X	X	X	-
Total assets	**-**	**-**	**-**	**-**	**-**	**138.865**	**-**	**-**	**-**
1. Financial liabilities	-	-	-	X	-	X	-	X	X
2. Portfolio	-	-	-	-	-	-	-	-	X
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**X**
1. Pending transactions	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	-	X	-	-

Section 10 - Other liabilities - Item 100

10.1 Other liabilities: breakdown	31/12/2012	31/12/2011
Taxes payable for third parties	17.854	14.770
Adjustments for non-cash portfolio items	-	17.205
Cash available to customers	3.309	3.691
Bank transfers and other payments due	55.293	133.755
Accounts payable and fees payable to sundry third parties	23.164	27.175
Personnel expenses	7.889	7.870
Payables for guarantees and commitments	1.925	1.662
Fees payable to statutory auditors and directors	530	475
Contributions payable to sundry agencies	7.452	6.722
Deferrals	1.528	1.337
Advances and due to customers	322	101
Others	8.545	5.060
Total	**127.811**	**219.823**

Section 11 - Employee severance indemnities - Item 110

11.1 Employee severance indemnities: annual changes	31/12/2012	31/12/2011
A. Opening balance	**27.083**	**13.392**
B. Increases	**7.524**	**14.994**
B.1 Provision of the year	592	514
B.2 Other changes	6.932	14.480
C. Decreases	**1.453**	**1.303**
C.1 Liquidations paid	1.176	1.152
C.2 Other changes	277	151
D. Closing balance	**33.154**	**27.083**

Within other increases were inserted the actuarial effects relative to the valuation reserves for actuarial profit (losses) for defined benefit plans in the amount of 4.780 thousand euro.

As indicated in IAS Accounting Principle 19 (article 73), the hypotheses relative to the phenomena that determine the timing and the size of future costs which the company must sustain to pay benefits for its employees must represent the "best estimate" possible in terms of the future performance of the phenomena in question. We have prepared the technical basis of the actuarial model observing the Group's experience in relation to the period 01.07.2009 - 30.06.2011 and with reference to demographic-financial variables described in the following paragraphs. The results of the analysis have been shared with the company management, in order to eliminate any statistical distortion.
As agreed with the parent company, these assumptions, as presented below, have been adopted for all Group companies being measured.

Demographic assumptions

- mortality/disability: in addition to the historical series observed, the 2009 ISTAT tables were adopted, divided by age and gender;
- retirement, resignations/dismissals, expiry of contracts: these causes for exclusion were deduced from the observation of corporate data. For staff with non-permanent contracts, the time period was brought to the expiration of the contract (as no contractual terms guaranteed the continuation of the employment relationship) and no early dismissal was assumed before the expiration of the contract.

The actuarial measurements consider the new start-up of pension treatments envisaged by Italian Law Decree no. 201 of 06 December 2011, setting out "Urgent provisions for the growth, equity and consolidation of the public accounts" and the regulation adjusting requirements for accessing the pension system to increased life expectation in accordance with Article 12 of Italian Law Decree no. 78 of 31 May 2010, converted, with amendments, by Italian Law no. 122 of 30 July 2010, severance indemnity advances: in order to consider the effects that said advances have on the timing of the disbursement of severance indemnity and, therefore, on the discounting of the company's debt, the probability of leaving of the volumes accrued has been calculated. The annual advance frequency, deduced by observing corporate data, was 3,1%, while the severance indemnity percentage requested as advance was assumed at 70%, that is the maximum percentage provided by governing regulations;

- supplementary welfare: 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 31.12.2012.

Economic/financial assumptions

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

1. inflation: with reference to the first assumption, the inflation scenario has been seen from the document "Update Notes of the 2012 Economy and Finance Document", adopting a rate equal to planned inflation of 1,5%;

2. wage rises: with reference to salary increases, this phenomenon was considered by taking into account two components: the first regarding merit and contractual issues, the second inflation.

- With reference to the first component, we adopted a zero increase rate.
- As regards the second component mentioned, we considered inflation levels mentioned above; Please remember that the assumption relating to salary trends was only adopted for the companies of the Group not required to deposit severance indemnity with the INPS-managed Treasury Fund insofar as only for these the actuarial valuation of severance indemnity continues to consider the shares of future annual severance indemnities accrued by employees (and not paid into social security funds).

3. discount rates: pursuant to IAS 19, the discount rate adopted was determined by making reference to the market performance of leading company bonds at the measurement date. In this connection, the AA Composite rate curve was used (source: Bloomberg) with reference to 31 December 2012.

Section 12 - Provisions for risks and charges - Item 120

12.1 Provisions for risks and charges: breakdown

Item/Amount	31/12/2012	31/12/2011
1. Company pension funds	-	-
2. Other provisions for risks and charges	12.849	12.788
2.1 Legal disputes and customers complaint	8.181	9.757
2.2 Operational risks	382	688
2.3 Personnel charges	3.657	1.383
2.4 Supplementary customer allowance and goodwill compensation for termination of agency relationship	148	104
2.5 Others	481	856
Total	**12.849**	**12.788**

Please also note a list of the most significant potential liabilities - deriving from tax disputes and litigation - that the Bank has evaluated as possible but not probable and with reference to which, therefore, no provisions have been made:

- ex Banca Arditi Galati merged by acquisition: tax assessment notice with findings on the IRES tax basis. Period 2005. Total value of dispute (including tax, interest and sanctions): approximately € 0,7 million. Amounts paid provisionally whilst pending judgement: approximately € 0,2 million. 1st instance ruling favourable. Awaiting 2nd instance ruling;
- formal report of findings with findings concerning IRES and IRAP tax basis. Period 2009. Total value of the tax disputed: approximately € 1,3 million. The evaluation has also been supported by the remarks of a major tax firm in favour of the Bank's conduct.

12.2 Provisions for risks and charges: annual changes

	Pension funds	Legal disputes and customer complaints	Operational risks	Personnel charges	Supplementary customer allowance and goodwill compensation for termination of agency relationship	Others	Total
A. Opening balance	**-**	**9.757**	**1.383**	**688**	**104**	**856**	**12.788**
B. Increases	**-**	**4.545**	**3.007**	**377**	**51**	**47**	**8.027**
B.1 Provisions for the year	-	2.676	2.408	3	51	47	5.185
B.2 Changes due to passing of time	-	91	8	-	-	-	99
B.3 Changes due to fluctuations in discount rate	-	56	9	-	-	-	65
B.4 Other changes	-	1.722	582	374	-	-	2.678
- business combinations (+)	-	961	582	-	-	-	1.543
- other changes (+)	-	761	-	374	-	-	1.135
C. Decreases	**-**	**6.121**	**733**	**683**	**7**	**422**	**7.966**
C.1 Utilization in the period	-	4.901	-	683	7	421	6.012
C.2 Changes due to fluctuations in discount rate	-	-	-	-	-	-	-
C.3 Other changes	-	1.220	733	-	-	1	1.954
- other changes (-)	-	1.220	733	-	-	1	1.954
D. Closing balance	**-**	**8.181**	**3.657**	**382**	**148**	**481**	**12.849**

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

The financial year was involved by the merger by acquisition of Banca Sella Nord Est Bovio Calderari by Banca Sella on 1 October 2012, with accounting effect as from 1 January 2012. Therefore, the tables of this section are affected by the merger.

14.1 "Capital" and "Treasury shares": breakdown

	31/12/2012			31/12/2011		
	Shares issued	Shares subscribed and not yet paid up	Total	Shares issued	Shares subscribed and not yet paid up	Total
A. Capital	**281.597**	**-**	**281.597**	**269.145**	**-**	**269.145**
A.1 ordinary shares	281.597	-	281.597	269.145	-	269.145
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	**538.289.761**	**-**
- fully paid up	538.289.761	-
- not fully paid up	-	-
A.1 Treasury shares (-)	-	-
A.2 Outstanding shares: opening balance	**538.289.761**	**-**
B. Increases	24.903.249	-
B.1 New issues	24.903.249	-
- for payment	24.903.249	-
- business combinations	24.903.249	-
- 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	**563.193.010**	**-**
D.1 Treasury shares (+)	-	-
D.2 Total shares at end of period	563.193.010	-
- fully paid up	563.193.010	-
- not fully paid up	-	-

At the end of the financial year, the share capital requirements due to the suspended tax regime were 8.235 thousand euro, illustrated below:

- restrictions deriving from the incorporation of Banca Sella Sud Arditi Galati made in 2011 of € 5.784 thousand, consisting of:
  - revaluation reserve under law no. 266 of 2005, art. 1, paragraph 469: 5.090 thousand euro;
  - revaluation reserve under law no. 413 of 1991: 694 thousand euro;
- restrictions deriving from the incorporation of Banca Sella Nord Est Bovio Calderari made in 2012 of € 2.451 thousand, consisting of:
  - property revaluation reserve under law no. 413 of 1991; € 1.457 thousand;
  - revaluation reserve under law no. 72 of 83; € 62 thousand;
  - revaluation reserve under law no. 576 of 75; € 28 thousand;
  - realignment reserve under law no. 266 of 2005, art. 1, paragraph 469: € 904 thousand.

14.3 Capital: other information

	31/12/2012	31/12/2011
Face value per share (in units of one euro)	0,5	0,5
Shares reserved for option-based issue	-	-
Number of contacts in place for the sale of shares	-	-

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

14.4 Profit reserves: other information

	31/12/2012	31/12/2011
Legal Reserve	24.672	21.177
Statutory Reserve	56.922	53.365
Extraordinary Reserve	6.010	4.834
Free	1.820	4.834
Restricted under the terms of Law 266/05 Art 1 paragraph 469	4.190	-
Group company merger surplus reserve	(70.614)	(65.723)
IAS/IFRS adoption reserve	(1)	-
Reserve of application IAS n. 8	(1.102)	(1.103)
Reserve for purchase of company divisions from Group companies	(64.727)	(63.515)
Gains/losses carried forward in application of IAS n. 8	(4.127)	(3.443)
Reserve for sale of company divisions to Group companies	244	2.492
Deficits of previous years	(416)	(1.051)
Total	**(53.139)**	**(52.967)**

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	**281.597**				
Equity reserves					
Share premium reserve	298.722	A - B - C	298.722		
Reserve payments for capital increases	-				
Profit reserves					
Legal reserve	24.672	B			
Statutory reserve	56.922	B			
Extraordinary reserve	1.820	A - B - C	1.820	-	-
Extraordinary reserve constrained in accordance with Law 266/05 art. 1 Section 469	3.045	A - B(2) - C(3)	3.045	-	-
Reserve pursuant to Law 218/90 Art. 7	1.145	A - B(2) - C(3)	1.145		
Group company merger surplus reserve	(1.275)	---	(1.275)	-	-
Deficits of previous years	(416)	---	(416)	-	-
Reserve of application IAS n.8	(1.102)	---	(1.102)	-	-
Deficits of previous years of application IAS n. 8	(4.197)	---	(4.197)	-	-
Leftovers of previous years of application IAS n. 8	70	A - B - C	70	-	-
Reserve first time adoption of IAS/ IFRS					
Reserve first time adoption of IAS/IFRS ex D. Lgs. 38/05 art. 7 c. 4	(1)	A - B - C	(1)	-	-
Valuation reserves					
Available-for-sale asset valuation reserve pursuant to Lgs. Dec. 38/05 Art. 7 paragraph 2	(389)	--- (4)	(389)		
Actuarial profit/losses in nrelation to defined benefit plans	(1.465)	---	(1.465)		
Other reserves					
Deficits of merger	(70.766)	---	(70.766)		
Leftovers of merger	151	A - B - C	151		
Reserve for sale of company divisions to Group companies	244	A - B - C	244		
Reserve for transfer business to company divisions from Group companies	(62.865)	---	(62.865)	-	-
Reserve for tranfer of property from Group companies	(587)	---	(587)		
Total	**525.325**		**162.134**		
Proportion not available for distribution pursuant to Art 2426 no. 5 C.C.			-		
Remainder of proportion available for distribution			162.134		

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

(1) Can be used for capital increase (A) for the portion exceeding one fifth of the share capital.

(2) If used to cover losses, (B) you can not give rise to the distribution of profits until the reserve is replenished or reduced by that amount. The reduction must be subject to pr of the Extraordinary, without complying with the provisions of paragraphs 2 and 3 of Art. 2445 of the Civil Code.

(3) If not allocated to the capital reserve may be reduced only in compliance with the provisions of paragraphs 2 and 3 of Art. 2445 of the Civil Code If it is distributed to shareh taxable income of the company.

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

(5) When used to cover losses in taxable company's taxable income.

Other information

1. Guarantees issued and commitments		
Transactions	**Balance 31/12/2012**	**Balance 31/12/2011**
1) Financial guarantees issued	**81.483**	**85.873**
a) banks	17.935	19.159
b) customers	63.548	66.714
2) Commercial guarantees issued	**240.950**	**215.285**
a) banks	150	160
b) customers	240.800	215.125
3) Irrevocable commitments to disburse funds	**317.978**	**398.879**
a) banks	21.922	40.089
i) certain to be drawn down	21.922	40.089
ii) not certain to be drawn down	-	-
b) customers	296.056	358.790
i) certain to be drawn down	453	125
ii) not certain to be drawn down	295.603	358.665
4) Commitments underlying credit derivatives: protection sales	**-**	**-**
5) Assets pledged for third party obligations	**500**	**500**
6) Other commitments	**-**	**-**
Total	**640.911**	**700.537**

2. Assets pledged against own liabilities and commitments		
Portfolios	**Balance 31/12/2012**	**Balance 31/12/2011**
1. Financial assets held for trading	-	29.562
2. Financial assets carried at fair value	-	-
3. Financial assets available for sale	13.316	21.205
4. Financial assets held to maturity	2.054	22.619
5. Due from banks	226.060	343.064
6. Due from customers	12.831	-
7. Property, plant and equipment	-	-

Under sub-item 6. Amounts receivable from customers, loans are included where provided as a guarantee of EIB financing.

4. Management and intermediation on third parties behalf		
Type of service	**Balance 31/12/2012**	**Balance 31/12/2011**
1. Order execution on customers' behalf	***-***	***-***
a) Purchases	-	-
1. settled	-	-
2. not settled	-	-
b) Sales	-	-
1. settled	-	-
2. not settled	-	-
2. Portfolio management	***1.035.286***	***1.143.590***
a) Individual	1.035.286	1.143.590
b) Collective	-	-
3. Custody and administration of securities	***23.300.001***	***22.279.336***
a) Third-party securities on deposit: connected with role of depositary bank (excluding asset management)	-	-
1. securities issued by the reporting bank	-	-
2. other securities	-	-
b) other third-party securities on deposit (excluding asset management): others	10.290.247	9.929.907
1. securities issued by the reporting bank	792.017	834.186
2. other securities	9.498.230	9.095.721
c) third-party securities deposited with third parties	10.738.474	10.640.203
c) own securities deposited with third parties	2.271.280	1.709.226
4. Other transactions *	***94.183.246***	***106.304.025***

* The item “Other transactions” includes the volume of work of receiving and sending orders, which is divided as follows:
- purchases: 47.661.187
- sales: 46.522.059

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

Detail of indirect deposit item		
	31/12/2012	**31/12/2011**
a) Indirect deposit referred to management and intermediation on third parties behalf activity (as shown in previous chart)	10.533.516	10.239.311
- Portfolio management	1.035.286	1.143.590
- Custody and administration of securities:		
- Third-party securities on deposit: connected with role of depositary bank (excluding asset management) - other securities	-	-
- Other third-party securities on deposit (excluding asset management): others - other securities	9.498.230	9.095.721
b) Indirect deposit elated to income from insurance activities	582.754	605.961
Total indirect deposit	**11.116.270**	**10.845.272**

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 31/12/2012	Total 31/12/2011
1. Financial assets held for trading	1.752	-	675	2.427	5.559
2. Financial assets available for sale	10.925	-	-	10.925	7.959
3. Financial assets held to maturity	16.215	-	-	16.215	4.847
4. Due from banks	8.423	9.976	-	18.399	24.813
5. Due from customers	12	290.778	-	290.790	260.607
6. Financial assets at fair value through profit or loss	-	-	-	-	-
7. Hedging derivatives	X	X	7.537	7.537	7.472
8. Other assets	X	X	34	34	3
Total	**37.327**	**300.754**	**8.246**	**346.327**	**311.260**

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

Interest and similar income accrued on rimpaired assets	31/12/2012
- accrued on non performing loans	167
- accrued on watchlist loans	9.921
- accrued on past due exposures	1.234
- accrued on restructured exposures	464

1.3 Interest and similar income: other information

1.3.1 Interest income on financial assets in foreign currencies

	Total 31/12/2012	Total 31/12/2011
- on assets in foreign currencies	4.394	3.370

1.4 Interest and similar expense: breakdown

	Debts	Securities	Other operations	Total 31/12/2012	Total 31/12/2011
1. Due to central banks	-	X	-	-	-
2. Due to banks	2.662	X	-	2.662	1.545
3. Due to customers	76.515	X	-	76.515	52.545
4. Outstanding securities	X	40.054	-	40.054	36.385
5. Financial liabilities held for trading	-	-	676	676	1.131
6. Financial liabilities at fair value through profit or loss	-	-	-	-	-
7. Other liabilities and funds	X	X	42	42	34
8. Hedging derivatives	X	X	25.768	25.768	25.474
Total	**79.177**	**40.054**	**26.486**	**145.717**	**117.114**

1.5 Interest and similar expense: differences on hedging transactions

Item/Segment	Total 31/12/2012	Total 31/12/2011
A. Positive differences on hedging transactions	7.537	7.472
B. Negative differences on hedging transactions	25.768	25.474
Balance (A-B)	**18.231**	**18.002**

1.6 Interest and similar expense: other information

1.6.1 Interest expense on financial liabilities in foreign currencies

	Total 31/12/2012	Total 31/12/2011
- on liabilities in foreign currencies	2.046	1.794

Section 2 - Fees - Items 40 and 50

2.1 Fee income: breakdown

Type of service/Amount	Total 31/12/2012	Total 31/12/2011
a) Sureties issued	3.222	2.993
b) Credit derivatives	-	-
c) Asset management, brokerage and advisory services:	58.514	53.421
1. Financial instruments trading	-	113
2. Currency trading	1.062	1.108
3. Portfolio management	10.246	8.671
3.1. individual	10.246	8.671
3.2. collective	-	-
4. Custody and administration of securities	1.292	913
5. Depositary bank	-	-
6. Placement of securities	13.238	10.692
7. Order reception and transmission activities	24.514	23.724
8. Consultancy activities	130	578
8.1 about investments matters	130	578
8.2 about financial structure matters	-	-
9. Distribution of third party services	8.032	7.622
9.1. Portfolio management	-	-
9.1.1. individual	-	-
9.1.2. collective	-	-
9.2. Insurance products	7.640	7.176
9.3. Other products	392	446
d) Collection and payment services	105.673	75.224
e) Servicing for securitization transactions	76	102
f) Services for factoring transactions	-	-
g) Tax collection services	-	-
h) Multilateral exchange systems management activities	-	-
i) Current accounts holding and management	23.565	22.910
j) Other services	41.226	38.064
Total	**232.276**	**192.714**

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

Fee income: details on the item "Other services"

	31/12/2012	31/12/2011
Credit and debit cards	10.258	7.372
Recovery of expenses on loans to customers	1.121	1.040
Fees and commissions on relations with credit institutions	450	128
Location safes	188	159
Recovery of postal, printing and similar expenses.	3.390	2.892
Commissions on loans to customers	21.377	21.607
Others	4.442	4.866
Total "Other services"	**41.226**	**38.064**

2.2 Fee income: product and service distribution channels

Channel/Amount	Total 31/12/2012	Total 31/12/2011
a) At own branches:	**31.411**	**26.850**
1. Portfolio management	10.246	8.671
2. Placement of securities	13.228	10.685
3. Third party products and services	7.937	7.494
b) Door-to-door sales:	**105**	**14**
1. Portfolio management	-	-
2. Placement of securities	10	7
3. Third party products and services	95	7
c) Other distribution channels:	**-**	**121**
1. Portfolio management	-	-
2. Placement of securities	-	-
3. Third party products and services	-	121
Total	**31.516**	**26.985**

2.3 Fee expense: breakdown

Service/Amount	Total 31/12/2012	Total 31/12/2011
a) Sureties received	435	333
b) Credit derivatives	-	-
c) Asset management, brokerage and advisory services:	18.987	18.859
1. Financial instruments trading	6.238	4.701
2. Currency trading	-	-
3. Portfolio management	-	-
3.1. own	-	-
3.2. delegated to third parties	-	-
4. Custody and administration of securities	511	475
5. Placement of fnancial instruments	-	-
6. Door-to-door sale of securities, products and services	12.238	13.683
d) Collection and payment services	52.937	33.307
e) Other services	1.462	1.805
Total	**73.821**	**54.304**

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

Fee expense: details on the item "Other services"	31/12/2012	31/12/2011
Connections with banks	235	284
Loans	842	968
Others	385	553
Total "Other services"	**1.462**	**1.805**

Section 3 - Dividends and similar income - Item 70

3.1 Dividends and similar income: breakdown				
Item/Income	Total 31/12/2012		Total 31/12/2011	
	Dividends	Income from UCITS units	Dividends	Income from UCITS units
A. Financial assets held for trading	-	-	-	-
B. Financial assets available for sale	-	-	2	-
C. Financial assets at fair value through profit or loss	-	-	-	-
D. Equity investments	-	X	-	X
Total	**-**	**-**	**2**	**-**

Section 4 - Net 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	**786**	**660**	**46**	**46**	**1.354**
1.1 Debt securities	786	660	46	46	1.354
1.2 Equity securities	-	-	-	-	-
1.3 UCITS units	-	-	-	-	-
1.4 Loans and advances	-	-	-	-	-
1.5 Others	-	-	-	-	-
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Debts	-	-	-	-	-
2.3 Others	-	-	-	-	-
3. Other financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**3.090**
4. Derivative instruments	**13.077**	**2.646**	**9.565**	**2.872**	**3.936**
4.1 Financial derivatives:	13.077	2.646	9.565	2.872	3.936
- On debt securities and interest rates	13.077	2.646	9.565	2.872	3.286
- On equity securities and share indices	-	-	-	-	-
- On currencies and gold	X	X	X	X	650
- Others	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
TOTAL	**13.863**	**3.306**	**9.611**	**2.918**	**8.380**

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

5.1 Net gains/(losses) on hedging activities: breakdown		
Income component/Amount	**Total 31/12/2012**	**Total 31/12/2011**
A. Income from:		
A.1 Fair value hedging derivatives	11.510	27.622
A.2 Hedged financial assets (fair value)	27.171	37.903
A.3 Hedged financial liabilities (fair value)	-	-
A.4 Cash flow hedging derivatives	-	-
A.5 Assets and liabilities in foreign currencies	-	-
Total income from hedging activities (A)	**38.681**	**65.525**
B. Expenses for:		
B.1 Fair value hedging derivatives	27.832	51.905
B.2 Hedged financial assets (fair value)	-	-
B.3 Hedged financial liabilities (fair value)	9.734	12.456
B.4 Cash flow hedging derivatives	-	-
B.5 Assets and liabilities in foreign currencies	-	-
Total expenses for hedging activities (B)	**37.566**	**64.361**
C. Net gains/(losses) on hedging activities (A-B)	**1.115**	**1.164**

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

6.1 Gains/(Losses) on sale/repurchase: breakdown						
Item/Income component	**Total 31/12/2012**			**Total 31/12/2011**		
	Gains	**Losses**	**Net gains/(losses)**	**Gains**	**Losses**	**Net gains/(losses)**
Financial assets						
1. Due from banks	1	-	1	-	-	-
2. Due from customers	557	958	(401)	509	905	(396)
3. Financial assets available for sale	7.551	4.447	3.104	51	587	(536)
3.1 Debt securities	7.551	4.447	3.104	51	587	(536)
3.2 Equity securities	-	-	-	-	-	-
3.3 UCITS units	-	-	-	-	-	-
3.4 Loans and advances	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	-	-	-
Total assets	**8.109**	**5.405**	**2.704**	**560**	**1.492**	**(932)**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	470	-	470	-	-	-
3. Outstanding securities	330	311	19	672	222	450
Total liabilities	**800**	**311**	**489**	**672**	**222**	**450**

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 31/12/2012 (1)-(2)	Total 31/12/2011 (1)-(2)
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Others		From interest	Other writebacks	From interest	Other writebacks		
A. Due from banks	**-**	**-**	**(30)**	**-**	**-**	**-**	**-**	**(30)**	**(10)**
- Loans and advances	-	-	(30)	-	-	-	-	(30)	(10)
- Debt securities	-	-	-	-	-	-	-	-	-
B. Due from customers	**(19.397)**	**(107.504)**	**(377)**	**10.155**	**18.622**	**-**	**-**	**(98.501)**	**(87.624)**
Purchased impaired loans	-	-	-	-	-	-	-	-	-
- Loans and advances	-	-	X	-	-	-	X	-	-
- Debt securities	-	-	X	-	-	-	X	-	-
Other loans	(19.397)	(107.504)	(377)	10.155	18.622	-	-	(98.501)	(87.624)
- Loans and advances	(19.397)	(107.504)	(377)	10.155	18.622	-	-	(98.501)	(87.624)
- Debt securities	-	-	-	-	-	-	-	-	-
C. Total	**(19.397)**	**(107.504)**	**(407)**	**10.155**	**18.622**	**-**	**-**	**(98.531)**	**(87.634)**

The process of revising the analytical measurement parameters of non-performing and watchlist loans with revocation of facilities, mentioned both in the Report on Operations and in Part A - Accounting Policies of these financial statements, has had an effect on the final balances of the adjustment provisions already incorporated in the interim position for € 7,8 million, of which non-performing € 6,6 million and watchlist positions revoked € 1,3 million.

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

Transaction/Income component	Writedowns (1)		Writebacks (2)		Total 31/12/2012 (1)-(2)	Total 31/12/2011 (1)-(2)
	Specific		Specific			
	Write-offs	Others	From interest	Other writebacks		
A. Debt securities	-	-	-	-	-	-
B. Equity securities	-	-	X	X	-	-
C. UCITS units	-	-	X	-	-	-
D. Loans and advances to banks	-	-	-	-	-	-
E. Loans and advances to customers	-	-	-	-	-	46
F. Total	**-**	**-**	**-**	**-**	**-**	**46**

8.4 Net writedowns for impairment of other financial transactions: breakdown

Transaction / Income component	Writedowns (1)			Writebacks (2)				Total 31/12/2012 (1)-(2)	Total 31/12/2011 (1)-(2)
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Others		From interest	Other writebacks	From interest	Other writebacks		
A. Sureties issued	-	-	159	-	-	-	-	159	(651)
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	-	-	-	-	-	1	(1)	1
D. Other transactions	-	814	-	1	122	-	-	691	231
Total	**-**	**814**	**159**	**1**	**122**	**-**	**-**	**849**	**(419)**

Section 9 - Administrative expenses - Item 150

9.1 Personnel expenses: breakdown

Type of expense/Amount	Total 31/12/2012	Total 31/12/2011
1) Employees	150.712	122.351
a) Wages and Salaries	109.421	88.268
b) Social security contributions	28.415	21.156
c) Severance indemnities	3.314	4.451
d) Pension expenses	-	-
e) Provision for employees' severance indemnities	592	514
f) Provision for pension funds and similar:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) Payments into external supplementary pension funds:	4.834	4.769
- defined contribution	4.834	4.769
- defined benefit	-	-
h) Costs deriving from share-based payment agreements	-	-
i) Other employee benefits	4.136	3.193
2) Other working personnel	745	752
3) Directors and statutory auditors	908	649
4) Non-working personnel	-	-
5) Expenses recovered for employees seconded to other companies	(2.422)	(2.557)
6) Expenses rerefunded for third parties' employees seconded to the company	2.471	1.749
Total	**152.414**	**122.944**

9.2 Average number of employees per category

	Total 31/12/2012	Total 31/12/2011
Employees:	2.822	2.332
- Executives	23	21
- Middle management	725	589
- Remaining employees	2.074	1.721
Other personnel	28	24
Total	**2.850**	**2.355**

9.4 Other employee benefits

	Total 31/12/2012	Total 31/12/2011
Costs relating to staff exits	226	527
Benefits for employees' children	76	150
Benefits in kind	1.077	685
Insurance policies stipulated in favour of employees	1.581	1.154
Professional employee update courses	561	366
Travel costs	29	26
Others	586	285
Total	**4.136**	**3.193**

9.5 Other administrative expenses: breakdown		
Type of expense/Segments	**Total 31/12/2012**	**Total 31/12/2011**
Legal and notarial expenses	5.033	4.662
IT assistance and sundry advice	2.463	9.723
Other expenses for professional services	11	3
Printing and stationery	601	795
Leasing of electronic machines and software licences	242	167
Sundry rentals and expenses for services provided by third parties	27.579	29.957
Fees for data transmission	2.747	2.354
Postal and telegraphic expenses	4.268	3.981
Telephone charges	1.114	1.156
Transport expenses	1.307	944
Cleaning of premises	1.066	1.096
Surveillance and escort of valuables	3.246	2.443
Electricity and heating	3.659	2.743
Rent of premises	21.156	17.597
Sundry insurance policies	1.057	955
Advertising and promotion	1.034	1.041
Entertainment expenses	290	145
Donations	94	165
Membership fees	809	751
Subscriptions and books	77	85
Information and inspections	2.598	2.838
Travelling expenses	1.608	1.340
Expenses for interbank network service	335	300
Expenses for web site	2	-
Others	1.922	1.482
Maintenance and repair expenses	**7.693**	**6.271**
- Properties owned	110	231
- Properties rented	142	129
- Movables	2.806	2.617
- Hardware and software	4.635	3.294
Indirect taxes and duties	**27.491**	**22.692**
- Stamp duty	24.811	19.975
- Substitute tax Pres. Dec. 601/73	1.335	1.780
- Local property tax	277	73
- Other indirect taxes and duties	1.068	864
Total	**119.502**	**115.686**

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 31/12/2012	Balances 31/12/2011
Provisions for risks for bankruptcy revocatory actions	25	1.394
Provisions for risks for lawsuits brought	1.605	1.610
Provisions for customer complaints	1.192	249
Provisions for operating risk	2.410	-
Provisions for employee disloyalty	17	155
Provisions for personnel	3	700
Supplementary provisions for customer indemnity	51	5
Other provisions	47	129
Reattributions to Income Statement relating to revocatory provisions	(222)	(496)
Reattributions to Income Statement relating to provisions for risks for lawsuits brought	(997)	(1.601)
Reattributions to Income Statement relating to provisions for customer complaints	(1)	(237)
Reallocation to Income Statement relevant to provisions for employee disloyalty	(82)	(119)
Reattributions to Income Statement relating to other provisions	-	(322)
Total	**4.048**	**1.467**

The greater provision made to the operational risk provision was made in view of transactions to be implemented in favour of customers subscribing policies issued by C.B.A. Vita, placed by Banca Sella and subscribed by its customers, with underlying securities issued by Lehman.

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	7.267	-	-	7.267
- for business purposes	7.218	-	-	7.218
- for investment	49	-	-	49
A.2 Acquired in financial leasing	-	-	-	-
- for business purposes	-	-	-	-
- for investment	-	-	-	-
Total	**7.267**	**-**	**-**	**7.267**

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	11.906	-	-	11.906
- Generated internally by the company	1.218	-	-	1.218
- Others	10.688	-	-	10.688
A.2 Acquired in financial leasing	-	-	-	-
Total	**11.906**	**-**	**-**	**11.906**

Section 13 - Other operating expenses and income - Item 190

Other operating expenses and income

	31/12/2012	31/12/2011
Total other operating expenses	9.891	6.855
Total other operating income	49.492	37.484
Other operating expenses and income	**39.601**	**30.629**

13.1 Other operating expenses: breakdown

	Total 31/12/2012	Total 31/12/2011
Amortization of expenses for improvements on third party assets	1.821	1.760
Losses related to operational risks	4.801	2.839
Refunds of interest on collection and payment transactions	39	30
Penalties payable for contract defaults	91	98
Refunds to customers on Funds/UCITS interest	384	476
Losses related to the participation in deposit-guarantee schemes	-	510
Others	2.755	1.142
Total	**9.891**	**6.855**

13.2 Other operating income: breakdown		
	Total 31/12/2012	Total 31/12/2011
Rents and instalments receivable	178	136
Charges to third parties and refunds received:	24.870	21.555
- taxes recovered	24.754	21.121
- insurance premiums and refunds	115	434
Expenses recovered and other revenues on current accounts and deposits	4.420	325
Income from software services	6.059	3.840
Recoveries of interest on collection and payment transactions	10	46
POS fee income	1.610	698
Administrative services rendered to third parties	5.932	6.125
Penalties receivable for contract defaults	289	99
Expenses recovered for services rendered in relation to credit recovery	2.998	2.394
Other income	3.127	2.266
Total	**49.492**	**37.484**

Following the coming into force of the Save Italy Decree in FY 2012, a new tax was applied to financial year, bank current accounts and security deposit accounts, in the form of stamp duty on current accounts, deposit certificates and financial products. From the debit of a fixed share, the move was made to a proportional share of the equivalent value invested. Tax collections also include collections of stamp duty on financial products for approximately € 10,4 million.

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

17.1 Gains/(losses) on sales of investments: breakdown		
Income component/Amount	Total 31/12/2012	Total 31/12/2011
A. Properties	-	-
- Gains on sales	-	-
- Losses on sales	-	-
B. Other assets	(15)	5
- Gains on sales	15	6
- Losses on sales	30	1
Net gains/(losses)	**(15)**	**5**

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

18.1 Income taxes for the period on continuing operations: breakdown

Component/Amount	Total 31/12/2012	Total 31/12/2011
1. Current taxes (-)	(31.089)	(31.052)
2. Change in current taxes of previous years (+/-)	6.052	4
3. Reduction of current taxes for the year (+)	80	82
3.bis Reduction in current taxes for tax credits of Law n.214/2011 (+)	190	-
4. Change in prepaid taxes (+/-)	14.999	11.249
5. Change in deferred taxes (+/-)	(74)	(75)
6. Taxes for the period (-) (-1+/-2+3+/-4+/-5)	(9.842)	(19.792)

Sub-item 2) includes the amount of € 7,1 million, lesser IRES tax in accordance with Art. 2, paragraph 1-quater of Italian Law Decree no. 201/2011, which regulated the presentation to the tax authorities of the application for the refund of income tax due to deduction of the regional production tax (IRAP) weighing on the cost of labour incurred in the financial years running from 2007 to 2011.

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

Description	taxable amount	rate	income tax
Pre-tax profit from current operations	16.824		
Nominal rate [1]		33,03%	5.556
Non-deductible costs and allocation	2.894	5,68%	956
Non-deductible IRES and IRAP interest expense	4.254	6,48%	1.090
IRAP deduction from IRES year 2012	-6.660	-10,89%	-1.832
IRAP deduction from IRES previous year		-41,95%	-7.058
Other differences		0,00%	379
Adjusted rate		**-6,05%**	**-1.018**
IRAP reconciliation			
Non-deductible interest expense 4% Robin tx IRAP	4.545	1,49%	251
Personnel costs non-deductible from IRAP (item 150)	98.519	32,37%	5.446
Value adjustments on loans non-deductible from IRAP (item 130)	103.427	33,98%	5.717
adjustments administrative expenses (item 150 and 170)	13.981	4,59%	773
IRAP deductions for non-recourse loans	-23.111	-7,65%	-1.287
other differences in IRES and IRAP taxable base	-729	-0,24%	40
Effective rate		**58,50%**	**9.841**

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

PART D COMPREHENSIVE INCOME

Detailed statement of comprehensive income

	Item	Gross amount	Income tax	Net amount
10.	**Net profit/(Loss) for the year**	**X**	**X**	**6.982**
	Other income net of tax			
20.	Financial assets available for sale:	19.986	(6.602)	13.384
	a) fair value changes	15.873	(5.243)	10.630
	b) reversal to income statement	4.113	(1.359)	2.754
	- impairment losses	-	-	-
	- gain/losses from disposal	4.113	(1.359)	2.754
	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	(4.779)	1.314	(3.465)
100.	Share of valuation reserves connected with investments carried at equity:	-	-	-
	a) fair value changes	-	-	-
	b) reversal to income statement	-	-	-
	- impairment losses	-	-	-
	- gain/losses from disposal	-	-	-
	c) other changes	-	-	-
110.	**Total other income net of tax**	**15.207**	**(5.288)**	**9.919**
120.	**Comprehensive profit (Item 10+110)**	**X**	**X**	**16.901**

PART E INFORMATION ON RISKS AND ASSOCIATED HEDGING POLICIES

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

» SECTION 1 - CREDIT RISK

QUALITATIVE INFORMATION

1. General aspects

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

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

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

2. Credit risk management policies

2.1 Organizational Aspects

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

In the process of credit disbursement, applications must first be assessed by a specific decision-making structure in the branch. In support of the valuation process, the bank has equipped itself with scoring and rating systems that are applied differently to the different categories of customers: *retail, small business, SME and Corporate.*

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

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

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

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

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

2.2 Systems of management, measurement and control

The systems for managing, measuring and controlling exposure to credit risk involve the entire loan process, including the following stages: initial proceedings, regular review, trend verification and any management of problem loans, revocation and recovery.

The Parent Company's 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.

The 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. The activities of the Risk Management Service also include monitoring risk limits and attention thresholds in relation to credit quality and risk concentration.

As regards the assessment of the risk of default, there are different management processes and analysis tools according to a segmentation of customers in keeping with the parameters laid down in the Basel 2 Standardized Approach, as confirmed in Bank of Italy Circular 263/2006, as subsequently updated. The segmentation of customers enables, amongst other aspects, the distinguishing between businesses into four different dimension classes, referred to in increasing order: small business, SME, corporate business and large corporate business.

Each enterprise is associated with a summary risk judgement attributed according to an internal rating model. During the course of 2012, the Risk Management unit completed the revision of the rating model used for small business, and small and medium-size businesses, with methodological assistance from Crif. The new internal ratings model was released to production in October 2012. As from that date, two different internal ratings models are used by Banca Sella: one for small business customers and small and medium enterprises and one for corporate and large corporate customers. The process of assigning ratings covers all types of companies in a generalised way: in fact, the assessments cover enterprises operating in the industrial, commercial, service and multi-year production segments, as well as farms, cooperatives, non-profit organisations and financial companies.

The internal rating in place at Banca Sella is an automatic judgement integrated into the company information systems and consists of the following components that are measured differently in measurement according to the type of counterparty (small business and small and medium enterprises or corporate and large corporate):

- Financial information (financial statement data). For corporate and large corporate businesses, a real rating will be calculated for the financial statements, for each customer or potential customer. An indispensable premise for calculation of the statutory accounting rating is possession of financial statements containing a Balance Sheet and an Income Statement. The financial score is also the maximum level of detail that can be obtained for the following customer categories: financial companies, leasing companies, factoring companies and holding companies. For small businesses and small and medium enterprises, certain financial indicators will be calculated that help towards the final assessment of the customer's credit rating.
- Qualitative information. For corporate and large corporate businesses, the business rating is calculated deriving from the integration of the rating of the financial statements and the qualitative component obtained by having the contract manager complete a specific questionnaire. Like the statutory accounting rating, the enterprise rating may be calculated for every corporate and large corporate borrower or potential borrower. In the case of a new customer, it represents the most detailed assessment possible of creditworthiness and is assimilable to an "acceptance rating" as it is based on quantitative and qualitative data that do not depend on performance variables. In view of the need to contain the volatility of the

enterprise rating, the difference between this rating and the statutory accounting rating is opportunely limited to no more than one class. For small businesses and small and medium enterprises, the qualitative questionnaire is to be completed, but the information has no effect on the final judgement of the customer.

- Performance-related information (internal data of the bank and Risks Centre data). For corporate and large corporate businesses, the integration of the business rating and the behavioural component enables the determination of the overall rating, which represents the most in-depth assessment possible of the credit rating of a corporate or large corporate customer. For small businesses and small and medium enterprises, certain performance indicators will be calculated that help towards the final assessment of the customer's credit rating. The performance component can only be calculated for companies with performance data that is valued for at least three months out of a six-month time frame.

The internal ratings models in place with Banca Sella number nine performing classes: from SA1 (lowest risk customers) to SA9 (highest risk customers) for small businesses and small and medium enterprises, from AAA (lowest risk customers) to C (highest risk customers) for corporate and large corporate businesses.

No rating is assigned if one of the essential elements for determination of the rating – such as definitive financial statements with time validity.

A performance scoring model for continuous assessment of the probability of default associated with Private Customers is also going to be added to the credit disbursement and monitoring processes (only for information purposes). The scoring model for private customers has been re-estimated by the Risk Management service with the methodological support of Crif and will be released to production in 2013. 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 2012 work continued on assigning and updating ratings to business borrowers, further consolidating the already significant levels of coverage achieved in previous years. The work of the Ratings Committee also continued, providing both advice and making decisions and whose main functions include resolving to override the rating assessment of business customers. 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 supervisory regulations, known as Basel 2, were immediately interpreted 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, Banca Sella 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).

Banca Sella 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 segment meaning) and residual risk (the risk that credit mitigation techniques prove to be less effective than expected). Alongside scrupulous observance of the regulatory standards on the subject of large risks and the quantification of internal capital to cover concentration risk under the terms of the Second Pillar of Basel 2, the parent company has defined precise guidelines designed to mitigate concentration risk through fragmentation, both at the level of single entities, and in terms of business sector/geographical area. The loan supply process also involves growing decision-making limits on the basis of the amounts concerned by the loan. Individual loan applications for which total debtor exposure and that of the group of customers as may be connected with it exceeds certain thresholds, are always subject to the examination of the parent company. 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, the parent company has adopted a special process with the purpose to check the acceptability of guarantees according to each specific and general requirement prescribed by the Supervisory Authority.

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

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

Furthermore, with regard to control at individual level, Banca Sella has equipped itself with a service for the management of anomalous credit, which assists in the management of relations with clientele featuring relevant anomalies in trends.

The Banca Sella Credit Control service carries out second-level control activities regarding the proper provision and management of credit in the companies of the Group.

More specifically, the service operates through:

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

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

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

ARC procedure - AUTOMATIC RISK CLASSIFICATION.

The procedure classifies all positions belonging to the Loans Portfolio of the Group Banks (borrowers or customers with current facilities in place) into 4 classes according to credit risk:

- ARC class 1 (green): positions with no anomalies and positions with few anomalies;
- ARC class 2 (yellow): positions with anomalies, not such as to jeopardize continuation of the relationship, but which need to be remedied;
- ARC class 3 (red): anomalous positions requiring intervention according to the type of anomaly in place, the amount of exposure and the amount of past due intended as the sum of unpaid instalments and exceeding current account thresholds;
- ARC class 4 (black) positions with significant anomalies to the extent that they require immediate intervention.

Purpose: The ARC procedure aims to:

- classify the loans portfolio according to the credit risk expressed by customers;
- make a customer risk sheet available that is useful in terms of monitoring and managing the credit risk; the sheet is integrated into the CRM platform and allows for the viewing on a single screen of all indicators used to calculate the policies, together with further useful information to managing the position.

Data update frequency: once a week.

Credit risk monitoring: The credit risk management process is carried out on the CRM platform, where there is a section devoted to monitoring credit risk, referred to as "Credit Alarms".

The contacts are included with anomalies relating to: ARC risk and the exceeding of current account thresholds and unpaid instalments.

Through CRM, timely contact is provided to work to reduce the risk of losses on credits, in CRM information is given on the customers, including commercial information, thereby ensuring a complete overview of the customer. The following are involved in the CRM monitoring process: the branch, phone collection, anomalous loan auditors and decision-makers.

Performance anomaly classes (these replaced the ISA - Summary Indicator of Performance Anomalies in May 2012)

Purpose: They aim to immediately identify any customer positions showing significant performance anomalies within the classifications already made by the ACR - Automatic Risk Classification procedure. They enable the following:

- definition of the severity of relations;
- setting of an intervention priority.

The 12 new classes represent the likelihood of default in the short-term. The higher the class, the more critical the customer situation. Class 12, in fact, includes all positions marked as "Subjective Watchlist". The class can be viewed on the ACR risk sheet integrated into CRM.

Data update frequency: once a week.

TABLEAU DE BORD

The tool enables the viewing of specific performance data trends with the possibility of segmenting portfolio reports on the level of the Bank, Territory, District and Branch.

Purpose: the Tableau de Bord aims to monitor the trend of specific performance anomalies and to measure the achievement of the objectives assigned (current account threshold exceeding, current account freezing, delinquency ratio, past-due invoices, past-due resolutions, past-due foreign loans, unpaid amounts on SBF portfolio, trend of loans according to ACR risk classes, non-revoked watchlist positions, past-due, objective restructured positions, PD)

Users: the data given in the Tableau de bord is available to the internal departments and the distribution network.

Data update frequency: data is updated once a month and refers to the figures at month end. Threshold exceeding and Delinquency ratio are instead updated daily.

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

2.3 Credit risk mitigation techniques

In the light of the significant attention paid 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 guarantees typically acquired by the counterparties are those typical of the banking business, mainly: personal guarantees and counterparties in the form of property and financial instruments. Banca Sella 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.

Banca Sella 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 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 Service works in two ways:

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

With specific reference to personal guarantees, the specific admission requirements for guarantors are quite strict and, substantially, they exclusively recognise guarantees issued by sovereign states, public bodies, multilateral development banks, supervised brokers and companies with good credit rating for the purposes of capital requirement mitigation against credit risk. Banca Sella has continued, also in 2012, to make use of, when possible, the guarantees issued by the Guarantee Fund for SMEs, which, thanks to the presence of the Italian State as counter-guarantor, allow for mitigating the credit risk to comply with regulatory ratios. With the belief that the personal guarantees issued by entities that do not fall within the standard list may as well provide effective credit risk mitigation for management purposes, it shall be common practice to also accept individual persons or companies without external rating as guarantors, if necessary.

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

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

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

2.4 Impaired financial assets

The Banca Sella structure that manages the work of recovery of disputed loans for the Banca Sella Group, provides the activities for Banca Sella itself, for Banca Patrimoni & Sella and for the leasing company Biella Leasing.

Alongside its management functions, following the contractual terms for the task received, the service is responsible for:

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

The decision-making power in relation to the assessment of recoveries and waiver proposals for arrangements with customers as concerns Banca Sella is partly devolved to the single managers within the range of powers granted to the single CEOs of Banca Sella, whilst for the other companies, managed in outsourcing, powers are conferred to the company's individual CEOs.

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

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

The forecast of recoverability of the credit takes account of:

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

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

- the nominal rate applied at 31 December 2004 in the bank records, relatively to the individual default account: depending on the case, such rate may correspond to the rate adopted at the default, the rate deducible at the injunction or the one agreed upon with the customer with a discharge plan; however, such rates have been reduced to the rate usury limit at 31 December 2004;
- use, for all contracts that as at 31 December 2004 had a zero rate, the last rate present on the contract prior to zeroing if available; for lack of this data, the legal rate has been adopted.

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

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

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

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

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

Portfolio/Quality	Non-performing exposures	Watchlist exposures	Restructured exposures	Past due exposures	Other assets	Total
1. Financial assets held for trading	-	-	137	-	88.322	88.459
2. Financial assets available for sale	-	-	2.424	-	366.253	368.677
3. Financial assets held to maturity	-	-	-	-	412.504	412.504
4. Due from banks	-	-	-	-	931.489	931.489
5. Due from customers	186.630	206.599	26.692	38.016	7.037.481	7.495.418
6. Financial assets at fair value through profit or loss	-	-	-	-	-	-
7. Financial assets held for sale	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	27.868	27.868
Total 31/12/2012	**186.630**	**206.599**	**29.253**	**38.016**	**8.863.917**	**9.324.415**
Total 31/12/2011	**123.960**	**209.971**	**19.537**	**17.809**	**8.888.242**	**9.259.519**

Please note that the increase in the items is partially due to the merger by acquisition of Banca Sella Nord Est Bovio Calderari by Banca Sella. For further details, please refer to the management report of these financial statements.

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

Portfolio/quality	Impaired assets			Performing assets			Total (net exposure)
	Gross exposure	Specific adjustments	Net exposure	Gross exposure	Specific adjustments	Net exposure	
1. Financial assets held for trading	137	-	137	X	X	88.322	88.459
2. Financial assets available for sale	2.424	-	2.424	366.253	-	366.253	368.677
3. Financial assets held to maturity	-	-	-	412.504	-	412.504	412.504
4. Due from banks	-	-	-	931.529	40	931.489	931.489
5. Due from customers	794.503	336.566	457.937	7.074.327	36.846	7.037.481	7.495.418
6. Financial assets at fair value through profit or loss	-	-	-	X	X	-	-
7. Financial assets held for sale	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	X	X	27.868	27.868
Total 31/12/2012	**797.064**	**336.566**	**460.498**	**8.784.613**	**36.886**	**8.863.917**	**9.324.415**
Total 31/12/2011	**643.387**	**272.110**	**371.277**	**8.922.294**	**34.052**	**8.888.242**	**9.259.519**

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	997.539	X	40	997.499
TOTAL A	**997.539**	**-**	**40**	**997.499**
B. OFF BALANCE SHEET EXPOSURE				
a) Impaired	-	-	-	-
b) Others	53.156	X	-	53.156
TOTAL B	**53.156**	**-**	**-**	**53.156**
TOTAL A+B	**1.050.695**	**-**	**40**	**1.050.655**

Positions subject to collective agreements

Total remaining debt at 31/12/12	of which overdue			
	up to 3 months	from 3 to 6 months	from 6 months to 1 year	over 1 year
	amount overdue	amount overdue	amount overdue	amount overdue
101.869	120	17	4	-

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	463.691	277.061	X	186.630
b) Watchlist exposures	262.867	56.268	X	206.599
c) Restructured exposures	30.344	1.228	X	29.116
d) Past due exposures	40.024	2.009	X	38.015
e) Other assets	7.855.224	X	36.846	7.818.378
TOTAL A	**8.652.150**	**336.566**	**36.846**	**8.278.738**
B. OFF BALANCE SHEET EXPOSURES				
a) Impaired	10.983	30	-	10.953
b) Others	626.873	X	1.895	624.978
TOTAL B	**637.856**	**30**	**1.895**	**635.931**

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	**352.908**	**250.643**	**20.965**	**18.748**
- of which: exposures sold but not derecognized	2.415	392	-	1.494
B. Increases	**241.892**	**293.402**	**15.530**	**40.487**
B.1 Inflows from performing loans	-	244.102	6.084	37.827
B.2 Transfers from other categories of impaired exposures	152.303	15.522	8.590	764
B.3 Other increases	89.589	33.778	856	1.896
C. Decreases	**131.109**	**281.178**	**6.151**	**19.211**
C.1 Outflows to performing loans	-	42.929	52	8.126
C.2 Write-offs	99.096	561	59	-
C.3 Collections	27.914	8.862	762	-
C.4 Realizations through sales	1.137	-	-	-
C.5 Transfers to other categories of impaired exposures	31	161.656	5.190	10.301
C.6 Other decreases	2.931	67.170	88	784
D. Final gross exposure	**463.691**	**262.867**	**30.344**	**40.024**
- of which: exposures sold but not derecognized	3.689	4.605	-	1.420

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	**228.955**	**40.789**	**1.427**	**939**
- of which: exposures sold but not derecognized	668	24	-	-
B. Increases	**174.860**	**57.941**	**1.108**	**1.980**
B.1 Writedowns	93.074	39.829	575	1.889
B.1.bis Losses on sale	957	-	-	-
B.2 Transfers from other categories of impaired exposures	29.761	779	487	31
B.3 Other increases	51.068	17.333	46	60
C. Decreases	**126.754**	**42.462**	**1.307**	**910**
C.1 Writebacks on valuation	16.800	4.717	866	361
C.2 Writebacks on collection	6.369	1.346	53	-
C.2.bis Gains on sale	557	-	-	-
C.3 Write-offs	99.096	561	59	-
C.4 Transfers to other categories of impaired exposures	36	30.225	329	468
C.5 Other decreases	3.896	5.613	-	81
D. Final total adjustments	**277.061**	**56.268**	**1.228**	**2.009**
- of which: exposures sold but not derecognized	1.050	1.094	-	-

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

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

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

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	**5.291**	**792.305**	**15.354**	**2.530**	**-**	**-**	**8.460.758**	**9.276.238**
B. Derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**48.176**	**48.176**
B.1 Financial derivatives	-	-	-	-	-	-	48.176	48.176
B.2 Credit derivatives	-	-	-	-	-	-	-	-
C. Guarantees issued	**15**	**-**	**45**	**-**	**-**	**-**	**322.372**	**322.432**
D. Commitments to disburse funds	**-**	**-**	**-**	**-**	**-**	**-**	**317.978**	**317.978**
E. Others	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**5.306**	**792.305**	**15.399**	**2.530**	**-**	**-**	**9.149.284**	**9.964.824**

Almost all counterparties with which relations are maintained have a rating equal to or higher than investment grade. In addition, Banca Sella's exposures towards banks are, for 97,2%, towards Banca Sella Holding.

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

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

The table below shows the distribution of exposures by rating classes of the corporate or large corporate customer companies of Banca Sella. The “No rating” column includes both exposures to companies with no internal rating and exposures to customers belonging to a different segment from the “corporate and large corporate” segment. For Banca Sella, the percentage of coverage of the "corporate and large corporate" rating alone is almost 97% of total exposures.

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

Exposures	Internal rating classes									Unrated	Total
	AAA	AA	A	BBB	BB	B	CCC	CC	C		
A. Cash exposures	**91.969**	**110.197**	**288.811**	**289.575**	**269.388**	**189.501**	**139.026**	**64.407**	**31.359**	**7.804.699**	**9.278.932**
B. Derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**48.176**	**48.176**
B.1 Financial derivatives	-	-	-	-	-	-	-	-	-	48.176	48.176
B.2 Credit derivatives	-	-	-	-	-	-	-	-	-	-	-
C. Guarantees issued	**42.253**	**10.035**	**8.500**	**13.208**	**17.962**	**5.297**	**12.599**	**2.224**	**81**	**210.274**	**322.433**
D. Commitments to disburse funds	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**317.978**	**317.978**
E. Others	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**134.222**	**120.232**	**297.311**	**302.783**	**287.350**	**194.798**	**151.625**	**66.631**	**31.440**	**8.381.127**	**9.967.519**

A.3 Distribution of guaranteed exposures by type of guarantee

A.3.2 Guaranteed credit exposure to customers

		Real guarantees (1)				Personal guarantees (2)									
		Real estate				Credit derivatives					Guaranteed loans				
							Other derivatives								
	Net exposure value	Mortgages	Financial leasing	Securities	Other real guarantees	CLN	Governments and central banks	Other public bodies	Banks	Other subjects	Governments and central banks	Other public bodies	Banks	Other subjects	Total (1)+(2)
1. Guaranteed cash exposure:															
1.1 Totally guaranteed	4.049.269	6.828.061	-	167.379	23.154	-	-	-	-	-	494	1.661	852	-	7.021.601
- of wich: impaired	310.647	535.518	-	2.465	590	-	-	-	-	-	-	800	500	-	539.873
1.2 Partially guaranteed	159.125	10.060	-	30.537	6.364	-	-	-	-	-	9.745	-	25	-	56.731
- of wich: impaired	20.844	6.628	-	3.421	423	-	-	-	-	-	116	-	25	-	10.613
2. Guaranteed "off balance sheet" exposure															
2.1 Totally guaranteed	232.155	57.738	-	25.356	9.815	-	-	-	-	-	-	432	3.821	-	97.162
- of wich: impaired	5.638	2.355	-	51	109	-	-	-	-	-	-	-	-	-	2.515
2.2 Partially guaranteed	19.618	-	-	1.805	902	-	-	-	-	-	-	-	24	-	2.731
- of wich: impaired	55	-	-	-	20	-	-	-	-	-	-	-	-	-	20

B. CREDIT EXPOSURES DISTRIBUTION AND CONCENTRATION

B.1 Distribution by segment of cash and off balance sheet exposures to customers (book value)

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	409	(405)	X -	-	-	X	131.355	(185.071)	X	54.866	(91.585)	X
A.2 Watchlist exposures	-	-	X	-	-	X	10	(36)	X -	-	-	X	156.743	(45.287)	X	49.846	(10.945)	X
A.3 Restructured exposures	-	-	X	-	-	X	-	-	X -	-	-	X	20.812	(798)	X	8.304	(430)	X
A.4 Past due exposures	-	-	X	-	-	X	310	(12)	X -	-	-	X	21.666	(1.164)	X	16.039	(833)	X
A.5 Other exposures	776.401	X	(5)	19.093	X	-	1.136.323	X	(120) -	10	X	-	3.383.996	X	(28.402)	2.502.555	X	(8.318)
Total A	**776.401**	**-**	**(5)**	**19.093**	**-**	**-**	**1.137.052**	**(453)**	**(120)**	**10**	**-**	**-**	**3.714.572**	**(232.320)**	**(28.402)**	**2.631.610**	**(103.793)**	**(8.318)**
B. "Off balance sheet" exposures																		
B.1 Non-performing	-	-	X	-	-	X	-	-	X -	-	-	X	1.215	(11)	X	28	-	X
exposures	-	-	X	-	-	X	-	-	X -	-	-	X	8.441	(17)	X	436	-	X
B.2 Watchlist exposures																		
B.3 Other impaired assets	-	-	X	-	-	X	6	-	X -	-	-	X	713	(1)	X	113	-	X
B.4 Other exposures	21.978	X	-	873	X	-	38.778	X	(47) -	1.345	X	(3)	461.364	X	(1.759)	100.640	X	(87)
Total B	**21.978**	**-**	**-**	**873**	**-**	**-**	**38.784**	**-**	**(47)**	**1.345**	**-**	**(3)**	**471.733**	**(29)**	**(1.759)**	**101.217**	**-**	**(87)**
Total (A+B) 31/12/2012	**798.379**	**-**	**(5)**	**19.966**	**-**	**-**	**1.175.836**	**(453)**	**(167)**	**1.355**	**-**	**(3)**	**4.186.305**	**(232.349)**	**(30.161)**	**2.732.827**	**(103.793)**	**(8.405)**
Total (A+B) 31/12/2011	**478.917**	**-**	**-**	**17.318**	**(68)**	**-**	**919.562**	**(749)**	**(257)**	**1.096**	**-**	**(1)**	**3.776.489**	**(172.766)**	**(26.946)**	**2.650.157**	**(98.550)**	**(8.444)**

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	186.454	(276.733)	157	(231)	19	(27)	-	(6)	-	(65)
A.2 Watchlist exposures	206.586	(56.117)	9	(146)	4	(5)	-	-	-	-
A.3 Restructured exposures	29.116	(1.228)	-	-	-	-	-	-	-	-
A.4 Past due exposures	37.987	(2.009)	28	-	-	-	-	-	-	-
A.5 Other transactions	7.778.913	(36.763)	28.942	(59)	3.879	(10)	246	-	6.400	(14)
TOTAL A	**8.239.056**	**(372.850)**	**29.136**	**(436)**	**3.902**	**(42)**	**246**	**(6)**	**6.400**	**(79)**
B. Off balance sheet exposures										
B.1 Non-performing exposures	1.243	(11)	-	-	-	-	-	-	-	-
B.2 Watchlist exposures	8.877	(17)	-	-	-	-	-	-	-	-
B.3 Other impaired assets	833	(1)	-	-	-	-	-	-	-	-
B.4 Other exposures	624.884	(1.896)	67	-	21	-	-	-	6	-
TOTAL B	**635.837**	**(1.925)**	**67**	**-**	**21**	**-**	**-**	**-**	**6**	**-**
TOTAL (A+B) 31/12/2012	**8.874.893**	**(374.775)**	**29.203**	**(436)**	**3.923**	**(42)**	**246**	**(6)**	**6.406**	**(79)**
TOTAL (A+B) 31/12/2011	**7.790.786**	**(307.021)**	**38.614**	**(530)**	**5.172**	**(102)**	**145**	**(24)**	**8.821**	**(104)**

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	81.326	(110.832)	41.096	(46.367)	19.445	(31.755)	44.586	(87.779)
A.2 Watchlist exposures	78.227	(21.650)	51.909	(7.003)	27.313	(8.306)	49.136	(19.158)
A.3 Restructured exposures	22.663	(992)	3.166	(155)	441	(10)	2.846	(71)
A.4 Past due exposures	16.630	(935)	5.862	(283)	6.808	(304)	8.687	(487)
A.5 Other transactions	4.014.463	(17.622)	947.521	(5.630)	1.535.838	(5.350)	1.281.090	(8.160)
TOTAL A	**4.213.309**	**(152.031)**	**1.049.554**	**(59.438)**	**1.589.845**	**(45.725)**	**1.386.345**	**(115.655)**
B. Off balance sheet exposures								
B.1 Non-performing exposures	649	(7)	96	(1)	492	(3)	6	-
B.2 Watchlist exposures	5.613	(12)	2.243	(2)	183	(1)	838	(2)
B.3 Other impaired assets	413	-	107	-	43	-	270	(1)
B.4 Other exposures	365.721	(1.214)	64.794	(181)	112.946	(213)	81.423	(287)
TOTAL B	**372.396**	**(1.233)**	**67.240**	**(184)**	**113.664**	**(217)**	**82.537**	**(290)**
TOTAL (A+B) 31/12/2012	**4.585.705**	**(153.264)**	**1.116.794**	**(59.622)**	**1.703.509**	**(45.942)**	**1.468.882**	**(115.945)**
TOTAL (A+B) 31/12/2011	**4.334.388**	**(161.509)**	**515.769**	**(30.943)**	**1.399.698**	**(40.323)**	**1.540.932**	**(74.246)**

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	966.859	-	20.549	(39)	329	(1)	1.187	-	8.574	-
TOTAL A	**966.859**	**-**	**20.549**	**(39)**	**329**	**(1)**	**1.187**	**-**	**8.574**	**-**
B. Off balance sheet exposures										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Watchlist exposures	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	53.156	-	-	-	-	-	-	-	-	-
TOTAL B	**53.156**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL (A+B) 31/12/2012	**1.020.015**	**-**	**20.549**	**(39)**	**329**	**(1)**	**1.187**	**-**	**8.574**	**-**
TOTAL (A+B) 31/12/2011	**2.062.472**	**(3)**	**52.222**	**(39)**	**251**	**(1)**	**1.559**	**-**	**18**	**-**

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	937.445	-	7.700	-	21.714	-	-	-
TOTAL A	**937.445**	**-**	**7.700**	**-**	**21.714**	**-**	**-**	**-**
B. Off balance sheet exposures								
B.1 Non-performing exposures	-	-	-	-	-	-	-	-
B.2 Watchlist exposures	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-
B.4 Other exposures	35.304	-	45	-	17.807	-	-	-
TOTAL B	**35.304**	**-**	**45**	**-**	**17.807**	**-**	**-**	**-**
TOTAL (A+B) 31/12/2012	**972.749**	**-**	**7.745**	**-**	**39.521**	**-**	**-**	**-**
TOTAL (A+B) 31/12/2011	**1.929.576**	**(3)**	**48.888**	**-**	**84.008**	**-**	**-**	**-**

B.4 Large Risks		
number	**book value**	**weighted value**
2	3.040.306	2.134

The exposures are to the State Treasury for 797.821 thousand euro and from Group companies to 2.242.485 thousand euro.

C. SECURITIZATION TRANSACTIONS AND ASSET TRANSFERS

C.1 Securitization transactions

QUALITATIVE INFORMATION

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

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

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

On 4 April 2008 and on 08 January 2009, and 9 January 2012 Banca Sella S.p.A. completed three securitization transactions, again of performing mortgage loans.

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

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

Banca Sella S.p.A, as the originator of the transactions, subscribed the entire amount of the junior titles issued in relation to the various securitizations. The securities are still held by the same. In addition, in regards to the securitizations of 2008, 2009 and 2012, the Bank subscribed the entire amount of the securities issued. These securities can be used as collateral for repurchase agreements with the ECB.

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

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

A brief account of the securitization transactions is provided below.

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

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

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

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

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

The Class A, B and C notes are quoted on the Luxembourg stock exchange. Moody's currently gives the following ratings: Aa2 for the class A securities (at issue Aaa) - A1 for the class B securities – Baa2 for the class C securities. At 31 December 2012 the securities in classes A-B-C had generated interest in the amount of 0,8 million euro. The Class D securities are not listed are were subscribed by Banca Sella S.p.A.: in the 2011, they recorded interest in the amount of 0,9 million euro.

Banca Sella S.p.A. is responsible for collecting the receivables sold and for the cash desk and payment services under the terms of a servicing agreement which as consideration provides for a servicing fee, to be paid twice a year, equivalent to 0,45% quarterly of the amount of collections of the performing monetary receivables. During the course of the year, the servicing fees collected by Banca Sella S.p.A. were 0,07 million euro.

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

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

C.1bis Other self-securitisation operations not coming under the scope of the quantitative information

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

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

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

The transaction entailed the sale without recourse to the special purpose vehicle, of receivables guaranteed by mortgages for a total of 217,4 million euro, inclusive of the principal amount of the loans and the interest accrued up to the date of sale.

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

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

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

At 31 December 2012 the Class A-B-C notes earned interest of 1,8 million euro. The class D securities recorded interest of 0,6 million net of commission expenses. There are not state of mortgage renegotiations.

Banca Sella S.p.A. is responsible for collecting the receivables sold and for the cash desk and payment services under the terms of a servicing agreement which as consideration provides for a servicing fee, to be paid twice a year, equivalent to 0,45% quarterly of the amount of collections of the performing monetary receivables. At 31 December 2012 the servicing fees collected by Banca Sella S.p.A. were 0,087 million euro.

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

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

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

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

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

The transaction entailed the sale without recourse to the special purpose vehicle, of receivables guaranteed by mortgages for a total of 226,6 million euro, inclusive of the principal amount of the loans and the interest accrued up to the date of sale.

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

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

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

At 31 December 2012 the Class A-B-C notes earned interest of 2,7 million euro. In 2012, the class D securities recorded interest of 1,4 million net of commission expenses for renegotiation of the guarantees which the bank paid to Mars S.r.l. in the amount of 0,03 million euro.

Banca Sella S.p.A. is responsible for collecting the receivables sold and for the cash desk and payment services under the terms of a servicing agreement which as consideration provides for a servicing fee, to be paid twice a year, equivalent to 0,45% quarterly of the amount of collections of the performing monetary receivables. At 31 December 2012 the servicing fees collected by Banca Sella S.p.A. were 0,088 million euro.

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

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

c) Banca Sella S.p.A. securitisation of performing loans – financial year 2012

The transaction was completed at two subsequent moments: the purchase of the loans was completed by the special purpose vehicle Mars 2600 S.r.l. on 09 January 2012, while the securities were issued on 14 March 2012.

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

The transaction entailed the sale without recourse to the special purpose vehicle, of receivables guaranteed by mortgages for a total of 398,8 million euro, inclusive of the principal amount of the loans and the interest accrued up to the date of sale.

In exchange for this transaction Mars 2600 S.r.l. issued Class A1 notes amounting to 112,9 million euro, Class A2 notes amounting to 235,4 million euro, and Class D notes amounting to 48 million euro.

The Class A1 and A2 notes are quoted on the Luxembourg stock exchange. Moody's currently gives the following ratings: A2 both for class A1 and class A2 notes (at issue it was Aa2). The same securities have the following ratings from DBRS: AA both for class A1 and class A2 notes. Class D notes are not listed and have no rating.

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

At 31 December 2012 the Class A1 and A2 notes earned interest of about 5,8 million euro. The Class D notes earned interest in FY 2012 of 7,1million euro. Banca Sella S.p.A. is responsible for collecting the receivables sold and for the cash desk and payment services under the terms of a servicing agreement which as consideration provides for a servicing fee, to be paid quarterly, equivalent to 0,45% of the amount of collections of the performing pecuniary loans made during the reference quarter. At 31 December 2012 the servicing fees collected by Banca Sella S.p.A. were approximately 0,2 million euro.

QUANTITATIVE INFORMATION

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

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

Quality of underlying assets/ Exposures	Cash exposures						Guarantees given						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. With own underlying assets																		
a) Impaired	-	-	-	-	-	933	-	-	-	-	-	-	-	-	-	-	-	-
b) Others	-	16.070	-	4.004	3.500	2.567	-	-	-	-	-	-	-	-	-	-	-	-
b) With third party underlying assets																		
a) Impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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

Type of securized assets/Exposures	Cash exposures						Guarantees given						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks
A. Subject to total derecognition																		
A.1 Secursel S.r.l.																		
- Performing loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Secursel S.r.l.																		
- Leasing instalments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Subject to partial derecognition	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C. Not derecognized																		
C.1 Mars 2600 S.r.l.																		
- Performing loans	16.070	-	4.004	-	3.500	-	-	-	-	-	-	-	-	-	-	-	-	-

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

Assets/Amount	Traditional securizations	Synthetinc securizations
A. Own underlying assets		
A. 1 Subject to total derecognition		
1. Non performing exposures	-	X
2. Watchlist exposures	-	X
3. Restructured exposures	-	X
4. Past due exposures	-	X
5. Other assets	-	X
A.2 Subject to partial derecognition		
1. Non performing exposures	-	X
2. Watchlist exposures	-	X
3. Restructured exposures	-	X
4. Past due exposures	-	X
5. Other assets	-	X
A.3 Not derecognized		
1. Non performing exposures	712	-
2. Watchlist exposures	642	-
3. Restructured exposures	-	-
4. Past due exposures	192	-
5. Other assets	74.676	-
B. Third parties' underlying assets		
B.1 Non performing exposures	-	-
B.2 Watchlist exposures	-	-
B.3 Restructured exposures	-	-
B.4 Past due exposures	-	-
B.5 Other assets	-	-

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

Vehicle company	Securized assets (end of period data)		Recievables collected during the year		Percentage redemptions (end of period data)					
					Senior		Mezzanine		Junior	
	Impaired	Performing	Impaired	Performing	Impaired assets	Performing assets	Impaired assets	Performing assets	Impaired assets	Performing assets
Secursel Srl	-	-	-	-	-	-	-	-	-	-
Mars Srl	1.546	74.676	552	16.848	2%	73%	-	-	-	-

C.2 Sale transactions

QUALITATIVE INFORMATION

These are forward contracts with customers with underlying bonds (mainly issued by Group banks).

QUANTITATIVE INFORMATION

C.2.1 Financial assets sold but not derecognized: book value and full value

Technical type/ Portfolio	Financial assets held for trading			Financial assets at fair value through profit or loss			Financial assets available for sale			Financial assets held to maturity			Due from banks			Due from customers			Total	
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	2012	2011
A. Cash assets																				
1. Debt securities	-	-	-	-	-	-	13.316	-	-	-	-	-	226.060	-	-	-	-	-	239.376	416.450
2. Share capital securities	-	-	-	-	-	-	-	-	-	X	X	X	X	X	X	X	X	X	-	-
3. UCITS	-	-	-	-	-	-	-	-	-	X	X	X	X	X	X	X	X	X	-	-
4. Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	76.222	-	-	76.222	91.382
B. Derivative instruments	-	-	-	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	-	-
Total 31/12/2012	**-**	**-**	**-**	**-**	**-**	**-**	**13.316**	**-**	**-**	**-**	**-**	**-**	**226.060**	**-**	**-**	**76.222**	**-**	**-**	**315.598**	
of wich impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.546	-	-	1.546	
Total 31/12/2011	**29.562**	**-**	**-**	**-**	**-**	**-**	**21.205**	**-**	**-**	**22.619**	**-**	**-**	**343.064**	**-**	**-**	**91.382**	**-**	**-**		**507.832**
of wich impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.772	-	-		1.772

KEY

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

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

C= partially recognized financial assets (full value)

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

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	-	-	13.193	-	227.857	50.394	291.444
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 31/12/2012	**-**	**-**	**13.193**	**-**	**227.857**	**50.394**	**291.444**
Total 31/12/2011	**29.691**	**-**	**21.113**	**20.209**	**342.895**	**68.540**	**482.448**

C.2.3 Sale transactions with liabilities having recourse only to the assets sold: fair value

Technical type / 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 (fair value)		Due from banks (fair value)		Due from customers (fair value)		Total	
	A	B	A	B	A	B	A	B	A	B	A	B	31/12/2012	31/12/2011
A. Cash assets														
1. Debt securities	-	-	-	-	13.316	-	-	-	226.060	-	-	-	239.376	73.386
2. Share capital securities	-	-	-	-	-	-	X	X	X	X	X	X	-	-
3. UCITS	-	-	-	-	-	-	X	X	X	X	X	X	-	-
4. Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Derivative instruments	**-**	**-**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**-**	**-**
Total assets	**-**	**-**	**-**	**-**	**13.316**	**-**	**-**	**-**	**226.060**	**-**	**-**	**-**	**239.376**	**73.386**
C. Associated liabilities														
1. Due from customers	-	-	-	-	13.193	-	-	-	227.857	-	-	-	241.050	71.013
2. Due from banks	-	-	-	-	-	-	-	-	-	-	-	-	X	X
Total liabilities	**-**	**-**	**-**	**-**	**13.193**	**-**	**-**	**-**	**227.857**	**-**	**-**	**-**	**241.050**	**71.013**
Net value 31/12/2012	**-**	**-**	**-**	**-**	**123**	**-**	**-**	**-**	**- 1.797**	**-**	**-**	**-**	**- 1.674**	**-**
Net value 31/12/2011	**- 130**	**-**	**-**	**-**	**92**	**-**	**2.411**	**-**	**-**	**-**	**-**	**-**	**X**	**2.373**

Key:
A = financial assets sold and fully recognized
B = Financial assets sold and partially recognized

» SECTION 2 - MARKET RISKS

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

2.1 INTEREST RATE RISK AND PRICE RISK – REGULATORY TRADING BOOK

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

QUALITATIVE INFORMATION

A. General aspects

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

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

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 (fixed and variable-income securities).

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

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

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

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

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

QUANTITATIVE INFORMATION

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

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

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

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

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

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

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

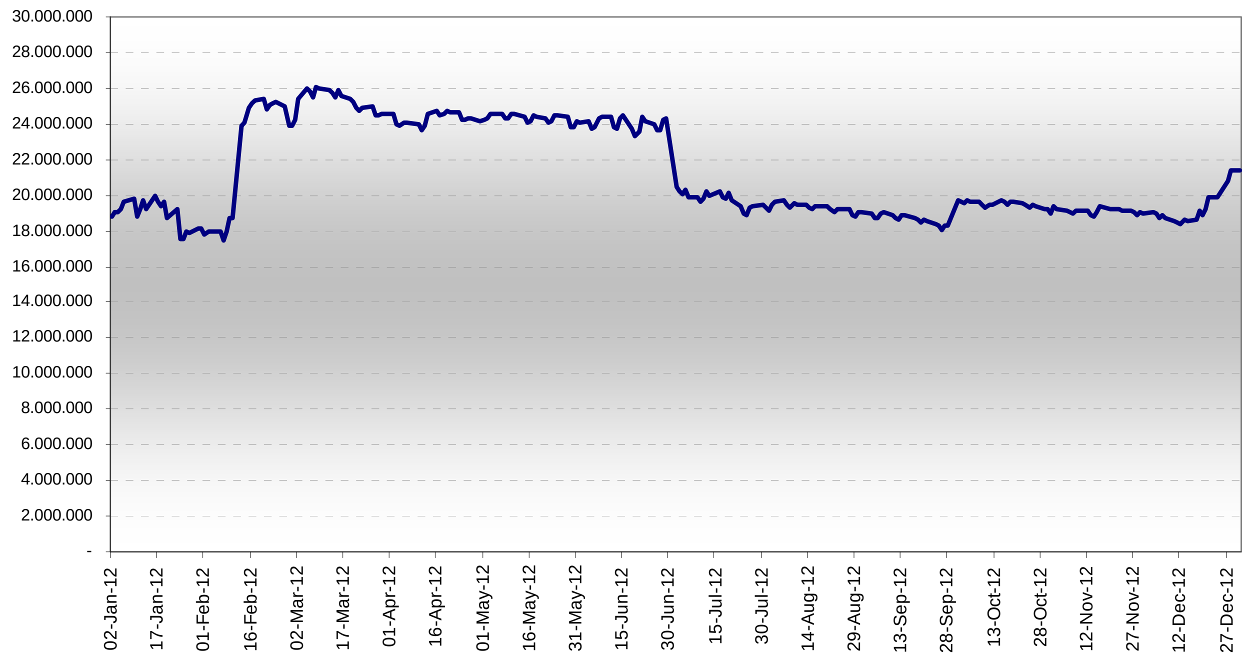
The average duration of the Banca Sella trading book is equal to 0,79 years while sensitivity, estimated on a parallel movement of +100 basis points in the yield curve, is approximately 3,23 million euro (about 0,79% of the portfolio).

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

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

Banca Sella – Trading Book

Market Risks VaR (time horizon 3 months - confidence interval 99%)



2.2 INTEREST RATE AND PRICE RISKS – BANKING BOOK

QUALITATIVE INFORMATION

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

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

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

Interest rate risk is mainly generated by bank portfolio fixed-rate securities (e.g. securities in the Held to Maturity category), customer deposits (in current accounts, savings accounts and bonds) and loans to customers (mortgages), as well as derivative instruments contracted to mitigate exposure to the fair value rate risk generated by them. The Company's policy is to provide a high hedge to fixed-rate items, while strategic and management choices are aimed at minimising the volatility of the total economic value when the rate structure changes.

B. Fair value hedging activities

Hedging transaction strategies are mainly aimed at mitigating the exposure to interest rate risk inherent in financial instruments, deriving predominantly from forms of disbursement of credit (general hedges, such as mortgage loans) or bonds issued (specific hedges).

Exposure to interest rate risk inherent in the disbursement of credit is hedged by derivative instruments such as amortizing interest rate swaps and cap options, on the basis of the amount of the loan portfolio disbursed and the average maturities of this portfolio. Other interest rate swaps are implemented when fixed-rate bonded loans are issued. Further hedging is put in place, with third parties, with the aim of mitigating the interest rate risk or the exchange rate risk of simple derivatives such as domestic currency swaps, currency options, overnight interest swaps traded by customers of the Group's banks.

The Bank generally adopts measurement methods and techniques based on the Black-Scholes, Monte Carlo and Net Present Value models using a number of parameters, which vary depending on the financial instrument to be measured. These parameters, which are approved by the Group Risk Management and Audit Service, are chosen and set up on the calculation software at the moment of a request for measurement of a new derivative instrument. At every periodic calculation of the fair value of the financial instrument, first and second level controls are carried out on the aforesaid parameters.

C. Cash flow hedging activities

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

D. Foreign investment hedging activities

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

QUANTITATIVE INFORMATION

1. Banking book: distribution for remaining duration (re-pricing date) of the financial assets and liabilities.

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

2. Banking book: - Internal models and other methods used for sensitivity analysis

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

The rate risk is measured using owned models for the processing of items in liabilities with undefined contractual due dates (on demand items). For all other assets and liabilities items, the rules defined by Bank of Italy Circular no. 263/2006, and following amendments. The audit is carried out taking into consideration all the positions assumed on and off the balance sheet, but limited to interest-bearing assets and liabilities.

To calculate the internal capital, parallel shifts are hypothesised to the rate curve, respectively of +200 basis points (rise) and -75 basis points (lowering, compatible with the constraint of a non-negativity of rates).

The sensitivity analysis figures at 31.12.2012 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 / -75 bps	20,78	775,2	2,7%

(*) excluding Tier III capital

Amounts in euro Millions

The Banca Sella bank portfolio contains no financial instruments subject to price risk.

2.3 EXCHANGE RATE RISK

QUALITATIVE INFORMATION

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

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

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

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

B. Exchange rate risk hedging activities

Banca Sella hedges transactions in foreign currency daily. The only assets of the Bank subject to this risk are loans and deposits in currency which correspond to a minimum part of the banking portfolio.

QUANTITATIVE INFORMATION

1. Distribution by currency of denomination of assets, liabilities and derivatives						
Item	Currecies					
	US Dollar	British pound	Swiss Franc	Australian dollar	Japanese Yen	Other currencies
A. Financial assets	**135.138**	**7.533**	**11.313**	**4.271**	**2.541**	**5.552**
A.1 Debt securities	-	-	-	-	-	-
A.2 Equity securities	-	-	-	-	-	-
A.3 Loans and advances to bank	118.936	7.066	1.487	3.340	169	3.932
A.4 Loans and advances to custo	16.202	467	9.826	931	2.372	1.620
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**1.487**	**782**	**935**	**143**	**99**	**652**
C. Financial liabilities	**136.563**	**7.770**	**12.163**	**4.392**	**2.663**	**5.061**
C.1 Due to banks	894	-	2.281	-	1.967	1.307
C.2 Due to customers	135.669	7.770	9.882	4.392	696	3.754
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**17**	**1**	**4**	**-**	**-**	**564**
E. Financial derivatives	**(483)**	**(535)**	**(98)**	**11**	**29**	**205**
- Options	-	-	-	-	-	-
+ Long positions	25.814	7.520	1.635	319	520	44
+ Short positions	25.814	7.520	1.635	319	520	44
- Others	(483)	(535)	(98)	11	29	205
+ Long positions	43.982	4.119	2.105	7.274	4.795	2.126
+ Short positions	44.465	4.654	2.203	7.263	4.766	1.921
Total assets	**206.421**	**19.954**	**15.988**	**12.007**	**7.955**	**8.374**
Total liabilities	**206.859**	**19.945**	**16.005**	**11.974**	**7.949**	**7.590**
Imbalance (+/-)	**(438)**	**9**	**(17)**	**33**	**6**	**784**

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 31/12/2012		Total 31/12/2011	
	Over the counter	Central counterparts	Over the counter	Central counterparts
1. Debt securities and interest rates	387.349	-	290.526	-
a) Options	79.062	-	71.384	-
b) Swap	308.287	-	219.142	-
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	261.665	-	554.831	-
a) Options	139.905	-	207.279	-
b) Swap	89.311	-	181.552	-
c) Forward	32.449	-	166.000	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Goods	-	-	-	-
5. Other underlying assets	-	-	-	-
Total	**649.014**	**-**	**845.357**	**-**
Average amounts	**747.186**	**-**	**866.347**	**-**

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

A.2.1 For heging

Ulderlying assets/Type of derivatives	Total 31/12/2012		Total 31/12/2011	
	Over the counter	Central counterparts	*Over the counter*	Central counterparts
1. Debt securities and interest rates	1.134.809	-	1.103.966	-
a) Options	-	-	-	-
b) Swap	1.134.809	-	1.103.966	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
2. Equity securities and equity indices	-	-	-	-
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
3. Currencies and gold	-	-	-	-
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Goods	-	-	-	-
5. Other underlying assets	-	-	-	-
Total	**1.134.809**	**-**	**1.103.966**	**-**
Average amounts	**1.119.388**	**-**	**921.016**	**-**

A.2.2 Other derivatives

Ulderlying assets/Type of derivatives	Total 31/12/2012		Total 31/12/2011	
	Over the counter	Central counterparts	Over the counter	Central counterparts
1. Debt securities and interest rates	3.252.919	-	3.007.877	-
a) Options	3.252.919	-	3.007.877	-
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	12.726	-	19.879	-
a) Options	12.726	-	19.879	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Goods	-	-	-	-
5. Other underlying assets	-	-	-	-
Total	**3.265.645**	**-**	**3.027.756**	**-**
Average amounts	**3.146.700**	**-**	**1.781.534**	**-**

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

Portfolios/Type of derivatives	Positive fair value			
	Total 31/12/2012		Total 31/12/2011	
	Over the counter	Central counterparts	Over the counter	Central counterparts
A. Regulatory trading book	14.657	-	16.247	-
a) Options	1.922	-	4.090	-
b) Interest rate swap	11.100	-	6.105	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	358	-	3.326	-
f) Futures	-	-	-	-
g) Others	1.277	-	2.726	-
B. Banking book - hedging	27.868	-	16.144	-
a) Options	-	-	-	-
b) Interest rate swap	27.868	-	16.144	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
C. Banking book - other derivatives	5.640	-	10.388	-
a) Options	5.640	-	10.388	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
Total	**48.165**	**-**	**42.779**	**-**

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

Portfolios/Type of derivatives	Negative fair value			
	Total 31/12/2012		Total 31/12/2011	
	Over the counter	Central counterparts	Over the counter	Central counterparts
A. Regulatory trading book	14.693	-	16.324	-
a) Options	1.922	-	4.090	-
b) Interest rate swap	11.193	-	6.254	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	343	-	3.298	-
f) Futures	-	-	-	-
g) Others	1.235	-	2.682	-
B. Banking book - hedging	138.865	-	108.185	-
a) Options	-	-	-	-
b) Interest rate swap	138.865	-	108.185	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
C. Banking book - other derivatives	9.193	-	15.401	-
a) Options	9.193	-	15.401	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
Total	**162.751**	**-**	**139.910**	**-**

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

Contracts not covered by netting agreements	Governments and central banks	Other public boduies	Banks	Financial companies	Insurance companies	Non financial companies	Oter subjects
1) Debt securities and interest rates							
- notional value	-	-	194.643	8.745	-	180.733	3.228
- positive fair value	-	-	197	2.974	-	7.975	150
- negative fair value	-	-	11.193	-	-	169	27
- future exposure	-	-	1.261	70	-	929	14
2. Equity securities and equity indices							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3. Currencies and gold							
- notional value	-	-	130.887	-	-	116.848	13.930
- positive fair value	-	-	1.396	-	-	1.719	247
- negative fair value	-	-	1.935	-	-	1.233	136
- future exposure	-	-	2.071	-	-	2.570	396
4) Other values							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

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

Contracts not covered by netting agreements	Governments and central banks	Other public boduies	Banks	Financial companies	Insurance companies	Non financial companies	Oter subjects
1) Debt securities and interest rates							
- notional value	-	973	1.464.376	60.997	-	1.033.572	1.827.809
- positive fair value	-	-	33.468	-	-	-	-
- negative fair value	-	-	125.608	13.263	-	159	8.988
- future exposure	-	2	11.573	606	-	7.968	14.742
2. Equity securities and equity indices							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3. Currencies and gold							
- notional value	-	-	6.363	-	-	2.047	4.316
- positive fair value	-	-	-	-	-	10	30
- negative fair value	-	-	40	-	-	-	-
- future exposure	-	-	-	-	-	106	220
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	**367.861**	**146111**	**135042**	**649014**
A.1 Financial derivatives on debt securities and interest rates	109.901	142.406	135.042	387.349
A.2 Financial derivatives on equity securities and equity indices	-	-	-	-
A.3 Financial derivatives on exchange rates and gold	257.960	3.705	-	261.665
A.4 Financial derivatives on other securities	-	-	-	-
B. Banking book	**365.429**	**873.204**	**3.161.821**	**4.400.454**
B.1 Financial derivatives on debt securities and interest rates	352.703	873.204	3.161.821	4.387.728
B.2 Financial derivatives on equity securities and equity indices	-	-	-	-
B.3 Financial derivatives on exchange rates and gold	12.726	-	-	12.726
B.4 Financial derivatives on other securities	-	-	-	-
Total 31/12/2012	**733.290**	**1.019.315**	**3.296.863**	**5.049.468**
Total 31/12/2011	**917.071**	**961.617**	**3.098.392**	**4.977.080**

» SECTION 3 - LIQUIDITY RISK

QUALITATIVE INFORMATION

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

Liquidity risk corresponds to the risk arising from the inability to meet promises to pay, which may be caused by the inability to raise funds (funding liquidity risk) or by the presence of asset liquidity limits (market liquidity risk)[1].

Liquidity monitoring and management operations for Banca Sella are formalised in the Group's Liquidity Policy, which contains both liquidity risk management guidelines and the strategies to be followed in critical situations. Such strategies are an integral part of the emergency plan called Contingency Liquidity Plan.

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

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

The Group's liquidity monitoring follows the directives issued in Circular 263/2006 (Title V, chapter 2), as subsequently amended, integrating the national regulations with the principles governed by the Basel Committee (Basel III: International framework for liquidity risk measurement, standards and monitoring") which will be applied starting on 01 January 2015.

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

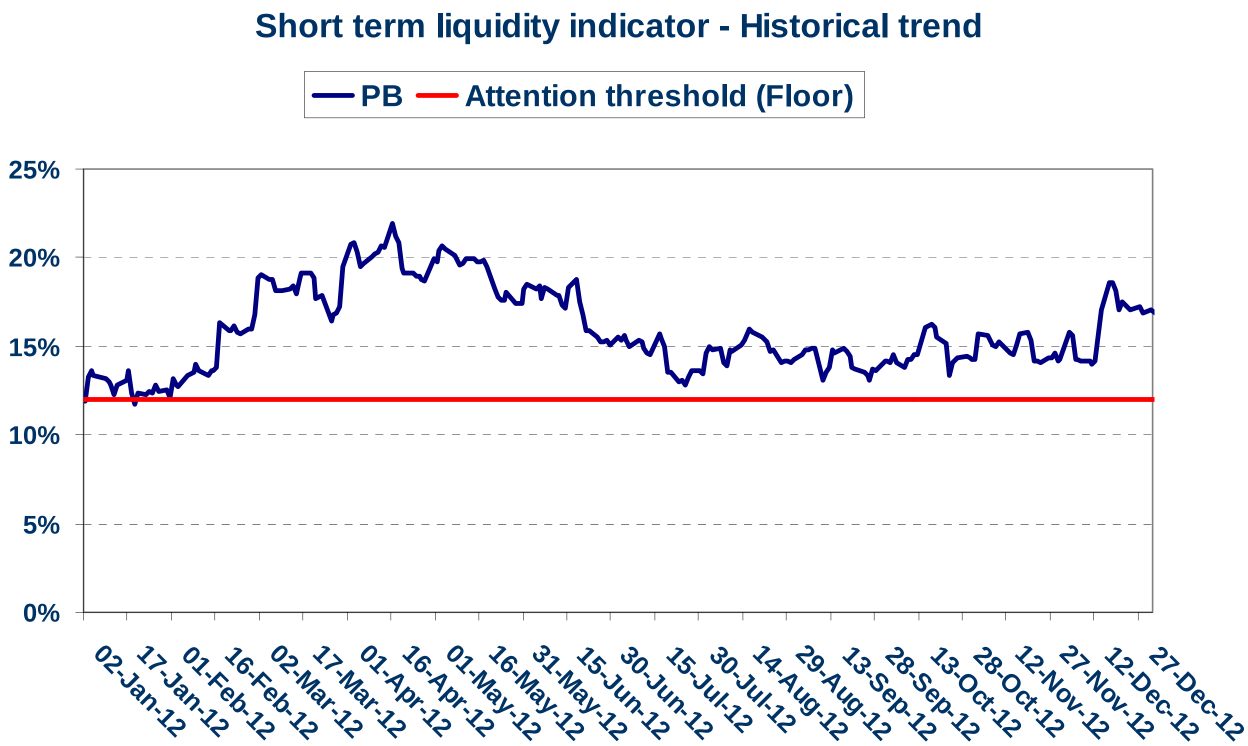
The Group Liquidity Policy includes, besides the traditional analysis of short-term liquidity indicators, the constant monitoring of a wide number of indicators focused on the trend of short- and medium- and long-term systemic and specific liquidity.

Below is the trend of the Banca Sella Group short-term liquidity indicator, which provides indications about the ability to fulfil the obligations taken both with regular customers and banks in case of a sudden liquidity strain. The minimum limit for said indicator was prudentially established at 12%. The effective level of the indicator was always over this threshold during the course of the year, testifying to the fact that the liquidity reserves are sufficient to account for the commitments made, even under conditions of stress.

This indicator, a management one, is calculated daily by the Parent Company Risk Management Service.

[1] Bank of Italy Circular no. 263/2006 *as subsequently amended, title III, chapter 1, Attachment A*

Trend indicator short-term liquidity of the Group's Banca Sella



In addition to the information provided by liquidity indicators, the Risk Management service at the Parent Company and the Finance Department of Banca Sella Group are responsible for carrying out stress analyses on the liquidity reserve of the Group itself.

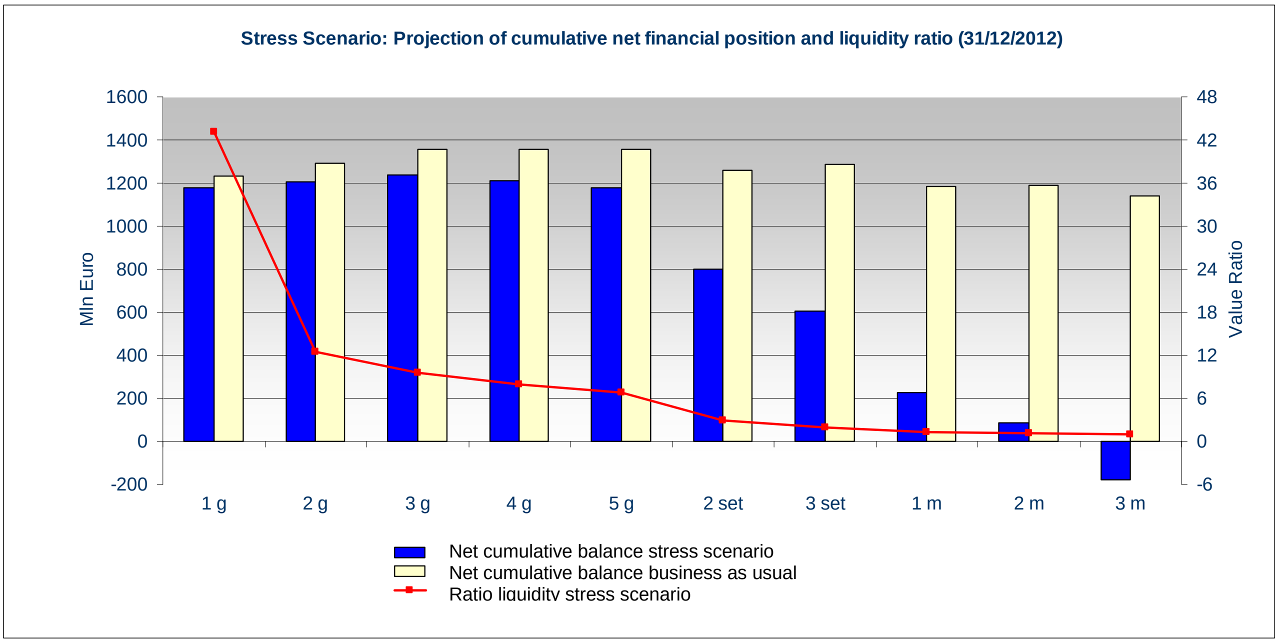
The approach underlying the stress analysis consists in assessing, through the use of a Maturity Ladder[2], the ability to withstand a liquidity crisis (measured in days), of the entire Banca Sella Group if a systemic or specific crisis situation arises. The ability to withstand is calculated with the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

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

The stress test has always demonstrated cash and cash equivalents or easily cashed assets for the Group that are adequate to face any crises, of either systemic or specific origin.

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

Stress Scenario: Projection of cumulative net financial position and liquidity ratio (Stress test at 31 December 2012)



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), as subsequently amended, and consider the onset of events that may alter some items during the various bands comprising the maturity ladder.

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

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

QUANTITATIVE INFORMATION

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

Currency of denomination: Euro

Item /Time band	On demand	More than 1 day to 7 days	More than 7 day to 15 days	More than 15 days to 1 month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year to 5 years	More than 5 years	No fixed term
Cash assets	**2.195.595**	**89.706**	**121.073**	**199.448**	**689.621**	**575.757**	**542.988**	**2.596.167**	**2.096.387**	**12.981**
A.1 Government securities	435	-	-	-	7.979	78.720	45.420	433.277	231.002	-
A.2 Other debt securities	23	-	2	25.154	28.490	60.139	104.187	122.025	202	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	2.195.137	89.706	121.071	174.294	653.152	436.898	393.381	2.040.865	1.865.183	12.981
- Banks	560.987	-	-	201	30	-	18.490	-	-	12.981
- Customers	1.634.150	89.706	121.071	174.093	653.122	436.898	374.891	2.040.865	1.865.183	-
Cash liabilities	**6.403.237**	**74.032**	**57.973**	**121.981**	**391.204**	**528.592**	**291.540**	**766.566**	**233.743**	**-**
B.1 Deposits and current accounts	6.320.630	11.904	25.524	62.828	242.114	317.270	145.858	90.020	10.173	-
- Banks	5.048	-	-	-	-	-	-	-	9.936	-
- Customers	6.315.582	11.904	25.524	62.828	242.114	317.270	145.858	90.020	237	-
B.2 Debt securities	136	44.003	475	29.652	53.150	140.343	115.274	640.488	200.157	-
B.3 Other liabilities	82.471	18.125	31.974	29.501	95.940	70.979	30.408	36.058	23.413	-
Off balance sheet transactions	**504.320**	**37.796**	**2.340**	**12.235**	**38.836**	**68.230**	**36.798**	**130.315**	**97.692**	**14.662**
C.1 Financial derivatives with equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	-	5.108	1.143	6.003	18.769	38.549	8.452	35	280	-
- Short positions	-	26.101	1.143	6.003	18.769	17.517	8.452	-	-	-
C.2 Financial derivatives without equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	11.296	3.567	-	-	-	6.712	12.228	73.194	48.781	-
- Short positions	11.389	-	-	-	-	2.134	3.669	17.870	1.334	-
C.3 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	193.270	1.515	54	229	1.296	2.860	3.987	39.190	47.283	7.424
- Short positions	288.365	1.505	-	-	-	-	-	-	-	7.238
C.5 Financial guaranties issued	-	-	-	-	2	458	10	26	14	-
C.6 Financial guaranties received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with equity swaps										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without equity swaps										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

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	**70.765**	**3.652**	**1.461**	**6.076**	**24.947**	**21.069**	**5.613**	**-**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	70.765	3.652	1.461	6.076	24.947	21.069	5.613	-	-	-
- Banks	69.907	1.244	602	1.994	19.249	20.360	5.600	-	-	-
- Customers	858	2.408	859	4.082	5.698	709	13	-	-	-
Cash liabilities	**69.719**	**1.393**	**294**	**1.501**	**22.921**	**25.797**	**14.544**	**-**	**-**	**-**
B.1 Deposits and current accounts	68.182	1.393	294	1.501	22.921	25.797	14.544	-	-	-
- Banks	76	-	-	-	249	56	516	-	-	-
- Customers	68.106	1.393	294	1.501	22.672	25.741	14.028	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	1.537	-	-	-	-	-	-	-	-	-
Off balance sheet transactions	**1.753**	**6.327**	**2.203**	**10.089**	**25.579**	**28.300**	**10.069**	**-**	**-**	**-**
C.1 Financial derivatives with equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	-	2.772	1.102	5.046	12.792	14.152	5.035	-	-	-
- Short positions	-	3.305	1.101	5.043	12.787	14.148	5.034	-	-	-
C.2 Financial derivatives without equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	893	-	-	-	-	-	-	-	-	-
- Short positions	860	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	125	-	-	-	-	-	-	-	-
- Short positions	-	125	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with equity swaps										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without equity swaps										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

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	**6.153**	**-**	**141**	**484**	**537**	**51**	**153**	**-**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	6.153	-	141	484	537	51	153	-	-	-
- Banks	6.153	-	122	484	86	51	153	-	-	-
- Customers	-	-	19	-	451	-	-	-	-	-
Cash liabilities	**5.854**	**-**	**153**	**606**	**211**	**152**	**786**	**-**	**-**	**-**
B.1 Deposits and current accounts	5.830	-	153	606	211	152	786	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	5.830	-	153	606	211	152	786	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	24	-	-	-	-	-	-	-	-	-
Off balance sheet transactions	**102**	**1.765**	**-**	**1.546**	**5.154**	**5.271**	**3.952**	**-**	**-**	**-**
C.1 Financial derivatives with equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	-	614	-	773	2.577	2.636	1.976	-	-	-
- Short positions	-	1.151	-	773	2.577	2.635	1.976	-	-	-
C.2 Financial derivatives without equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	51	-	-	-	-	-	-	-	-	-
- Short positions	51	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-
C.6 Financial guaranties received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with equity swaps										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without equity swaps										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

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	**172**	**477**	**3.328**	**4.402**	**1.588**	**374**	**1.016**	**-**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	172	477	3.328	4.402	1.588	374	1.016	-	-	-
- Banks	172	-	-	-	248	54	1.016	-	-	-
- Customers	-	477	3.328	4.402	1.340	320	-	-	-	-
Cash liabilities	**9.281**	**-**	**-**	**-**	**597**	**1.163**	**1.106**	**-**	**-**	**-**
B.1 Deposits and current accounts	8.614	-	-	-	597	1.163	1.106	-	-	-
- Banks	2.094	-	-	-	-	-	177	-	-	-
- Customers	6.520	-	-	-	597	1.163	929	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	667	-	-	-	-	-	-	-	-	-
Off balance sheet transactions	**5**	**333**	**-**	**-**	**-**	**806**	**2.464**	**-**	**-**	**-**
C.1 Financial derivatives with equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	-	117	-	-	-	403	1.232	-	-	-
- Short positions	-	216	-	-	-	403	1.232	-	-	-
C.2 Financial derivatives without equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	2	-	-	-	-	-	-	-	-	-
- Short positions	3	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-
C.6 Financial guaranties received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with equity swaps										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without equity swaps										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

Currency of denomination: Australian Dollar										
Item/Time band	**On demand**	**More than 1 day to 7 days**	**More than 7 day to 15 days**	**More than 15 days to 1 month**	**More than 1 month to 3 months**	**More than 3 months to 6 months**	**More than 6 months to 1 year**	**More than 1 year to 5 years**	**More than 5 years**	**No fixed term**
Cash assets	**1.859**	**-**	**-**	**-**	**1.839**	**-**	**544**	**-**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	1.859	-	-	-	1.839	-	544	-	-	-
- Banks	1.859	-	-	-	897	-	544	-	-	-
- Customers	-	-	-	-	942	-	-	-	-	-
Cash liabilities	**2.562**	**-**	**-**	**-**	**1.082**	**-**	**674**	**-**	**-**	**-**
B.1 Deposits and current accounts	2.556	-	-	-	1.082	-	674	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	2.556	-	-	-	1.082	-	674	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	6	-	-	-	-	-	-	-	-	-
Off balance sheet transactions	**165**	**650**	**-**	**-**	**5.507**	**-**	**-**	**-**	**-**	**-**
C.1 Financial derivatives with equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	-	326	-	-	2.754	-	-	-	-	-
- Short positions	-	324	-	-	2.753	-	-	-	-	-
C.2 Financial derivatives without equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	86	-	-	-	-	-	-	-	-	-
- Short positions	79	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-
C.6 Financial guaranties received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with equity swaps										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without equity swaps										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

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	**437**	**494**	**164**	**929**	**286**	**140**	**3**	**-**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	437	494	164	929	286	140	3	-	-	-
- Banks	39	-	-	-	-	131	-	-	-	-
- Customers	398	494	164	929	286	9	3	-	-	-
Cash liabilities	**2.574**	**-**	**-**	**-**	**-**	**81**	**-**	**-**	**-**	**-**
B.1 Deposits and current accounts	2.574	-	-	-	-	81	-	-	-	-
- Banks	1.960	-	-	-	-	-	-	-	-	-
- Customers	614	-	-	-	-	81	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off balance sheet transactions	**399**	**694**	**-**	**-**	**1.040**	**-**	**352**	**-**	**-**	**-**
C.1 Financial derivatives with equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	-	31	-	-	520	-	176	-	-	-
- Short positions	-	7	-	-	520	-	176	-	-	-
C.2 Financial derivatives without equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	201	-	-	-	-	-	-	-	-	-
- Short positions	198	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	328	-	-	-	-	-	-	-	-
- Short positions	-	328	-	-	-	-	-	-	-	-
C.5 Financial guaranties issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guaranties received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with equity swaps										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without equity swaps										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

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	**2.492**	**10**	**-**	**24**	**219**	**1.235**	**255**	**-**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	2.492	10	-	24	219	1.235	255	-	-	-
- Banks	2.492	-	-	24	-	-	255	-	-	-
- Customers	-	10	-	-	219	1.235	-	-	-	-
Cash liabilities	**4.544**	**-**	**-**	**115**	**1**	**-**	**363**	**-**	**-**	**-**
B.1 Deposits and current accounts	2.769	-	-	115	1	-	363	-	-	-
- Banks	1.276	-	-	-	-	-	-	-	-	-
- Customers	1.493	-	-	115	1	-	363	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	1.775	-	-	-	-	-	-	-	-	-
Off balance sheet transactions	**87**	**402**	**-**	**-**	**454**	**-**	**14**	**-**	**-**	**-**
C.1 Financial derivatives with equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	-	304	-	-	227	-	7	-	-	-
- Short positions	-	98	-	-	227	-	7	-	-	-
C.2 Financial derivatives without equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	43	-	-	-	-	-	-	-	-	-
- 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	-	-	-	-	-	-	-	-	-	-
C.6 Financial guaranties received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with equity swaps										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without equity swaps										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

» SECTION 4 - OPERATIONAL RISKS

QUALITATIVE INFORMATION

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

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.

The Parent Company, 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 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:

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

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

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

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

The beforehand and after the fact organisational protections, established to mitigate and control operational risk, make it possible to monitor and limit the occurrence of operational risk events and their associated losses. In fact, effective organisational protections allow for timely identification of any inefficiencies and the establishment of appropriate mitigation strategies.

---

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

[4] *The "internal operational risk rating" is a summary indicator*, calculated internally and ordered into discrete risk classes in increasing order from 1 to 5 (where 5 is the maximum value) that make it possible to represent the operational risk exposure of a given Service, Area or Group company.

Among the main organisational supervisory items adopted by the Banca Sella Group to mitigate and control operating risk, in addition to the above-mentioned Control Cycle process, are activities of mapping and validating company processes, certifying and reporting service levels and line controls, and controls by means of the so-called "alarm bells" (automatic processing in order to detect and/or prevent any internal and/or external anomalies).

In the context of company process validation, each process is "assigned" a rating of the operational risk inherent in a process (which assesses the risk factors on the process without taking into account the mitigating effect of existing audits) and a rating of the residual operational risk of the process (obtained by assessing the mitigating effect of audits of the inherent risks). The risk ratings are measured on a discrete scale with values from 1 (minimum risk) to 5 (maximum risk). The introduction of new processes or the modification of existing processes with a residual operational risk rating equal to or higher than 4, is previously examined and assessed by the Operational Risk Committee.

With a view to pursuing the continuous improvement of the Group's capacity to intercept symptoms of process vulnerability in advance and have an immediate perception of the areas most greatly exposed to risks, in 2012 a reorganisation project was continued involving business processes with an*end to end*[5]. This project involves processes being regrouped into macro-processes and then into macro-classes. An operating risk rating will also be assigned, not only to the individual process but also to the higher levels of regrouping, with a view to providing an overview of the areas of intervention under the scope of the entire process chain and planning action to reduce comprehensive exposure to operating risk.

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

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

In addition, in order to ensure an assessment of the performance of the management of operational risk, the Risk Management and Audit Service produces regular summary and detailed statements which summarise for each Group company and the Group as a whole, the degree of risk assumed in relation to:

- anomalous events and operating losses reported in the Audit Cycle database (highlighting the more serious anomalies);
- the outcome of line audits;
- the trend in service levels;
- the trend of the "internal operational risk rating".

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

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

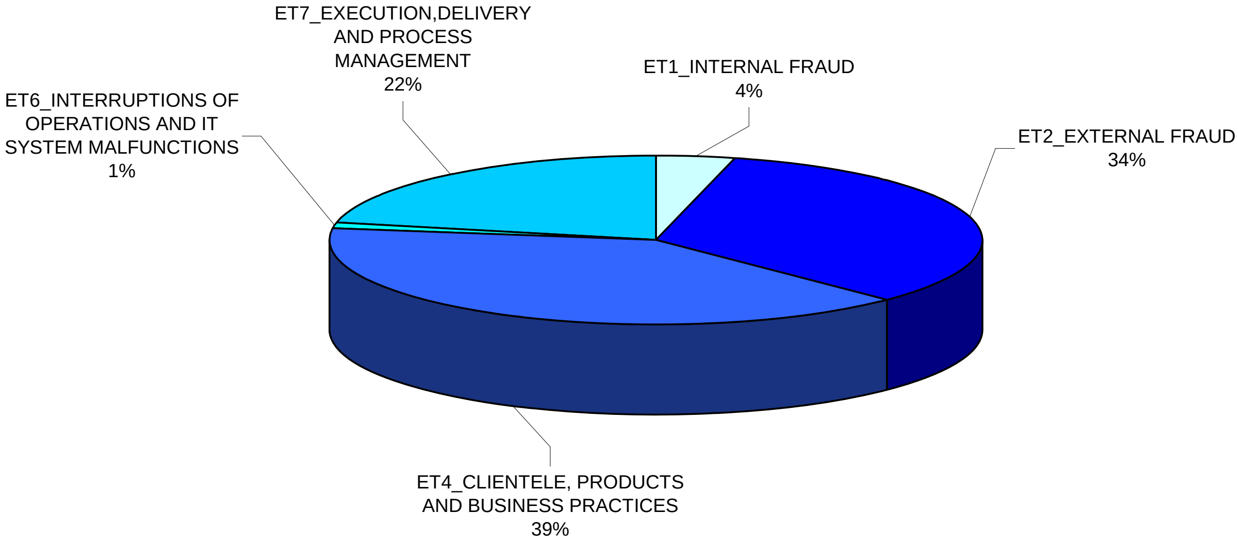
For the purposes of calculation of the capital requirement to cover exposure to operational risk, the Basic Indicator Approach*, (BIA)* is used. In the Basic Approach the capital requirement is calculated applying to the average of the last three observations of net banking income available a regulatory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

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

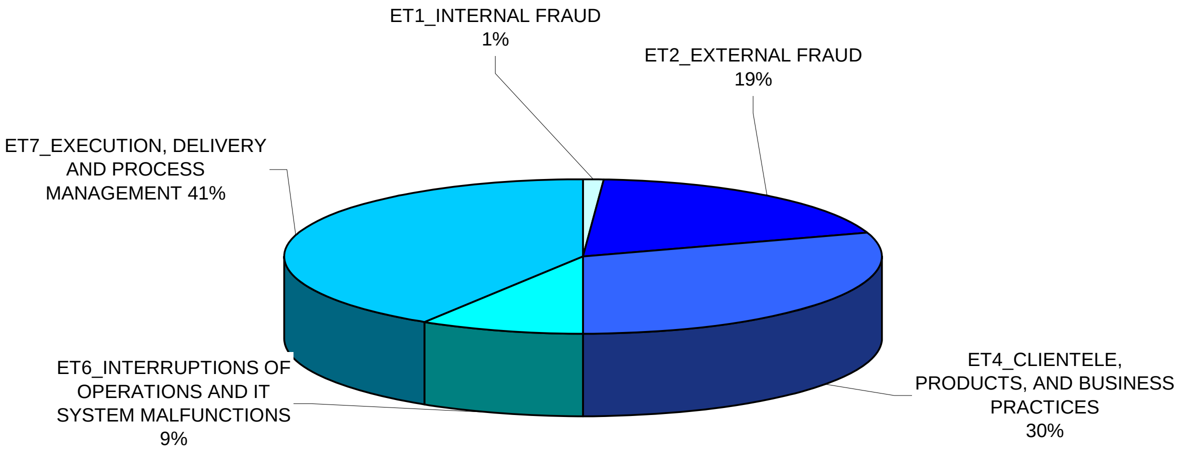
QUANTITATIVE INFORMATION

The graphs below, resulting from the processing of the information contained in the Group's *Loss Data Collection* illustrate the operating loss data relevant to the period 01/01/2012-31/12/2012, classified by type of event according to Basel 2 and subdivided in terms of impact and frequency.

Banca Sella
breakdown of gross losses



Banca Sella
composition frequency



PART F INFORMATION ON CAPITAL

As required by Banca d'Italia Circular No. 263 of 27 December 2006, and 11th update of January 31, 2012, on capital adequacy, exposure to risks and the general features of systems designed to identify, measure and manage risks, the qualitative and quantitative information on the Notice to the Public at the consolidated level is published on the Banca Sella Group website, www.gruppobancasella.it, Investor Relation section.

» SECTION 1 - CAPITAL

QUALITATIVE INFORMATION

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

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

- pay out policies;
- issues of subordinated bonds.

As of 31 December 2012, the excess Regulatory Capital with respect to the compulsory levels is of an amount in line with the risk profile adopted by the Bank, permitting development in keeping with the expected growth targets.

QUANTITATIVE INFORMATION

B.1 Capital equity: breakdown by type

	Total 31/12/2012	Total 31/12/2011
Capital	281.597	269.145
Share premiums	298.722	267.840
Reserves	(53.139)	(52.333)
- profit reserves	(53.139)	(52.967)
a) legal	24.672	21.177
b) statuory	56.922	53.365
c) treasury shares	-	-
d) others	(134.733)	(127.509)
- others	-	635
Valuation reserves:	(1.854)	(10.795)
- Financial assets available for sale	(389)	(12.648)
- Actuarial profits (losses) on defined benefit pension plans	(1.465)	1.853
Profit (loss) for the year (+/-) of the	6.982	8.986
Shareholders' equity	**532.308**	**482.843**

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

Asset/Amount	Total 31/12/2012		Total 31/12/2011	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	-	389	-	12.648
2. Equity securities	-	-	-	-
3. UCITS units	-	-	-	-
4. Loans and advances	-	-	-	-
Total	**-**	**389**	**-**	**12.648**

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

	Debt securities	Equity securities	UCITS units	Loans and advances
1. Opening balance	**(12.648)**	**-**	**-**	**-**
2. Increases	**1.605**	**-**	**-**	**-**
2.1 Increases in fair value	(1.911)	-	-	-
2.2 Reversal to income statement of negative reserves	2.871	-	-	-
- following impairment	-	-	-	-
- following realization	2.871	-	-	-
2.3 Other changes	645	-	-	-
- of which: business combinations	642	-	-	-
3. Decreases	**1.994**	**-**	**-**	**-**
3.1 Reductions in fair value	106	-	-	-
3.2 Impairment losses	-	-	-	-
3.3 Reversal to income statement from positive reserves: following realization	117	-	-	-
3.4 Other changes	1.771	-	-	-
- of which: business combinations	1.771	-	-	-
4. Closing balance	**(13.037)**	**-**	**-**	**-**

» SECTION 2 - CAPITAL AND ADEQUACY RATIOS

2.1 Regulatory capital

QUALITATIVE INFORMATION

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

1. Tier 1 capital

This comprises:

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

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

2. Tier 2 and Tier 3 capital

This comprises:

- Positive valuation reserves of property, plant and equipment
- Hybrid capital instruments
- Subordinated liabilities

Subordinate liabilities of Banca Sella									
Issuer	Interest rate	Interest type	Issue data	Maturity date	Early redemption option	To amortization	Currency	Original amount (euro thousand)	Contribution to regulatory capital (euro thousand)
Banca Sella Spa	0,72%	variable	4-Jan-06	4-Jan-13	yes	yes	Euro	100.000	20.000
Banca Sella Spa	0,53%	variable	30-Sep-08	30-Sep-16	yes	yes	Euro	30.000	21.600
Banca Sella Spa	0,48%	variable	24-Jun-08	24-Jun-14	yes	yes	Euro	50.000	18.000
Banca Sella Spa	3,45%	fixed	18-Feb-09	18-Feb-15	yes	yes	Euro	10.000	5.650
Banca Sella Spa	0,98%	variable	16-Mar-09	16-Mar-15	yes	yes	Euro	20.000	10.800
Banca Sella Spa	1,29%	variable	3-Jun-09	3-Jun-19	yes	no	Euro	**3.450**	3.050
Banca Sella Spa	1,01%	variable	15-Jul-09	15-Jul-19	yes	no	Euro	1.692	1.479
Banca Sella Spa	5,30%	fixed	16-Jul-08	16-Jul-15	yes	yes	Euro	10.000	5.400
Banca Sella Spa	4,90%	fixed	22-Sep-08	22-Sep-14	yes	yes	Euro	10.000	3.862
Banca Sella Spa	4,00%	fixed	15-Dec-08	15-Dec-14	yes	yes	Euro	2.500	910
Banca Sella Spa	3,50%	fixed	24-Feb-09	24-Feb-15	yes	yes	Euro	2.500	1.350
Banca Sella Spa	3,90%	fixed	6-Feb-09	6-Feb-15	yes	yes	Euro	2.500	1.383
Banca Sella Spa	4,00%	fixed	12-Jan-09	12-Jan-15	yes	yes	Euro	2.500	1.350
Banca Sella Spa	3,50%	fixed	21-May-09	21-May-16	yes	yes	Euro	5.000	3.759
Banca Sella Spa	4,55%	fixed	21-May-09	21-May-16	yes	yes	Euro	1.000	1.000
Banca Sella Spa	0,90%	variable	31-Jul-09	31-Jul-19	yes	no	Euro	1.799	1.549
Banca Sella Spa	2,95%	fixed	12-Oct-10	12-Oct-17	yes	yes	Euro	2.500	2.410
Banca Sella Spa	3,15%	fixed	22-Nov-10	22-Nov-17	yes	yes	Euro	2.500	2.250
Banca Sella Spa	3,70%	fixed	14-Jan-11	14-Jul-17	yes	yes	Euro	10.000	9.795
Banca Sella Spa	4,65%	fixed	15-Mar-11	15-Mar-21	yes	yes	Euro	10.000	9.710
Banca Sella Spa	4,30%	fixed	15-Jun-11	15-Jun-18	yes	yes	Euro	8.267	7.988
Banca Sella Spa	2,50%	variable	20-Oct-10	20-Oct-17	yes	yes	Euro	5.000	4.500
Banca Sella Spa	5,10%	fixed	11-Nov-11	11-Nov-17	yes	yes	Euro	9.801	9.633
Banca Sella Spa	5,75%	fixed	12-Dec-11	12-Dec-17	yes	yes	Euro	20.000	19.818
Banca Sella Spa	5,60%	fixed	30-Dec-11	30-Dec-17	yes	yes	Euro	10.000	9.337
Banca Sella Spa	5,40%	fixed	17-Jan-12	17-Jan-18	yes	yes	Euro	20.000	20.000
Banca Sella Spa	5,00%	fixed	14-Feb-12	14-Feb-18	yes	yes	Euro	15.000	15.000
Banca Sella Spa	4,45%	fixed	1-Mar-12	1-Sep-17	yes	yes	Euro	10.000	9.993
Banca Sella Spa	0,62%	variable	27-Jun-08	27-Jun-14	yes	yes	Euro	10.000	3.706
Banca Sella Spa	0,80%	variable	27-Oct-08	27-Oct-14	yes	yes	Euro	7.500	2.732
Banca Sella Spa	1,34%	variable	5-Mar-09	5-Mar-15	yes	yes	Euro	6.000	3.240
Banca Sella Spa	1,01%	variable	15-Jul-09	15-Jul-19	yes	yes	Euro	210	190
Banca Sella Spa	5,20%	fixed	1-Feb-12	25-Oct-17	yes	yes	Euro	3.000	3.000
Banca Sella Spa	5,50%	fixed	31-Aug-12	1-Feb-18	yes	yes	Euro	5.000	5.000
Banca Sella Spa	4,55%	fixed	15-Nov-12	28-Feb-18	yes	yes	Euro	5.000	5.000
Banca Sella Spa	3,50%	fixed	10-Dec-12	15-Nov-18	yes	yes	Euro	10.000	10.000
Banca Sella Spa	3,45%	fixed	13-Mar-12	15-Dec-18	yes	yes	Euro	3.830	3.830
Banca Sella Spa	4,15%	fixed	13-Mar-12	13-Sep-17	yes	yes	Euro	10.000	9.923
Total eligible subordinated (Lower Tier II)									**268.196**
Banca Sella Spa	1,29%	variable	3-Jun-09	3-Jun-19	no	no	Euro	**850**	850
Banca Sella Spa	1,01%	variable	15-Jul-09	15-Jul-19	no	no	Euro	438	438
Banca Sella Spa	0,89%	variable	4-Sep-09	4-Dec-19	no	no	Euro	2.500	2.250
Banca Sella Spa	4,08%	fixed	4-Sep-09	4-Dec-19	no	no	Euro	1.000	969
Banca Sella Spa	0,89%	variable	10-Sep-09	10-Dec-19	no	no	Euro	10.000	9.000
Banca Sella Spa	4,10%	fixed	5-Oct-09	5-Jan-20	no	no	Euro	2.500	2.323
Banca Sella Spa	4,10%	fixed	15-Oct-09	15-Jan-20	no	no	Euro	5.000	4.500
Banca Sella Spa	4,10%	fixed	26-Oct-09	29-Jan-20	no	no	Euro	5.000	4.581
Banca Sella Spa	4,10%	fixed	26-Oct-09	29-Jan-20	no	no	Euro	10.000	9.000
Banca Sella Spa	4,10%	fixed	26-Oct-09	26-Jan-20	no	no	Euro	2.500	2.409
Banca Sella Spa	4,10%	fixed	23-Nov-09	23-Feb-20	no	no	Euro	5.000	4.679
Banca Sella Spa	0,90%	variable	31-Jul-09	31-Jul-19	no	no	Euro	701	701
Banca Sella Spa	0,88%	variable	16-Sep-09	16-Dec-19	no	no	Euro	930	840
Banca Sella Spa	4,00%	fixed	16-Dec-09	16-Mar-20	no	no	Euro	5.000	4.546
Total hybrid instruments (Upper Tier II)									**47.086**

Hybrid instruments (Upper Tier 2)

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

- they are not subject to advance redemption clauses;
- redemption on maturity is conditional on previously obtaining consent from the Bank of Italy;
- where there are accounting losses which lead to a reduction of paid-in capital and reserves below the minimum level of capital required for authorisation for the banking business, the amounts originating from the above-mentioned liabilities and accrued interest can be used to cover the losses, in order to permit the issuing entity to continue its business;

- in the case of liquidation of the issuing entity the holder of the loan will be reimbursed after all other creditors not equally subordinated have been paid off.

Lower Tier 2 subordinated liabilities

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

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

QUANTITATIVE INFORMATION

	Total 31/12/2012	Total 31/12/2011
A. Tier 1 capital before application of prudential filters	**486.521**	**450.932**
B. Tier 1 capital prudential filters	**(477)**	**(377)**
B.1 Positive IAS/IFRS prudential filters (+)	-	-
B.2 Negative IAS/IFRS prudential filters (-)	(477)	(377)
C. Tier 1 capital including ineligible items (A+B)	**486.044**	**450.555**
D. Tier 1 capital ineligible items	-	-
E. Total Tier 1 capital (C-D)	**486.044**	**450.555**
F. Tier 2 capital before the application of prudential filters	**290.379**	**263.527**
G. Tier 2 capital prudential filters	**(233)**	**-**
G.1 Positive IAS/IFRS prudential filters (+)	-	-
G.2 Negative IAS/IFRS prudential filters (-)	(233)	-
H. Tier 2 capital including ineligible items (F+G)	**290.146**	**263.527**
I. Tier 2 capital ineligible items	-	-
L. Total Tier 2 capital (H+I)	**290.146**	**263.527**
M. Total Tier 1 and Tier 2 ineligible items	2.133	-
N. Regulatory capital (E+L-M)	**774.057**	**714.082**
O. Tier 3 capital	1.125	-
P. Regulatory capital including Tier 3 (N+O)	**775.182**	**714.082**

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

2.2 Capital adequacy

A. QUALITATIVE INFORMATION

In financial year 2009 the "New capital adequacy rules for Banks" (Bank of Italy Circular No. 263 of 27 December 2006, 3th update of 15 January 2009) came into effect, incorporating the regulations on the subject of international Convergence in the measurement of capital and capital ratios (Basel II). In this context, the capital of the Bank must represent at least 8% of total weighted assets (total capital ratio) deriving from the typical risks of the banking and financial business (credit, counterparty, market and operational risks), weighted on the basis of regulatory segmentation of the counterparty debtors and taking account of credit risk mitigation techniques.

As can be seen from the quantitative information presented in the table showing the risk assets and prudential capital requirements, the company exhibits a ratio between Tier 1 capital and risk weighted assets of 11,26% and a ratio between total regulatory capital and risk weighted assets of 17,96%, well above the minimum requirement of 8%.

QUANTITATIVE INFORMATION

Category/Amount	Non-weighted amounts		Weighted amounts/requirements	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
A. RISK ASSETS				
A.1 Credit and counterparty risk				
1. Standardize approach	10.001.381	9.782.197	5.043.580	4.587.849
2. Internal rating based approach	-	-	-	-
2.1 Basic	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securizations	-	-	-	-
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			302.615	275.271
B.2 Market risks			1.576	1.243
1. Standardized approach			1.576	1.243
2. Internal models			-	-
3. Concentration risk			-	-
B.3 Operational risk			41.120	37.783
1. Standardized approach			41.120	37.783
2. Internal models			-	-
3. Advanced approach			-	-
B.4 Other capital requirements			-	-
B.5 Other computing items			-	-
B.6 Total capital requirements			345.310	314.296
C. RISK ASSETS AND CAPITAL RATIOS				
C.1 Risk weighted assets			4.316.377	3.928.701
C. 2 Tier 1 capital/Risk weighted assets (Tier 1 capital ratio)			11,26%	11,47%
C.3 Regulatory capital including Tier 3/Risk weighted assets (Total capital ratio)			17,96%	18,18%

PART G AGGREGATION OPERATIONS REGARDING COMPANIES OR BUSINESS LINES

This year saw the implementation of the second and final stage of the "One Bank" project, which entailed, on 1 October 2012, the merger by acquisition of Banca Sella Nord Est Bovio Calderari (with accounting effect as from 1 January 2012).

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

As at 31 December 2012, the accounting and operative results set out in the financial statements and the report on operations include the contribution of Banca Sella Nord Est Bovio Calderari. In the tables below, the main data for the companies/business units involved in the merger are indicated.

PART H RELATED PARTY TRANSACTIONS

» SECTION 1 – INFORMATION ON DIRECTORS' AND MANAGERS' REMUNERATION

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

a) Banca Sella Holding S.p.A. as the parent company which controls Banca Sella S.p.A.;
b) directors, statutory auditors and top management of Banca Sella S.p.A. (managers with strategic responsibilities);
c) companies controlled by or associated with one of the subjects referred to in point b);
d) close family members of one of the subjects referred to in point b);
e) directors, statutory auditors and top management of the controlling company Banca Sella Holding (managers with strategic responsibilities);
f) the companies of the Group in as much as, together with Banca Sella S.p.A., subject to the direction and coordination of Banca Sella Holding S.p.A.

With the 9th update, on 12 December 2011, the Bank of Italy introduced into Circular no. 263 "New regulations for the prudential supervision of banks", the new TITLE V - Chapter 5 (Section IV) "Risk activities and conflict of interest with regards to related parties" in application of CICR Resolution no. 277 of 29 July 2008 and Art. 53, paragraphs 4.4-ter and 4-quater of Italian Legislative Decree no. 385 of 1 September 1993.

The Bank introduces these provisions, explaining that "The regulation of related party transactions aims to monitor the risk that the nearness of some subjects to the bank's decision-making units may compromise the objectivity and impartiality of the decisions relating to the granting of loans and other transactions with regards to said subjects, with possible distortion of the resource allocation process, exposure of the bank to risks that have not been adequately measured or monitored and potential damages for investors and shareholders".

As parent company, Banca Sella Holding S.p.A. has prepared suitable group procedures to ensure compliance with the above provisions, the general rules of which are dictated by two internal regulatory documents: the "Group Regulation for the management of related party transactions" and the "Internal Controls Policies".

Both documents have been approved by the Board of Directors of the parent company and subsequently enacted by the Bank.

The table below indicates the fees received by managers with strategic responsibilities. The managers with strategic responsibilities also include directors and statutory auditors

The table below indicates the fees received by managers with strategic responsibilities. The managers with strategic responsibilities also include directors and statutory auditors.

Fees paid to managers with strategic responsabilities (*) *(figures in thousand of euro)*

Items	Total 31/12/2012
a) Short-term employee benefits	693,3
b) Post-employment benefits	-
c) Other long term benefits	-
d) Severance indemnities	35,6
e) Share-based payments	-
Total	**728,9**

(*) *Including directors*

Fees paid to the members of the Board of Directors' and of the Board of Auditors *(figures in thousands of euro)*	
Items	**Total 31/12/2012**
Board directors	436,9
Statutory Auditors	117,7
Total	**554,6**

» SECTION 2 – INFORMATION ON RELATED PARTY TRANSACTIONS

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

Transactions with related-parties at 31st December 2011			(amounts in euro thousands)			
Type of related party	**Assets**	**Liabilities**	**operating income**	**operating expenses**	**Guarantees received**	**Guarantees granted**
Parent Company	-	7.409,0	-	-	-	-
Significant Influence	-	-	-	-	-	-
Directors and Managers	-1.568,8	29.874,4	18,2	205,3	128,0	1.335,0
Subsidiaries	-	-	-	-	-	-
Associated Comapanies	-1.226,8	33,6	-	-	2.640,0	-
Jointly-controlled comapanies	-	-	-	-	-	-
Other relatied parties	-55,5	6.624,3	69,1	122,2	283,0	1.356,0
Total	**-2.851,1**	**43.941,3**	**87,3**	**327,5**	**3.051,0**	**2.691,0**

Outsourcing contracts

Banca Sella offered outsourcing. The services related to the Corporate Secretary, Department, Computer Security, Emission bonds remain on Banca Sella Holding. These activities are governed by specific agreements are made as a result of the evaluation of reciprocal and market conditions with the aim of creating value within the Group.

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

Banca Sella outsourcing fees payed collected (amounts in euro thousands)	
Company	**amount at 31/12/2012**
Banca Sella Holding S.p.A.	873
Easy Nolo S.p.A.	6.271
Banca Patrimoni Sella & C.	68
Brosel S.p.A.	11
Family Advisory SIM S.p.A. - Sella & Parteners	309
Selir S.r.l.	2.945

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

Banca Sella outsourcing fees received collected (amounts in euro thousands)	
Company	**amount at 31/12/2012**
Banca Sella Holding S.p.A.	5.468
Easy Nolo S.p.A.	486
Banca Patrimoni Sella & C.	2.836
Biella Leasing S.p.A.	411
Sella Gestioni SgR	333
Consel S.p.A.	258
Selir S.r.l.	91

PART I PAYMENT AGREEMENTS BASED ON OWN EQUITY INSTRUMENTS

Banca Sella has not carried out this type of operation.

PART L SEGMENT REPORTING

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

OTHER INFORMATION

PARENT COMPANY OR COMMUNITY CREDIT ENTERPRISE PARENT COMPANY

NAME
Banca Sella Holding S.p.A.

HEAD OFFICE
Piazza Gaudenzio Sella n.1 – BIELLA
Biella Companies Register number and Tax Code 01709430027
Enrolled on the Register of Banking Groups under no. 03311

FINANCIAL STATEMENTS OF THE COMPANY PERFORMING THE WORK OF DIRECTION AND CO-ORDINATION

Attached are the Balance Sheet and Income Statement of Banca Sella Holding S.p.A. relating to financial years 2011 and 2010, as the company which as of 31 December 2012 performed the work of direction and coordination.

BALANCE SHEET

Assets		31/12/2011		31/12/2010		Differences %
20. Financial assets held for trading		482.016.259		715.073.608		-32,59%
40. Financial assets available for sale		417.278.996		207.174.132		101,41%
50. Financial assets held to maturity		134.778.055		80.033.802		68,40%
60. Due from banks		924.046.837		951.382.276		-2,87%
70. Due from customers		900.668.906		901.849.138		-0,13%
80. Hedging derivatives		884.477		486.886		81,66%
100. Equity investment		798.173.850		732.460.844		8,97%
110. Tangible assets		39.247.254		44.465.733		-11,74%
120. Intangible assets		816.605		3.919.452		-79,17%
of wich:						
- goodwill		-		-		-
130. Tax assets		24.865.380		14.210.061		74,98%
a) current	4.102.352		6.642.635		-38,24%	
b) deferred	20.763.028		7.567.426		174,37%	
- of wich lex 214_2011						
140. Non-current assets and asset groups held for sale		-		14.958.337		-100,00%
150. Other assets		17.476.261		44.318.036		-60,57%
Total assets		**3.740.252.880**		**3.710.332.305**		**0,81%**

Liabilities and shareholders' equity		31/12/2011		31/12/2010		Differences %
10. Due to banks		1.863.328.939		1.763.030.871		5,69%
20. Due to customers		77.452.625		133.409.653		-41,94%
30. Outstanding securities		1.069.526.073		1.083.411.856		-1,28%
40. Financial liabilities held for trading		174.782.658		136.038.873		28,48%
80. Tax liabilities		2.451.732		2.869.891		-14,57%
a) current	1.939.118		2.257.213		-14,09%	
b) deferred	512.614		612.678		-16,33%	
100. Other liabilities		29.571.716		97.865.390		-69,78%
110. Employee severance indemnities		2.619.399		3.072.367		-14,74%
120. Provisions for risks and charges:		21.695.891		20.696.866		4,83%
a) retirement and similar obligations		-		-		-
b) other provisions	21.695.891		20.696.866		4,83%	
130. Valuation reserves		(10.196.736)		1.550.385		-757,69%
160. Reserves		377.238.541		314.216.396		20,06%
170. Share premiums		49.413.513		49.413.513		0,00%
180. Share capital		100.500.000		100.500.000		0,00%
200. Profit for the year		(18.131.471)		4.256.244		-526,00%
Total liabilities		**3.740.252.880**		**3.710.332.305**		**0,81%**

INCOME STATEMENT

Item	31/12/2011	31/12/2010	Differences %
10. Interest receivable and similar income	56.486.456	49.445.691	14,24%
20. Interest payable and similar expense	(47.996.942)	(28.013.685)	71,33%
30. Net interest income	**8.489.514**	**21.432.006**	**-60,39%**
40. Fee income	46.551.573	98.723.698	-52,85%
50. Fee expenses	(29.401.558)	(60.726.670)	-51,58%
60. Net fees	**17.150.015**	**37.997.028**	**-54,86%**
70. Dividends and similar income	10.066.079	13.904.809	-27,61%
80. Net gains/(losses) on trading activities	20.361.595	14.721.774	38,31%
90. Net gains/(losses) on hedging activities	23.862	3.041	684,68%
100. Gains/(losses) on sale or repurchase of:	3.221.187	4.664.889	-30,95%
a) loans & receivables	47.620	963.648	-95,06%
b) financial assets available for sale	2.196.645	3.631.942	-39,52%
c) financial assets held to maturity	-	-	-
d) financial liabilities	976.922	69.299	-
110. Net gains/(losses) on financial assets and liabilities at fair value through profit or loss	-	-	-
120. Net interest and other banking income	**59.312.252**	**92.723.547**	**-36,03%**
130. Net value adjustments for impairment on:	(71.620)	(406.260)	-82,37%
a) loans & receivables	(15.701)	(146.673)	-89,30%
b) financial assets available for sale	(72.034)	(293.292)	-75,44%
c) financial assets held to maturity	-	-	-
d) other financial transactions	16.115	33.705	-52,19%
140. Net gains/(losses) on financial operations	**59.240.632**	**92.317.287**	**-35,83%**
150. Administrative expenses	(52.928.670)	(74.893.654)	-29,33%
a) personnel expenses	(21.087.380)	(26.095.422)	-19,19%
b) other administrative expenses	(31.841.290)	(48.798.232)	-34,75%
160. Net provisions for risks and charges	(2.503.276)	(645.689)	287,69%
170. Net value adjustments on tangible assets	(2.150.576)	(2.170.964)	-0,94%
180. Net value adjustments on intangible assets	(904.606)	(1.481.509)	-38,94%
190. Other operating expenses/income	4.743.323	12.144.911	-60,94%
200. Operating costs	**(53.743.805)**	**(67.046.905)**	**-19,84%**
210. Gains/(losses) on equity investments	(25.357.736)	(14.135.794)	79,39%
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	2.963.828	(40)	-
250. Profit/(losses) from continuing operations before taxes	**(16.897.081)**	**11.134.548**	-
260. Income taxes for the period on continuing operations	1.556.931	(1.779.653)	-187,49%
270. Profit/(losses) from continuing operations after taxes	**(15.340.150)**	**9.354.895**	**-**
280. Profit/(losses) on asset disposal groups held for sale after taxes	(2.791.321)	(5.098.650)	-45,25%
290. Profit/(Loss) for the year	**(18.131.471)**	**4.256.245**	**-**

Resolutions of the Ordinary Shareholders' Meeting of 29 April 2013

The Ordinary Shareholders' Meeting unanimously

approves

- the Board of Directors' report on operations for financial year 2012; the Financial Statements at 31 December 2012, consisting of: Balance Sheet, Income Statement and Notes to the Financial Statements and relevant attachments; the profit distribution proposal contained in the Board of Directors' Report totalling 0,00582 per share;

appoints

- as Directors until approval of the financial statements at 31/12/2013: Dott. Ferdinando Parente and Arch. Paolo Tosolini;

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;
- policies of internal controls related to risk and conflicts of interest in the related parties;

resolves

- certain modifications and additions to the document on remuneration policies.

Independent Auditors' Report

Deloitte & Touche S.p.A.
Galleria San Federico, 54
10121 Torino
Italia

Tel: +39 011 55971
Fax: +39 011 544756
www.deloitte.it

AUDITOR'S REPORT ON THE STATUTORY FINANCIAL STATEMENTS PURSUANT TO ARTICLES 14 AND 16 OF LEGISLATIVE DECREE N. 39 OF 27 JANUARY, 2010)

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

1. We have audited the statutory financial statements of Banca Sella S.p.A. as of and for the year ended December 31, 2012, 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 12 April, 2012.

3. In our opinion, the statutory financial statements of Banca Sella S.p.A. as of and for the year ended December 31, 2012 comply with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of the Italian Legislative Decree n. 38/2005; accordingly, they give a true and fair view of the financial position of Banca Sella S.p.A., and of the results of its operations and its cash flows for the year then ended.

4. The Directors of Banca Sella S.p.A. are responsible for the preparation of the report on operations in accordance with the applicable law and regulations. Our responsibility is to express an opinion on the consistency of the report on operations with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by Consob. In our opinion the report on operations is consistent with the financial statements of Banca Sella S.p.A. as of, and for the year ended 31 December, 2012.

DELOITTE & TOUCHE S.p.A.

Signed by
Vittorio Frigerio
Partner

Turin, Italy
April 12, 2013

This report has been translated into the English language solely for the convenience of international readers.