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Insight beyond the rating.

## Ratings

Issuer	Debt	Rating	Rating Action	Trend
Banca Sella Holding SpA	Issuer Rating	BBB (low)	Confirmed	Negative
Banca Sella Holding SpA	Senior Long-Term Debt and Deposit	BBB (low)	Confirmed	Negative
Banca Sella Holding SpA	Short-Term Debt and Deposit	R-2 (middle)	Upgraded	Negative
Banca Sella SpA	Issuer Rating	BBB (low)	Confirmed	Negative
Banca Sella SpA	Senior Long-Term Debt and Deposit	BBB (low)	Confirmed	Negative
Banca Sella SpA	Short-Term Debt and Deposit	R-2 (middle)	Upgraded	Negative
Banca Sella SpA	Mandatory Pay Subordinated Debt (ISIN: XS1311567314)	BB (high)	Confirmed	Negative

See page 9 for full list of ratings

## Rating Considerations

### Franchise Strength:

Small franchise with a solid retail market position in the home province of Biella. The Group's franchise benefits from diversification outside of retail and commercial banking, spanning from private banking and asset management to payments system business.

### Earnings Power:

Modest earning generation as a result of pressure on margins and high cost of credit.

### Risk Profile:

Credit risk remains impacted by the lacklustre economic environment. High exposure to Italian sovereign bonds.

### Funding and Liquidity:

Stable funding and liquidity position, underpinned by a large retail deposit base.

### Capitalization:

Capital position has improved to a more adequate level following recent capital actions.

## Rating Drivers

### Factors with Positive Rating Implications

- Sustained improved earnings
- Further improvement in asset quality
- Further simplification in the Group's structure and corporate governance

### Factors with Negative Rating Implications

- Weakening of the Group's franchise
- Asset quality deterioration
- Weakening of the Group's capital and liquidity positions

## Financial Information

EUR Millions	31/12/2015	31/12/2014	31/12/2013	31/12/2012	31/12/2011
Total Assets	13,968	14,258	13,360	13,136	12,947
Equity	1,043	867	795	741	677
Pre-provision operating income (IBPT)	165	300	212	182	172
Net Income	29	70	35	21	16
Net Interest Income / Risk Weighted Assets (%)	3.41%	3.81%	3.84%	3.78%	3.72%
Efficiency Ratio (%)	73.48%	59.39%	66.35%	69.64%	70.58%
Impaired Loans % Gross Loans	14.33%	15.45%	12.98%	11.85%	10.16%
Loss loan provisions % impaired loans	47.70%	48.15%	43.83%	43.62%	42.87%
CET1 (As-reported) <sup>1</sup>	11.59%	8.95%	8.42%	7.80%	7.51%

Source: Company data, SNL Financials, DBRS; Note: (1) Core Tier 1 % from 2011-2013

## Issuer Description

Founded in 1886 and headquartered in Biella (Italy), Banca Sella Holding SpA is the parent company of Banca Sella Group. The Group's main activities are retail & commercial banking, as well as asset management & private banking via a network of 304 branches and 356 financial advisors. Additional operations include a nationwide payments system, leasing and consumer finance.

## Rating Rationale

On May 11, 2016, DBRS Ratings Limited (DBRS) confirmed its BBB (low) Senior Long-Term Debt and Deposit rating for Banca Sella Holding SpA (Sella, or the Group) and its BBB (low) Senior Long-Term Debt and Deposit rating at its main subsidiary, Banca Sella SpA. Concurrently, DBRS upgraded the Short-Term Debt and Deposit ratings of both entities to R-2 (middle) from R-2 (low) and maintained an Intrinsic Assessment (IA) of BBB (low) for the Group, as well as Banca Sella SpA. The support assessment remains unchanged at SA3 for Banca Sella Holding, and SA1 for Banca Sella SpA. The trend on all ratings remains Negative.

The Senior Long-Term Debt and Deposit rating confirmation reflects the Group's stable market position in its home province of Biella, its solid funding and liquidity profile and improved capitalisation, as well as Sella's modest profitability and asset quality profile. The upgrade of the Short-Term Debt and Deposit ratings to R-2 (middle) reflects the improvements in the Group's funding position.

The Negative trend primarily reflects the challenges for the Group's earnings and asset quality posed by the difficult economic environment in Italy. Upward rating pressure would require sustained improved earnings and further improvement in asset quality. On the other hand, any material deterioration of the Group's capital position would be viewed negatively.

In DBRS' view, Sella's franchise has remained resilient, despite the still difficult economic environment in Italy. Within its home province of Biella, the Group maintains a leading market position in retail and commercial banking via its main operating bank, Banca Sella SpA. In addition, Sella's franchise benefits from meaningful diversification into private banking, as well as payment system activity and services.

In DBRS' view, the Group's earnings capacity remains modest. In 2015, Sella's net income was down to EUR 28.5 million, from EUR 70.5 million in 2014 which included the benefit of one-off profits on Banca Sella SpA's government bond portfolio. Even excluding the one-off impacts, Sella's core earnings narrowed in 2015 mainly as a result of lower net interest income, as well as higher costs linked to contributions to the resolution fund. Despite some improvement in 2015, Sella's cost of credit remains high at 161 bps.

Although better than the Italian average, Sella's credit quality remains weak by international standards. However, the Group's asset quality improved in 2015, thanks to lower non-performing loan (NPL) inflows, as well as NPL disposals at Banca Sella SpA and Consel, the Group's consumer finance division. Sella's total stock of gross impaired loans decreased to EUR 1,243 million at year-end (YE) 2015 from EUR 1,354 million in 2014. As a result, the Group's gross impaired ratio improved to 14.3% of total gross loans from 15.4% in 2014. On the other hand, total cash coverage for impaired loans weakened to 47.7% from 48.1% in 2014. Sella's risk profile also reflects the large holdings of sovereign securities which pose material risks for the Group, should sovereign yields widen again.

In DBRS' view, funding and liquidity remain a key strength for Sella. The Group's funding profile is underpinned by its solid retail base and limited reliance on wholesale markets. More recently, Sella's retail funding base expanded as a result of flight to quality and inflows from some weaker banks. Sella's liquidity buffer appears satisfactory in DBRS' view. The Group's liquidity buffer amounted to approximately EUR 3 billion in April 2016 (corresponding to 21% of the total asset base), and provides a solid buffer over future maturities in 2016-2018.

In 2015, the Group's capital position improved to a more adequate level thanks to various capital actions, including the capital increase at Banca Sella SpA, as well as a corporate reorganisation and a reduction in RWAs.

## Franchise Strength

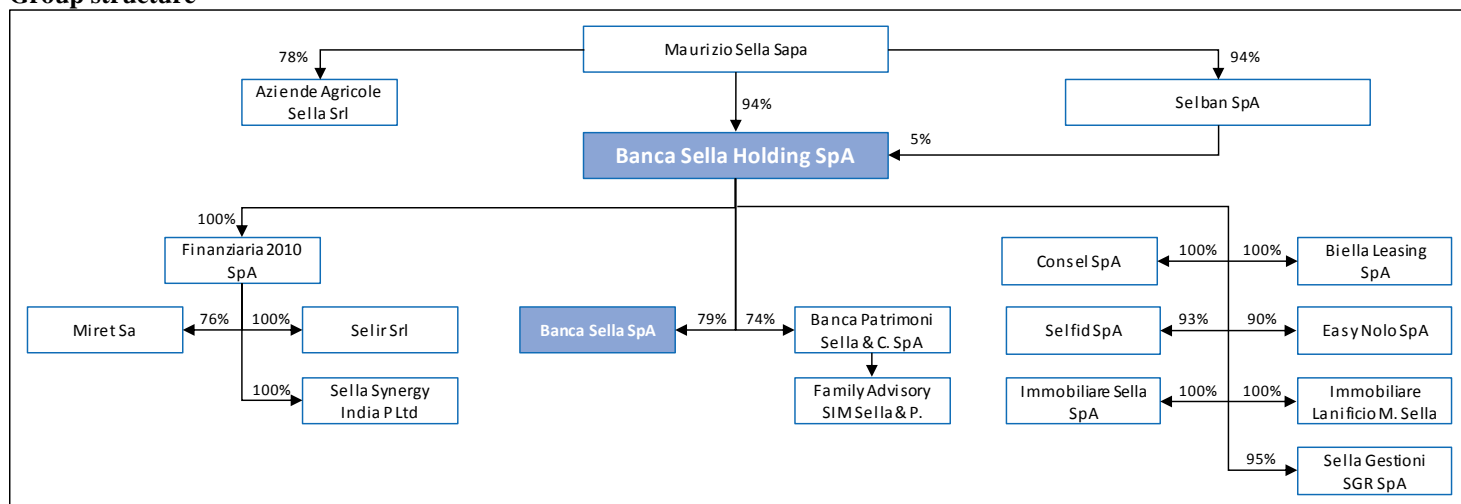
Privately owned by the Sella’s family, Banca Sella Group is a small Italian bank with EUR 14 billion in total assets. The Group is mainly active in the region of Piedmont, especially in its home province of Biella where the Group maintains a leading position in commercial and retail banking. Unlike many peers, Banca Sella Holding’s franchise is well diversified. Benefitting from a solid brand reputation, the Group has built a sizable private banking business. The Group has also a relatively large market position in the payments system business in Italy.

Despite the small size, the Group structure is complex. The Group is controlled by the Sella’s family via Maurizio Sella Sapa which owns 94% of Banca Sella Holding SpA. Legally a bank, Banca Sella Holding SpA acts as the Group’s treasury. It manages and coordinates the funding with the institutional counterparties, including the ECB, the Group’s trading portfolio, as well as the overall business strategy and planning. Deposit collection and lending to households and SMEs are provided via the main operating subsidiary Banca Sella SpA, which comprises the physical branch distribution network, as well as the Group’s expanding electronic banking and internet services. The Group’s controlling stake in Banca Sella SpA was diluted to 79% from 92% following the EUR 120 million capital increase at Banca Sella in December 2015.

The Group’s private banking and asset management products are offered via both Banca Patrimoni Sella SpA and the private banking unit of Banca Sella SpA. As of December 2015, the Group’s total assets under management and administration amounted to EUR 15.4 billion. Additional products include payments systems, provided by Banca Sella SpA and Easy Nolo SpA, consumer finance via its subsidiary Consel, and leasing business via Biella Leasing.

The Group is almost entirely owned by the Sella family, which is also broadly involved in the Group’s corporate governance. In DBRS’ view, the family’s ownership might contribute to less clarity on corporate governance issues and progress, especially in times of stress. Nevertheless, the risks of potential poor corporate governance practices at Sella Group are mitigated by the following factors: 1) the Group’s exposure to the Sella’s family is limited; 2) the banking business is the main activity of the Sella’s family.

### Group structure



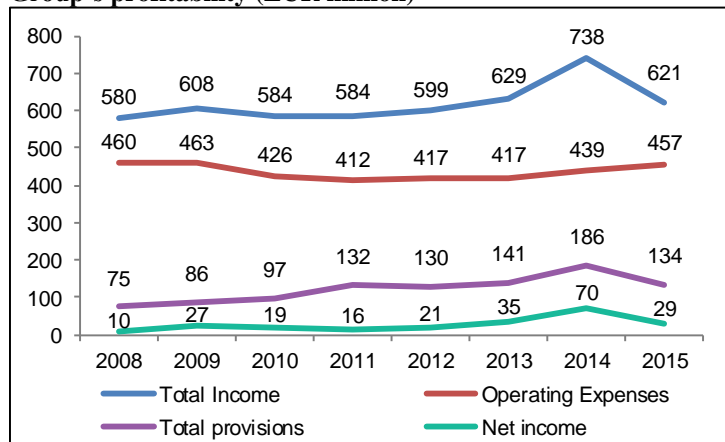
Source: Company data, DBRS: Notes: (1) Blue boxes refer to entities rated by DBRS; (2) Percentages are rounded

## Earnings Power

DBRS views Sella’s earning capacity as modest. During 2013 -2015, the Group’s performance was volatile as a result of non-recurring profits from asset disposals. Excluding the one-off impacts, Sella’s core earnings narrowed mainly as a result of lower net interest income (NII) and the high cost of credit.

In 2015, Sella’s NII deteriorated to EUR 253 million (-17.1% year-on-year), reflecting a persistent low interest environment, increased market competition, as well as a lower contribution from the Italian government bond portfolio. However, the pressure on NII was partially offset by the positive trend in fees and commissions from private banking, asset management and payment system. Unlike most similarly sized peers, Sella’s revenue profile appears well diversified. Net fees and commissions have historically contributed to approximately 35% of the Group’s total revenues.

**Group's profitability (EUR million)**



Source: company data, DBRS, SNL Financials

**ROE (%) by legal entity**

	2008	2009	2010	2011	2012	2013	2014	2015
Banca Sella Holding	na	na	na	na	3	3	3	4
Banca Patrimoni Sella	-8	2	7	2	13	10	24	14
Banca Sella	12	2	3	2	1	4	12	1
Biella Leasing	9	11	12	10	5	5	3	-6
Brosel	21	21	13	17	12	8	6	7
C.B.A. Vita	-6	6	-12	-19	6	5	9	7
Consel	2	2	3	4	-1	2	-27	-4
Easy Nolo	24	23	30	25	20	43	53	68
Family Advisory SIM	na	na	-7	-14	-4	1	2	64
Selfid	12	16	10	14	-48	-18	12	19
Selir	2	31	44	35	26	29	20	26
Sella Gestioni SGR	1	7	3	-4	8	7	5	8
Sella Life	-14	-9	1	0	-2	6	5	5

Provisions for asset quality have steadily increased throughout the economic downturn, and reached a peak in 2014 with the cost of credit up to 224 bps from 49 bps in 2008. Loan loss provisions (LLPs) remained elevated in 1H 2015 reflecting the higher provisions requested by the Bank of Italy as part of an on-site inspection on the Group's risk management and asset quality. The increase in provisions was mainly registered at Consel (consumer business), Biella Leasing (leasing business) and Banca Sella SpA. LLPs decreased in 2H 2015 and 1Q 2016 thanks to lower NPL inflows. Despite the improvement, the Group's cost of credit remains high (161 bps based on YE 2015 figures).

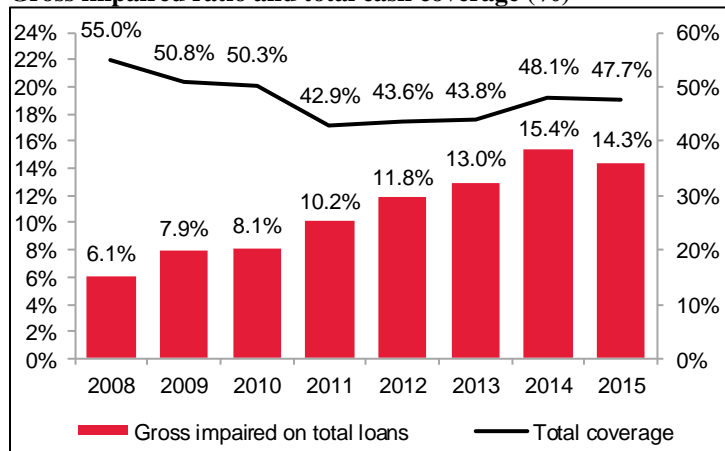
Improvement in efficiency remains a key challenge for Sella Group. Operating costs increased in 2013 and 2014 due to additional investments in workforce and risk management, as well as technology and operations. Higher costs in 2015 also reflected the Group's contribution to the Single resolution fund and Deposit guarantee scheme.

**Risk Profile**

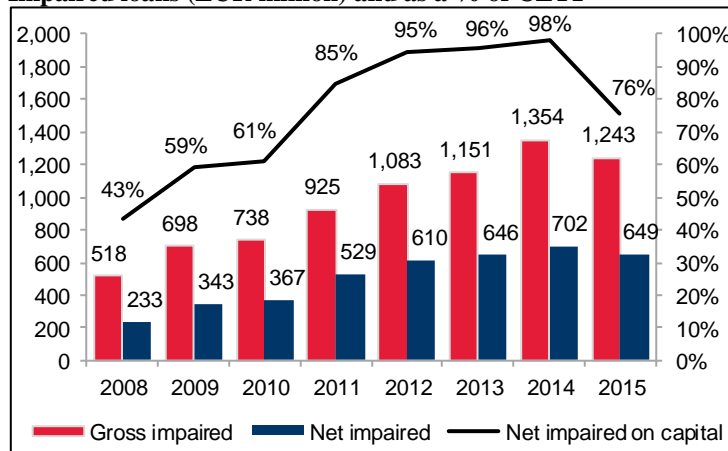
**Credit risk**

DBRS views Sella's risk profile as consistent with its retail and commercial banking franchise, with roughly 83% of total risk weighted assets linked to credit and counterparty risk at YE 2015. The bulk of the lending activity is carried out at Banca Sella SpA, which provides approximately 68% of the Group's total customer loans. The Group's lending book is mainly comprised of mortgages and current accounts, representing roughly 57% of the total net loans, with SMEs and Corporate lending accounting for more than 40% in 2015. Diversification by client and granularity appear adequate at the Group level, with top 20 credit exposures standing at roughly 4% of total net loans. Geographically, Sella's operations are mainly concentrated in the wealthy region of Piedmont, especially in the home province of Biella.

**Gross impaired ratio and total cash coverage (%)**



**Impaired loans (EUR million) and as a % of CET1**



Source: company data, DBRS; Note: Core Tier 1 % from 2008-2013, CET 1% from 2014

The Group's asset quality has deteriorated during the crisis. The most affected sectors were SME lending and real estate clients at Banca Sella SpA, as well as consumer finance at the subsidiary Consel. The Group's impaired ratio increased to 15% of the total gross loans in

2014 from 6% at YE 2008. More positively, Sella's asset quality profile began to improve in 1H 2015, thanks to the disposal of EUR 230 million NPLs from Consel and Banca Sella SpA, as well as lower NPL inflows. The Group's total stock of gross impaired loans reduced to EUR 1,243 million at YE 2015 (or 14.3% of total gross loans) from EUR 1,354 million in 2014. At March 2016, the Group reported a cash coverage for total impaired loans of 49.2% (47.7% in 2015) while coverage for bad loans or "sofferenze" was 60.9% (60.4% in 2015).

### Market risk

The Group maintains a significant exposure to the Italian sovereign via its security portfolio. At YE 2015, the Group's security portfolio amounted to EUR 3 billion (EUR 3.9 billion in 2014) or 22% of the total assets. The portfolio is mainly composed of Italian government bonds, held at Banca Sella SpA, which are classified as Available for Sale (AFS) with a duration of approximately 3 years. The Group's security portfolio also includes a trading portfolio of EUR 378 million, mostly concentrated at Banca Sella Holding SpA, with an average duration of 1.4 years. At YE 2015, the Group reported a VAR (3 months; 99% confidence) of EUR 67 million which corresponded to circa 8% of the Group's total CET 1 capital.

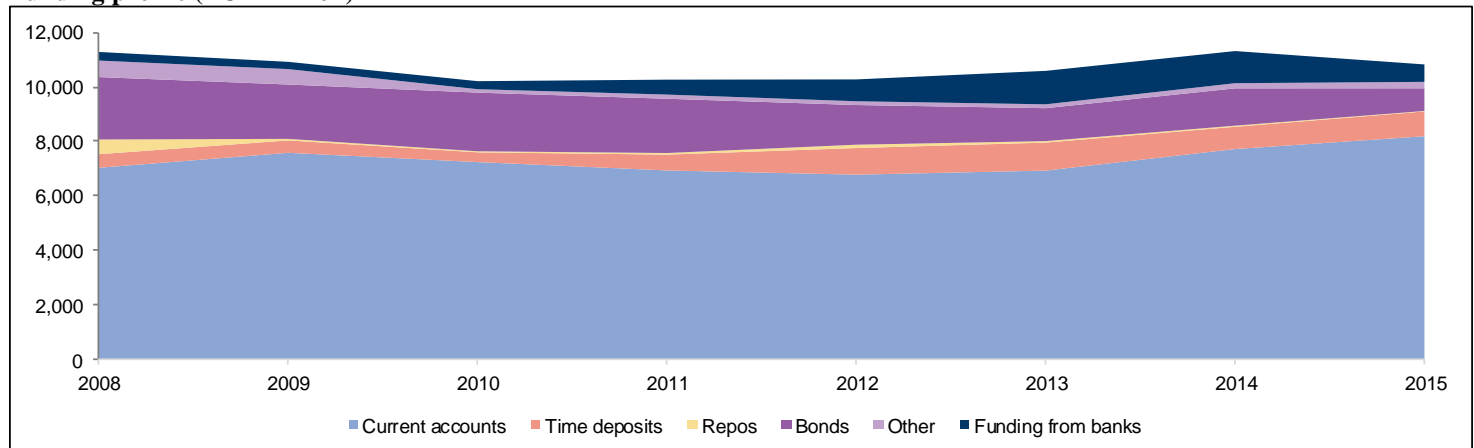
## Funding and Liquidity

Sella's solid funding profile is underpinned by its large and stable retail funding base and limited reliance on the wholesale market. At March 2016, the Group reported a loan to deposit ratio of 76% and NSFR at 128%. Current accounts and time deposits amounted to EUR 9.1 billion, representing more than 89% of the Group's total direct funding at YE 2015. Deposits are granular, with the top 10 customers representing roughly 2% of the Group's total deposit base.

The bulk of the Group's deposits is concentrated within the main operating bank, Banca Sella SpA, whereas the parent, Banca Sella Holding SpA, manages the funding with institutional counterparties, including the ECB. The Group's exposure to the wholesale markets is modest and includes approximately EUR 98 million of subordinated bonds, of which EUR 45 million matures in 2016, as well as EUR 280 million TLTROs funds with the ECB and ABS notes.

In DBRS' view, the Group maintains a solid liquidity position with an LCR of 202%. As of April 2016, the Group reported total ECB eligible unencumbered assets of EUR 3 billion, mainly consisting of Italian sovereign bonds, which provide a robust buffer over future bond maturities in 2016-2018.

### Funding profile (EUR million)



Source: company data, DBRS

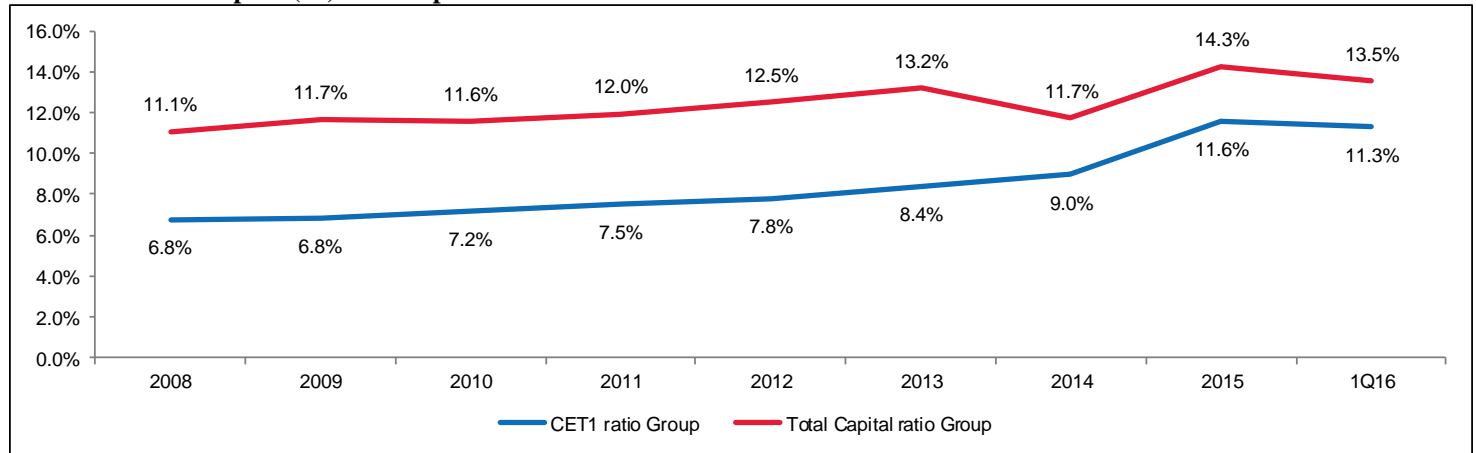
## Capitalisation

Sella's capitalisation position has been historically modest. During the period 2008-2014, the Group has slowly improved its capital position via retained earnings supported by modest dividend pay-out ratios (below 20%). Nevertheless, in 2015, the Group's capital position has improved to a more adequate level thanks to a number of capital actions, including the EUR 120 million capital increase at Banca Sella SpA. Other actions included the reorganisation of the holding company Maurizio Sella, the disposal of a minority stake in Istituto Centrale delle Banche Popolari Italiane (ICBPI), as well as a reduction in RWAs supported by NPL disposal.

As a result, the Group's CET1 (phased in) strengthened to 11.59% in 2015 (fully loaded at 11.27%) from 8.95% at end-2014, whereas the total capital ratio improved to 14.29% from 11.72%. Concurrently, Banca Sella SpA's CET1 increased to 14.67% from 10.81% in 2014, while the total capital ratio improved to 19.77% from 15.48%.

In 1Q 2016, however, the Group’s total capital ratio weakened by 77 bps mainly due to the amortisation of Tier 2 instruments at Banca Sella SpA. At March 2016, the Group reported a total capital ratio of 13.5% (14.3% at YE 2015) which provides a 302 bps buffer (or EUR 226 million) over the 10.5% minimum threshold set by the Bank of Italy under the SREP process. Future improvements in the Group’s capital position are expected from the disposal of the insurance business (CBA Vita) in 2016, as well as potential new issuance of Tier 2 instruments.

**CET1 and Total Capital (%) at Group level**



Source: Company data, DBRS; Note: Core Tier 1 % from 2008-2013

Banca Sella Holding SpA	31/12/2015		31/12/2014		31/12/2013		31/12/2012		31/12/2011	
EUR Millions	EUR		EUR		EUR		EUR		EUR	
Balance Sheet	IFRS		IFRS		IFRS		IFRS		IFRS	
Cash and deposits with central banks	131	0.94%	131	0.92%	131	0.98%	143	1.08%	141	1.09%
Lending to/deposits with credit institutions	304	2.18%	1,199	8.41%	327	2.45%	330	2.51%	295	2.28%
Financial Securities*	2,997	21.46%	3,790	26.58%	3,632	27.18%	2,959	22.53%	2,893	22.35%
- Trading portfolio	359	2.57%	370	2.59%	470	3.52%	318	2.42%	430	3.32%
- At fair value	0	0.00%	594	4.17%	628	4.70%	626	4.77%	662	5.11%
- Available for sale	2,638	18.89%	2,826	19.82%	1,320	9.88%	1,106	8.42%	1,220	9.43%
- Held-to-maturity	0	0.00%	0	0.00%	1,213	9.08%	909	6.92%	582	4.49%
- Other	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Financial derivatives instruments	152	1.09%	189	1.32%	151	1.13%	209	1.59%	184	1.42%
- Fair Value Hedging Derivatives	133	0.96%	165	1.16%	128	0.96%	188	1.43%	151	1.17%
- Mark to Market Derivatives	19	0.13%	23	0.16%	23	0.17%	20	0.15%	33	0.25%
Gross lending to customers	8,675	62.10%	8,764	61.47%	8,867	66.37%	9,140	69.58%	9,113	70.39%
- Loan loss provisions	639	4.58%	701	4.91%	549	4.11%	516	3.93%	441	3.41%
Insurance assets	0	0.00%	54	0.38%	52	0.39%	79	0.60%	68	0.53%
Investments in associates/subsidiaries	11	0.08%	16	0.11%	13	0.10%	13	0.10%	12	0.09%
Fixed assets	210	1.50%	207	1.45%	201	1.51%	206	1.57%	206	1.59%
Goodwill and other intangible assets	85	0.61%	81	0.57%	73	0.55%	75	0.57%	78	0.60%
Other assets	2,042	14.62%	527	3.70%	462	3.46%	499	3.80%	397	3.07%
<b>Total assets</b>	<b>13,968</b>	<b>100.00%</b>	<b>14,258</b>	<b>100.00%</b>	<b>13,360</b>	<b>100.00%</b>	<b>13,136</b>	<b>100.00%</b>	<b>12,947</b>	<b>100.00%</b>
Total assets (USD)	15,171		17,259		18,408		17,323		16,814	

Loans and deposits from credit institutions	639	4.58%	1,178	8.26%	1,227	9.18%	800	6.09%	547	4.22%
Repo Agreements in Deposits from Customers	18	0.13%	41	0.29%	54	0.41%	122	0.93%	58	0.45%
Deposits from customers	9,353	66.96%	8,794	61.68%	8,231	61.61%	7,965	60.64%	7,666	59.21%
- Demand	8,190	58.63%	7,721	54.15%	6,931	51.88%	6,781	51.62%	6,936	53.57%
- Time and savings	909	6.51%	815	5.72%	1,026	7.68%	977	7.44%	581	4.49%
Issued debt securities	476	3.41%	1,019	7.15%	780	5.84%	995	7.58%	1,573	12.15%
Financial derivatives instruments	147	1.06%	177	1.24%	140	1.05%	189	1.44%	172	1.33%
- Fair Value Hedging Derivatives	129	0.92%	154	1.08%	115	0.86%	166	1.26%	129	1.00%
- Other	19	0.14%	23	0.16%	26	0.19%	23	0.18%	43	0.33%
Insurance liabilities	NA	-	1,315	9.22%	1,231	9.22%	1,273	9.69%	1,372	10.59%
Other liabilities	1,937	13.87%	517	3.63%	475	3.55%	590	4.49%	466	3.60%
- Financial liabilities at fair value through P/L	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Subordinated debt	355	2.54%	349	2.45%	427	3.20%	459	3.49%	417	3.22%
Hybrid Capital	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Equity	1,043	7.46%	867	6.08%	795	5.95%	741	5.64%	677	5.23%
<b>Total liabilities and equity funds</b>	<b>13,968</b>	<b>100.00%</b>	<b>14,258</b>	<b>100.00%</b>	<b>13,360</b>	<b>100.00%</b>	<b>13,136</b>	<b>100.00%</b>	<b>12,947</b>	<b>100.00%</b>

**Income Statement**

Interest income	345		428		464		479		475	
Interest expenses	93		123		155		167		167	
Net interest income and credit commissions	253	40.67%	305	41.28%	309	49.06%	312	52.17%	308	52.68%
Net fees and commissions	228	36.75%	217	29.40%	219	34.81%	210	35.13%	223	38.19%
Trading / FX Income	27	4.39%	27	3.68%	24	3.76%	41	6.88%	31	5.23%
Net realised results on investment securities (available for sale)	51	8.16%	123	16.61%	10	1.52%	5	0.83%	-1	-0.17%
Net results from other financial instruments at fair value	0	0.00%	1	0.20%	5	0.74%	13	2.12%	-9	-1.61%
Net income from insurance operations	0	0.00%	-10	-1.30%	-17	-2.68%	-30	-5.08%	-6	-1.03%
Results from associates/subsidiaries accounted by the equity method	1	0.15%	1	0.16%	0	0.06%	0	0.04%	-1	-0.18%
Other operating income (incl. dividends)	61	9.88%	74	9.98%	80	12.74%	47	7.91%	40	6.89%
Total operating income	621	100.00%	738	100.00%	629	100.00%	599	100.00%	584	100.00%
Staff costs	230	50.48%	225	51.38%	220	52.67%	223	53.41%	222	53.82%
Other operating costs	195	42.71%	184	41.97%	168	40.25%	165	39.48%	159	38.65%
Depreciation/amortisation	31	6.81%	29	6.65%	30	7.09%	30	7.12%	31	7.53%
Total operating expenses	457	100.00%	439	100.00%	417	100.00%	417	100.00%	412	100.00%
<b>Pre-provision operating income</b>	<b>165</b>		<b>300</b>		<b>212</b>		<b>182</b>		<b>172</b>	
Loan loss provisions**	134		186		141		130		132	
<b>Post-provision operating income</b>	<b>30</b>		<b>114</b>		<b>71</b>		<b>52</b>		<b>40</b>	
Impairment on tangible assets	0		0		0		0		0	
Impairment on intangible assets	0		1		0		3		1	
Other non-operating items***	0		0		0		0		5	
Pre-tax income	30		113		71		49		44	
(-)Taxes	8		43		34		25		29	
(-)Other After-tax Items (Reported)	0		0		0		0		0	
(+)Discontinued Operations (Reported)	10		0		1		-2		2	
(-)Minority interest	3		-1		3		2		2	
<b>Net income</b>	<b>29</b>		<b>70</b>		<b>35</b>		<b>21</b>		<b>16</b>	
Net income (USD)	32		94		46		27		22	

\*Includes derivatives when breakdown unavailable, \*\*LLP includes Impairments on financial assets, \*\*\*Incl. Other Provisions

Banca Sella Holding SpA	31/12/2015	31/12/2014	31/12/2013	31/12/2012	31/12/2011
	EUR	EUR	EUR	EUR	EUR
EUR Millions	IFRS	IFRS	IFRS	IFRS	IFRS
<b>Off-balance sheet and other items</b>					
Asset under management	4,213	3,672	3,178	2,673	2,999
Derivatives (notional amount)	5,013	5,587	6,004	6,239	6,927
BIS Risk-weighted assets (RWA)	7,400	8,005	8,028	8,271	8,284
No. of employees (end-period)	4,304	4,161	4,042	4,142	4,165
<b>Earnings and Expenses</b>					
<b>Earnings</b>					
Net interest margin [1]	2.03%	2.37%	2.50%	2.57%	2.54%
Yield on average earning assets	2.77%	3.31%	3.75%	3.93%	3.90%
Cost of interest bearing liabilities	0.86%	1.08%	1.46%	1.63%	1.64%
Pre-provision earning capacity (total assets basis) [2]	1.17%	2.17%	1.60%	1.39%	1.32%
Pre-provision earning capacity (risk-weighted basis) [3]	2.14%	3.74%	2.60%	2.20%	2.06%
Net Interest Income / Risk Weighted Assets	3.41%	3.81%	3.84%	3.78%	3.72%
Non-Interest Income / Total Revenues	59.33%	58.72%	50.94%	47.83%	47.32%
Post-provision earning capacity (risk-weighted basis)	0.40%	1.42%	0.87%	0.63%	0.48%
<b>Expenses</b>					
Efficiency ratio (operating expenses / operating income)	73.48%	59.39%	66.35%	69.64%	70.58%
All inclusive costs to revenues [4]	73.53%	59.39%	66.36%	69.69%	70.01%
Operating expenses by employee	106,066	105,390	103,264	100,691	99,033
Loan loss provision / pre-provision operating income	81.51%	62.02%	66.53%	71.43%	76.86%
Provision coverage by net interest income	188.15%	163.88%	219.17%	240.57%	232.97%
<b>Profitability Returns</b>					
Return on equity	3.43%	9.11%	4.98%	3.24%	2.84%
Return on average total assets	0.20%	0.51%	0.26%	0.16%	0.12%
Return on average risk-weighted assets	0.37%	0.88%	0.43%	0.25%	0.19%
<b>Growth</b>					
Loans	-0.34%	-3.06%	-3.55%	-0.55%	-0.56%
Deposits	6.07%	6.63%	2.44%	4.71%	-0.51%
Net interest income	-17.11%	-1.24%	-1.23%	1.49%	-4.47%
Fees and commissions	5.19%	-0.86%	4.08%	-5.73%	-0.34%
Expenses	4.10%	5.06%	0.08%	1.11%	-3.12%
Pre-provision earning capacity	-45.06%	41.68%	16.40%	5.77%	8.78%
Loan-loss provisions	-27.80%	32.08%	8.41%	-1.71%	36.60%
Net income	-59.56%	101.98%	66.41%	33.62%	-18.37%
<b>Risks</b>					
RWA% total assets	52.98%	56.15%	60.09%	62.97%	63.98%
<b>Credit Risks</b>					
Impaired Loans % Gross Loans	14.33%	15.45%	12.98%	11.85%	10.16%
Loss loan provisions % impaired loans	47.70%	48.15%	43.83%	43.62%	42.87%
<b>Liquidity and Funding</b>					
Customer deposits % total funding	86.41%	77.55%	77.18%	77.94%	75.14%
Total wholesale funding % total funding [5]	13.59%	22.45%	22.82%	22.06%	24.86%
- Interbank % total funding	5.91%	10.39%	11.50%	7.83%	5.36%
- Debt securities % total funding	4.40%	8.99%	7.31%	9.74%	15.41%
- Subordinated debt % total funding	3.28%	3.08%	4.01%	4.49%	4.08%
Short-term wholesale funding % total wholesale funding	61.98%	85.14%	63.13%	52.87%	39.15%
Liquid assets % total assets	24.57%	35.91%	30.60%	26.13%	25.71%
Net short-term wholesale funding reliance [6]	-23.92%	-32.31%	-27.53%	-23.08%	-24.29%
Adjusted net short-term wholesale funding reliance [7]	-56.15%	-68.38%	-64.55%	-60.18%	-61.23%
Customer deposits % gross loans	107.82%	100.34%	92.83%	87.15%	84.13%
<b>Capital [8]</b>					
Tier 1	11.68%	8.96%	8.42%	7.80%	7.51%
Tier 1 excl. All Hybrids	11.59%	8.95%	8.42%	7.80%	7.51%
CET1 (As-reported) [9]	11.59%	8.95%	8.42%	7.80%	7.51%
Tangible Common Equity / Tangible Assets	5.38%	4.89%	4.72%	4.38%	3.68%
Total Capital	14.29%	11.72%	13.18%	12.50%	11.96%
Retained earnings % Tier 1	66.26%	75.71%	70.53%	69.38%	70.24%

[1] (Net interest income + dividends)% average interest earning assets.

[2] Pre-provision operating income % average total assets.

[3] Pre-provision operating income % average total risk-weighted assets.

[4] (Operating & non-op. costs) % (op. & non-op. revenues)

[5] Whole funding excludes corporate deposits.

[6] (Short-term wholesale funding - liquid assets) % illiquid assets

[7] (Short-term wholesale funding - liquid assets- loans maturing within 1 year) % illiquid assets

[8] Capital ratios of Interim results exclude profits for the year

[9] Core Tier 1 from 2011-2013

\* Interim information is annualised where needed.



## Methodologies

The principal applicable methodology is the Global Methodology for Rating Banks and Banking Organisations (December 2015). Other applicable methodologies include the DBRS Criteria – Support Assessments for Banks and Banking Organisations (March 2016) and DBRS Criteria: Rating Bank Capital Securities – Subordinated, hybrid, Preferred & Contingent Capital Securities (February 2016).

## Ratings

Debt	Rating	Rating Action	Trend
Issuer Rating <sup>1</sup>	BBB (low)	Confirmed	Negative
Senior Long-Term Debt and <sup>1</sup>	BBB (low)	Confirmed	Negative
Short-Term Debt and Deposit <sup>1</sup>	R-2 (middle)	Upgraded	Negative
Issuer Rating <sup>2</sup>	BBB (low)	Assigned	Negative
Senior Long-Term Debt and <sup>2</sup>	BBB (low)	Assigned	Negative
Short-Term Debt and Deposit <sup>2</sup>	R-2 (middle)	Upgraded	Negative
Mandatory Pay Subordinated Debt (ISIN: XS1311567314) <sup>2</sup>	BB (high)	Confirmed	Negative

(1) Banca Sella Holding SpA; (2) Banca Sella SpA

## Rating History

Debt	Current	2015	2014	2013	2012
Issuer Rating <sup>1</sup>	BBB (low)	BBB (low)	BBB (low)	N/A	N/A
Senior Long-Term Debt and <sup>1</sup> Deposit	BBB (low)	BBB (low)	BBB (low)	N/A	N/A
Short-Term Debt and Deposit <sup>1</sup>	R-2 (middle)	R-2 (low)	R-2 (low)	N/A	N/A
Issuer Rating <sup>2</sup>	BBB (low)	BBB (low)	N/A	N/A	N/A
Senior Long-Term Debt and Deposit <sup>2</sup>	BBB (low)	BBB (low)	N/A	N/A	N/A
Short-Term Debt and Deposit <sup>2</sup>	R-2 (middle)	R-2 (low)	N/A	N/A	N/A
Mandatory Pay Subordinated Debt (ISIN: XS1311567314) <sup>2</sup>	BB (high)	BB (high)	N/A	N/A	N/A

(1) Banca Sella Holding SpA; (2) Banca Sella SpA

## Previous Actions

- [DBRS Confirms Banca Sella Holding SpA and Banca Sella SpA at BBB \(low\); Trends Remain Negative](#), May 11, 2016
- [DBRS Assigns BB \(high\) Rating to Banca Sella SpA's EUR 25 million Tier 2 Notes](#), October 29, 2015
- [DBRS Confirms BBB \(low\) for Banca Sella Holding; Assigns BBB \(low\) for Banca Sella SpA; Trend Neg](#), May 15, 2015
- [DBRS Assigns BBB \(low\) Rating to Banca Sella Holding, Trend Negative](#), July 7, 2014

## Related Research

- [DBRS: "Atlante" Fund to Help Near-term Financial Stability in Italy](#), April 15, 2016
- [DBRS: Banca Sella Improves Capital in 2015](#), February 16, 2016
- [DBRS: Italian Guarantee Scheme for NPLs Adds Pressure for Balance Sheet Clean Up](#), February 2, 2016
- [DBRS: Volatile Markets Present Further Challenges for Italian Banks](#), January 25, 2016

**Notes:**

All figures are in EURO unless otherwise noted.

For the definition of Issuer Rating, please refer to Rating Definitions under Rating Policy on [www.dbrs.com](http://www.dbrs.com).

Generally, Issuer Ratings apply to all senior unsecured obligations of an applicable issuer, except when an issuer has a significant or unique level of secured debt.

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