GRUPPO BANCA SELLA

CONSOLIDATED ANNUAL REPORT

2010

Drawn up by the Parent Company

BANCA SELLA HOLDING S.p.A.

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

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

Contents

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

BOARD OF DIRECTORS

in office up to the approval of the 2012 financial statements

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

AUDIT COMMITTEE

Member - Chairman	Marco Weigmann
"	Mario Cattaneo
"	Giovanni Zanetti

REMUNERATION COMMITTEE

Member - Chairman	Mario Cattaneo
"	Mario Deaglio
"	Giovanni Zanetti

BOARD OF STATUTORY AUDITORS

in office up to the approval of the 2011 financial statements

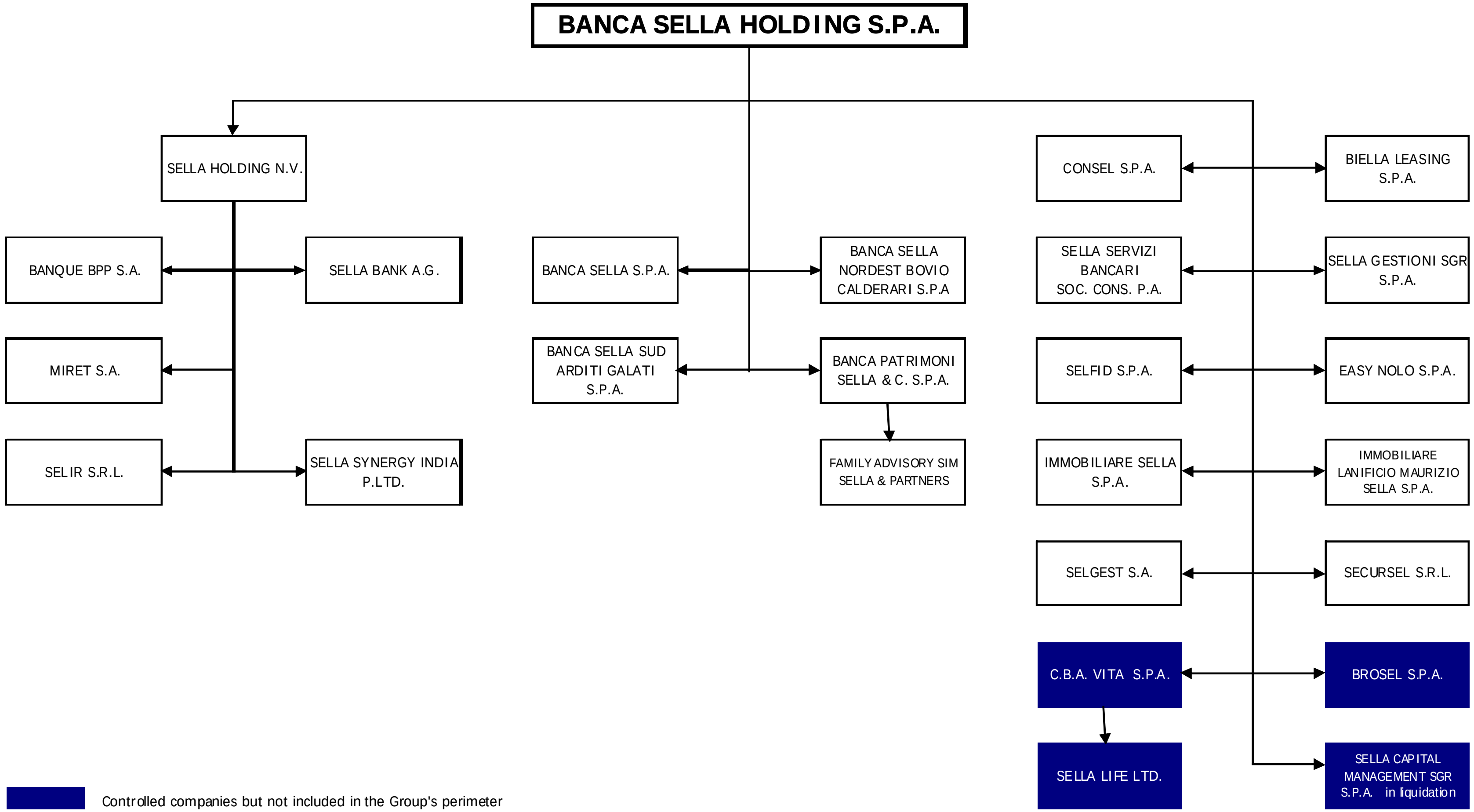
Auditor - Chairman	Alessandro Rayneri
"	Paolo Piccatti
"	Alberto Rizzo
Alternate Auditor	Riccardo Foglia Taverna
" "	Mario Pia

INDEPENDENT AUDITORS

Deloitte & Touche S.p.A.

Map of the Banca Sella Group

At 31 December 2010



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 transactions).

Net equity method consolidated companies

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

CONSOLIDATED REPORT ON OPERATIONS AT 31 DECEMBER 2010

» GRUPPO BANCA SELLA
MAIN FIGURES AND INDICATORS

BANCA SELLA GROUP SUMMARY DATA *(euro millions)*				
Item	**31/12/2010**	**31/12/2009**	**Variation**	
			absolute	**%**
BALANCE SHEET				
Total assets	13.165,7	13.424,1	(258,4)	-1,9%
Cash loans[(1)]	8.825,0	8.499,2	325,8	3,8%
Guarantees given	352,4	355,1	(2,7)	-0,8%
Financial assets	3.220,6	3.128,3	92,3	3,0%
Equity investments	13,0	26,1	(13,1)	-50,2%
Non-current assets and asset groups held for sale [(2)]	56,1	-	56,1	-
Tangible and intangible fixed assets	296,5	290,4	6,1	2,1%
Direct deposit[(3)] (excluding repurchase agreements)	10.001,8	10.593,5	(591,7)	-5,6%
Repurchase agreements	38,9	56,9	(18,0)	-31,6%
Indirect deposit [(4)]	16.407,5	15.034,5	1.373,0	9,1%
Total deposit	26.448,1	25.685,0	763,1	3,0%
Regulatory capital	983,7	990,2	(6,5)	-0,7%
INCOME STATEMENT[(5)]				
Net interest income [(6)]	293,7	290,3	3,4	1,2%
Net income from services	239,0	237,2	1,8	0,8%
Net banking income	6,5	11,7	(5,2)	-44,4%
Net banking and insurance income	539,2	539,2	-	0,0%
Operating costs	391,5	408,1	(16,6)	-4,1%
Operating profit	147,7	131,1	16,6	12,7%
Net value adjustments for impairment losses	96,4	83,8	12,6	15,1%
Income tax	23,9	19,6	4,3	21,9%
Profit for the year (net) pertaining to the Parent Company	19,0	26,8	(7,8)	-29,1%

(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" and of the loans component included under item 150 "Non-currents assets and asset groups held for sale".

(2) The item does not include the component relating to customer receivables included in cash loans.

(3) The aggregate represents the sum of the following items from the Liabilities section of the Balance Sheet: 20 "Due to Customers" and 30 "Securities in issue" and the component of direct deposits included under item 90 "Liabilities associated with groups of assets held for sale".

(4) The aggregate, wich does not include the item "cash" component (included under "direct deposit"), represents the sum of the following items of the "Other information" section of the Notes to the Statements - Balance Sheet: "Asset management", "Third party securities held in deposit connected with the role of Depositary Bank", "Other third party securities held in deposit (net of securities issued by companies included in the consolidation)" the item related to income from insurance activities, as indicated in the note at the foot of the table on Management and Broking for third parties.

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

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

STAFF AND BRANCHES *(year end)*	2010	2009	2008	2007	2006
Employees of banking group	4.229	4.383	4.412	4.327	4.027
Employeees of insurance companies	44	46	44	43	38
Gruppo Banca Sella total employees[7]	4.273	4.429	4.456	4.370	4.065
Branches in Italy and abroad	335	334	332	332	313
Financial promoters	295	291	299	351	390

[7] *Employees of the banking group plus employees of the insurance companies*

ALTERNATIVE PERFORMANCE INDICATORS BANCA SELLA GROUP		
Item	**31/12/2010**	**31/12/2009**
PROFITABILITY RATIOS *(%)*		
R.O.E. (return on equity) [8]	2,9%	4,4%
R.O.A.A. (return on average assets) [9]	0,15%	0,22%
Net interest income / Net banking and insurance income	54,5%	53,8%
Net income from service [10] / Net banking and insurance income [10]	44,3%	44,0%
Net income from insurance activity[10] / Net banking and insurance income[10]	1,2%	2,2%
Cost to income [11]	70,2%	73,3%
PRODUCTIVITY RATIOS *(in euro thousand)*		
Net banking and insurance income [10] / Average number of employees	123,9	121,4
Gross operating profit [10] / Average number of employees	34,0	29,5
Cash loans / Number of employees at year end	2.065,3	1.919,0
Direct deposit / Number of employees at year end	2.340,7	2.391,9
Total deposit / Number of employees at year end	6.189,6	5.799,3
BALANCE SHEET RATIOS *(%)*		
Cash loans / Direct deposit	88,2%	80,2%
Cash loans / Total assets	67,0%	63,3%
Direct deposit / Total assets	76,0%	78,9%
CREDIT RISK RATIOS *(%)*		
Impaired assets / Cash loans	4,2%	3,7%
Net value adjustments to loans / Cash loans	1,1%	1,0%
SOLVENCY RATIOS *(%)*		
Tier 1 capital ratio	7,22%	6,84%
Total Capital Ratio	11,70%	11,67%

[8] *Ratio between operating profit and equity, net of valuation reserves, both including minority interest.*

[9] *Ratio between "Net profit including minority interest" and "Average total assets".*

[10] *As per item reported in the reclassified consolidated Income Statement.*

[11] *Ratio between operating costs (net of IRAP and net of losses related to operational risk) and net banking and insurance income.*

» NEW PREMISES FOR THE GROUP

On 28 September 2010, the new central premises of the Banca Sella Group were opened in Piazza Gaudenzio Sella in Biella, after forty-four years from the building of the premises of 2 Via Italia. This is a seven-floor building plus three basement floors, for a total of approximately thirteen thousand square metres and four thousand square metres of external green areas, with seven hundred work stations, a restaurant and the company nursery school, two hundred car parking places and seventy bicycles posts. The new premises are inspired by modern eco-sustainability criteria and the reduction of environmental impacts thanks to photovoltaic plants, the use of groundwater and rainwater for bathrooms, the modern thermal inertia and insulation systems and the systems for the automatic adjustment of lighting in order to guarantee the quality of the working life, reducing energy wastage. The new premises, the fourth in 125 years of history, feature large external windows and ample internal open plan offices in order to encourage the rapid and efficient interaction of offices.

» RATING

In April 2011 the usual annual meeting with Moody's will take place, in which the Group's performance will be analyzed. The ratings shown in the table refer therefore to the latest Credit Opinion, published in November 2010, which confirmed the ratings awarded previously.

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

» MACROECONOMIC REFERENCE SCENARIO

World context

2010 was characterised by the ongoing economic recovery, despite the variation in the intensity of the recovery between the various areas of the world. The role of emerging countries was confirmed, particularly in the area of Asia, as important drivers of the world economy. In the United States of America, economic growth continued to show less intensity than during the previous stages of the upturn to the economic cycle, by virtue of the limited recovery of consumptions and the persistent weakness of the residential real estate market. The euro area highlights a better GDP dynamic on an aggregate level than had been forecast, albeit showing clear differences with the other countries. Evidence of difficulty in maintaining public debt in some Euro countries (Greece, Ireland, Portugal, and Spain) made it necessary to define a mechanism for community intervention to support economies in difficulty, with the supply of funds in favour of Greece and Ireland, the strengthening of the Stability and Growth Pact and the adoption of restrictive fiscal policies on a national level. Japan has continued to benefit from the recovery of the world demand, which has supported export.

In 2010, the **US economy** showed an average annual rate of change to the gross domestic product of 2,9%, an improvement on the -2,6% recorded for 2009. The recovery was above all due to the improvement in the growth dynamic of production investments (particularly in machinery and software), to the re-accumulation of stocks and the holding fast of private consumption. After having recorded an appreciable improvement in the second quarter of 2010, residential investment has once again weakened, reflecting the imbalance of demand and supply, which limits the potential for recovery.

Personal consumption, constantly recovering since the third quarter of 2009, was limited in its intensity by the high unemployment rate, the modest growth in available income, the low level of real estate equity, and the credit disbursement conditions that are less favourable than they were pre-crisis. On average, public spending made a positive contribution to the growth of the GDP in 2010. The contribution to the growth of net export was negative during the first three months of the year, as a consequence of the improvement to the domestic demand, whilst during the last quarter of 2010, by contrast, it featured a positive contribution of this component of the GDP.

The Federal Reserve has left the official rate unchanged at 0,25% and, in November 2010, decided to make new purchases of government securities for a value of 600 billion dollars until the end of the second quarter 2011. The intervention, according to that declared by the Chairman of the Federal Reserve, Ben Bernanke, meets the need to implement new stimuli of monetary policy, against an unemployment rate that remains high and a low structural inflation rate with respect to the price stability objective.

The **euro area** has recorded a change that tended to be positive to the gross domestic product of 1,7% in 2010, only partially recovering the approximately 4% drop of 2009. An analysis of the dynamics of the individual components of the aggregate demand has revealed an upturn to exports, a recovery, albeit a modest one, of consumptions, the re-accumulation of stocks and an improvement in investments.

2010 was marked by an intensification of concern as to the sustainability of the public debt of some economies of the euro area. In May, the joint intervention was required of the European Union and the International Monetary Fund (IMF) to help Greece: against the new restrictive tax policy measures adopted by the Greek government, a financial support plan has been approved with a value of 110 billion euros over three years. The persistence of tensions on the financial market has led to a need for an additional intervention, larger and more generalised, on the part of the institutions of the EU and the IMF, with a plan for the total value of 750 billion euros, which provides for:

- intervention in the euro area countries through bilateral loans for a value of 440 billion euros;
- intervention of the European Commission for a total amount of 60 billion euros;
- intervention of the IMF for a total amount of 250 billion euros.

The notable efforts to restore faith in the financial markets was also made concrete through the creation of the European Financial Stability Fund, the operational arm for implementation of the assistance plan outlined above. In November, the increased concern as to the sustainability of the Irish public accounts has required the launch of a financial support programme for the country: aid totals 85 billion euros, 35 of which are destined for the country's banking system and are subject to the adoption of new tax austerity measures. At the same time, the review of the Stability and Growth Pact began, with a view to making the constraints on public accounts stricter, and the analysis of the permanent management mechanism of the sovereign debt crisis was also started.

The European Central Bank (ECB), in its turn, left the official rate unchanged (1%), carried out purchase operations for securities on the public debt market and continued to provide the liquidity necessary for the system through unconventional refinancing operations.

Italy also adopted consolidation measures for its public debt in order to avoid the risk of turbulence on the financial markets. In terms of economic growth, the company benefited from the global recovery seen through a notable recovery in exports. Investments showed a positive trend during the first three quarters of 2010, supported above all by the machines component and consumption showed an appreciable holding fast.

In the **Asian area**, the Japanese economy continued to show a growth dynamic that was above forecasts, thanks to the support of export, to the tax incentives that have supported private consumption and the recovery of business investments. The Japanese central bank has reduced the official rate from 0,1% to 0-0,1% and has introduced a new asset purchase programme and measures of supporting credit.

China and India have recorded sustained growth rates, although in China signs of lesser dynamism have been seen in the economy during the year. The Chinese authorities have taken a prudent political view, due to the acceleration of inflation. They have in fact implemented restricted administrative measures in order to slow expansion of the domestic real estate market, increased the compulsory reserve coefficients of banks and increased the official rate. In India, the central bank has begun a cycle of restrictive monetary policy to limit inflationist pressure.

The financial markets

Long-term market interest rates in the USA have shown a tendency to drop until the summer months, as a consequence of the increased fears for the sustainability of the public accounts of some European countries and forecasts for new quantitative easing interventions by the Federal Reserve. Subsequently, macroeconomic data that was better than forecast and the opening of the Obama administration towards new tax stimulation measures have determined an increase in long-term yields. In the euros area, the sovereign debt crisis has led to a drop in the German government ten-year rate through to August. Subsequently an inversion of trend was seen. The average US ten-year interest rate was 3,19% in 2010, in comparison with an average of 3,24% in 2009. The average Euro Zone ten-year interest rate was 2,78% in 2010, a decrease from the 3,27% seen in 2009.

In 2010, the MSCI World index representing the main international stock markets recorded an approximate increase of 10%. Share lists were assisted by a positive economic growth context and accommodating monetary policies.

Banking system

In 2010, the European financial system suffered the sovereign debt crisis of the countries on the outskirts of the euro area. The European Central Bank has attempted to limit tension on the financial markets, by means of a programme envisaging the purchase of government securities, sterilising the effects on liquidity and extending the beneficial means of bringing liquid funds into the system.

In this context, the Italian banking system saw significant volatility in terms of the valuation of government bonds in portfolio, while in terms of funding, this benefited from the greater solidity of the commercial bank model founded on retail deposits.

Italian bank loans to families and businesses reached a total of 1.461 billion euros at the end of the year[1] recording a positive annual change of 3,9% on 2009. The contribution to the growth of loans in the period is above all due to the families sector, for which growth stood at 8,0%. The volume of loans supplied to non-financial companies has grown less in 2010 (approx. 1,6%) with a significant upturn in the second half from the negative growth recorded in the first half of the year. In terms of due dates, the reorganisation of debt according to longer expiry dates continued, assisted by the low cost of long-term debt. In recent observations, debt due within the year had, in any case, returned to positive growth rates.

With regards to the euro area, Italy is confirmed amongst the countries with greatest growth in loans to families and businesses (the EU average is approximately 2%). One of the factors behind this situation is the interest rate for loans, which is on average lower than those of other member states.

As concerns credit quality, the volume of gross non-performing positions has reached approximately 77,7 billion euros, up 32% on 2009, but with a tendency to decelerate during the second half of the year. Non-performing positions net of value adjustments amount to 46,9 billion euros and the ratio of non-performing hedges (ratio of allocations made for losses on non-performing positions and non-performing positions) equates to 39,7%, in line with the figure recorded for 2009. The ratio of gross non-performing positions and loans to other residents[2] has grown from 3,28% at the end of 2009 to 4% in December 2010 (a figure that had not been reached since the end of 2005, despite being only half the level seen at the end of the 1990s), whilst if non-performing positions are considered net of allocations made, the ratio is 2,46%, as compared with the 2,03% recorded at the end of 2009. During the year, the gradual improvement in the financial conditions of businesses, driven above all by export demand, meant that the growth rate of new non-performing positions for the productive sector had dropped below that of consuming families, slowing at a more limited rate.

Deposits in euros to Italian banks, represented by deposits from residents and bonds[3], reached a level of 2.040 billion euros at the end of the period, an increase of 3,0% over the annual base. After several years of two-figure growth, the stock of bank bonds, standing at 797 billion, recorded a drop of

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[1] This figure is net of the statistical discontinuity of the series produced by the Bank of Italy. Starting from the month of June 2010, the historical series for lending includes all securitised or sold loans which do not satisfy the IAS derecognition criteria. The application of said criteria can be quantified by the re-recognition of €65,2 billion of loans in the financial statements, including non-performing loans, to which are added €80,9 billion of securities in portfolio and €146,2 billion of counter party liabilities sold but not derecognized. For additional details, please refer to the Supplementi del Bollettino Statistico, Indicatori Monetari e Finanziari, Moneta e Banche, no. 40, of 6th August 2010.

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

[3] The deposits figure does not take into consideration the €146,2 billion of counter party liabilities for loans transferred but not derecognised introduced to the supervisory reporting requirements starting in June.

1,7%. Deposits have instead retained a sustained growth rate, increasing by 6,3% over 2009, with an acceleration in the first half of 2010 and a slight slowing in the second half of the year.

With the low interest rates, the spread of active rates applied to customers and passive rates on deposits averaged 2,16% during the year, significantly below the already low average level of 2009 (2,42%). This has determined a drop in the level of the Italian bank net interest income, but the simultaneous acceleration of loans throughout the whole year has allowed this negative effect to be limited and in the second part of the year, the interest margin dynamic looked to have improved, despite the spread stability. The weak dynamic of the interest margin has been partially compensated for by increased commission income linked to the improved situation for indirect deposits. Cost containment has allowed banks to absorb the cost of credit, which has remained at the high levels of 2009.

The process of capital strengthening continued, in accordance with the indications provided by the regulatory authorities, aimed at making the credit system more resilient when faced by unpredictable difficulties. The new minimum regulatory capital requirements and the indicators for bank liquidity will complete the normative framework starting in 2013.

The financial wealth of private banking customers (families)

2010 saw a return of the financial wealth of private banking customers (families) to a level above that recorded pre-crisis. The trend of this aggregate is even more significant if we consider that it further improves on the results of a year, 2009, which had already achieved particularly positive figures, both in terms of rates and the return of capital due to the tax amnesty.

In 2010, in fact, growth of stocks of private banking wealth (+3,2%) is approximately 27 billion euros, of which only 4 billion are attributed to the rate effect (whilst in 2009, the increase of volumes was due for 27 billion to the rate effect, over a total of 65 billion).

The equity of private banking families stands at a total of almost 896 billion euro, a value only a little above that of end 2007. This is approximately 600 thousand private banking customers (families) with equity of more than 500 thousand euros.

The share of private banking customers served by structures devoted to private banking stands at 45%, with the incidence of retail structures remaining at 55%. This is a trend of progressive growth, from the 41% recorded for 2007.

» STRATEGIC ISSUES

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

The Group's reputation has been built up over time with responsible and correct conduct, which has always been consistent and characterized by prudence. The vision to which the Group's activities referred during 2010, and which remains unchanged also with regards to future prospects, is that of a group that intends to be recognised for:

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

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

In order to make these guidelines fact, in 2010, in view of the exceptional nature of the overall external scenario described in the previous section, the Group based its strategies on the following three directives:

- development sustainability (understood as the need to achieve the necessary income to cope with risk and development);
- elimination of unnecessary costs and reduction of complexity;
- maintenance of higher equity ratio than in the recent past.

These considerations prove the need to act rapidly and following a "discontinuous" plan in accordance with the guidelines and strategic action lines identified by the Parent company. Great importance has been attributed to the Group's capacity to focus on the commercial orientation, focussing on customer relations and innovation. The work to structurally reduce operating costs, with the aim of simplifying and improving the organisation, has also proven to be of key importance.

Other objectives pursued during the year included strengthening the equity and managing risk knowingly (with a particular focus on credit risk management), in addition to ensuring the growth of human resources, their involvement and motivation, the optimisation of talent and the promotion of internal personal growth.

In these terms too, during the year the 2010-2012 Strategic Plan was approved.

2010-2012 Strategic Plan

The 2010-2012 Strategic Plan is the response to the structural change that is affecting the entire bank sector, as a consequence both of the financial crisis and the natural evolution of the competitive context. It has been prepared to cope with the significant decline in the income structure of the banking sector and to best deal with the changes that will be implemented by the coming into force of the new regulations, including important reforms of prudential rules (Basel 3), which require a strengthening of the equity and risk management constraints typical of banking and insurance activities. All this also considering the altered, growing expectations of customers with regards to the role and service supplied by banks and considering the effects of the recent financial crisis on growth, employment, credit quality and rates in the medium-term.

The 2010-2012 Strategic Plan includes widespread and detailed organisational changes which will be the basis for the development of the Banca Sella Group in the next few years. Although taking inspiration from the guidelines applied in the 2008-2010 Strategic Plan, it has been designed with a discontinuous profile with respect to the past and contains some important strategic choices with the aim of further improving the Group's competitive capacity, its efficiency and customer service, at the same time identifying precise economic/equity targets in relation to EVA, Cost to Income and Core Tier 1.

The general strategic guidelines that the Group suggests adopting are as follows:

- prudence, without halting development, which will be achieved by paying careful attention to equity use, through:
    - a diverse mix in favour of successful business of lesser absorption;
    - "normal" development of credit volumes in support of customers' physiological needs in a framework of prudent portfolio policies in terms of fractioning and mitigation;
    - the capacity to cultivate innovation and embryos of the businesses of the future;
- actions aimed at strengthening equity;
- the structural reduction of operating costs, improving efficiency and productivity;
- the review of Group "governance" in order to make it more streamlined, efficient and quicker.

The Plan involves the introduction of a new commercial model, with a view to reviewing and rationalising territorial set-up, focussing on the evolution of the branch organisation and on an integrated commercial model. In the same way, interventions are envisaged on the internal model and structure, aimed at structurally reducing costs, simplifying and streamlining operations, developing talent and ensuring internal growth and optimal management of human resources.

In order to put the organisational changes specified by the guidelines into practice, the following strategic initiatives have been identified:

- strengthening of Core Tier 1;
- review of the governing structures;
- 2012 organisation;
- evolution of the commercial model and Bank of the Future;
- net deposits;
- credit processes;
- human resource management.;

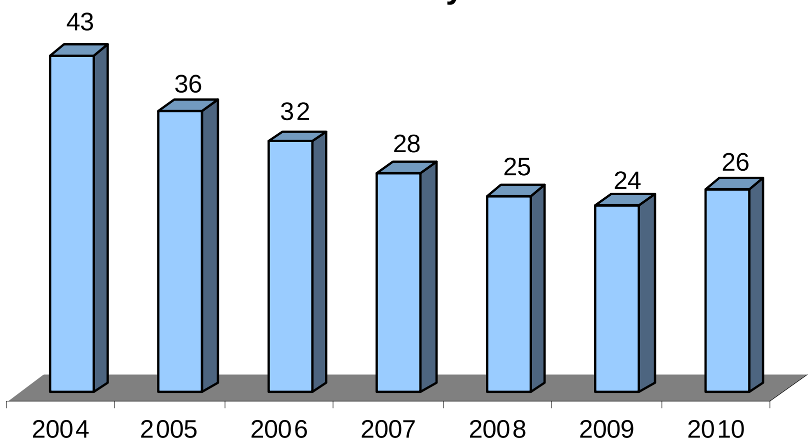
These initiatives are described in the forthcoming sections of this report on operations, in specific boxes named "Focus on 2010-2012 Strategic Plan", given in addition to the relevant chapters.

» CHANGES IN THE FRAMEWORK OF THE GROUP AND EQUITY INVESTMENTS

During the year the Group continued to review and optimise its corporate structure. In recent years, this policy had led to a gradual reduction in the number of companies, which had dropped from 43 in 2004 to 24 (of which one in liquidation) at end 2009. At the end of 2010, the number of companies forming the Group instead returned to rising, settling at 26 (of which one in liquidation).

During the year, in any case important corporate operations were implemented, laying the basis for the Group rationalisation projects forecast for future years. These will not only simplify the structure, further reducing the number of companies, but will also allow for a better organisation of the offer of services and products.

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



Corporate transactions

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

CONSTITUTION OF FAMILY ADVISORY SIM S.p.A. - SELLA & PARTNERS

On 15 February 2010, Family Advisory SIM S.p.A. - Sella & Partners was incorporated - the new security brokerage company within the Banca Sella Group. The fruit of the experiences of the company founders and international best practices, this company will offer an independent and concrete response for structured provision of integrated services to families and family businesses.

The Company will exclusively provide consulting services in terms of investments, additional accessory consulting services for companies in terms of financial structure, industrial strategy and associated issues, as well consulting and services relative to concentration and the acquisition of companies.

In addition, the Company intends to provide accessory and auxiliary assistance for the investment services typical of a Multi Family Office. In particular, in accordance with the limits established under the law for reserved activities (e.g. credit brokers, real estate agents, etc.) and upon express request from its clients, it will also offer the following services:

- capital planning consulting;

- manager monitoring, with the express exclusion of placement services for financial services and tools;
- customer assistance in terms of financing, company treasury management, ordinary and extraordinary company finance, with the express exclusion of credit broker activities;
- customer assistance in terms of valuation, investment, valorisation, and realization of real estate equity, with express exclusion of real estate brokering.

On 28 September 2010, Family Advisory SIM S.p.A. - Sella & Partners obtained Consob authorisation to carry out the activities described above, by means of resolution no. 17494. The Company began operating on 1 January 2011.

The share held by Banca Patrimoni Sella & C. in Family Advisory SIM S.p.A. - Sella & Partners amounts to 80%.

START-UP OF OPERATIONS OF SELLA SERVIZI BANCARI S.C.p.A. CHENNAI BRANCH

Sella Servizi Bancari S.C.p.A. Chennai Branch became operative on 15 February 2010, as a "permanent establishment abroad" of Sella Servizi Bancari, which purchased the IT assets of Sella Synergy India Ltd., a company previously operative within the Group.

This transaction which increases and diversifies the information services outsourced by Sella Servizi Bancari to the companies of the Banca Sella Group achieves one of the targets set at the creation of the Consortium Company -- to ensure the Group's competitiveness through high quality levels, high service levels and continuous innovation.

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

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

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

Sella Synergy India Ltd. is still active, despite no longer being operative.

DIVISION OF SELLA BANK LUXEMBOURG

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

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

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

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

SALE OF THE BUSINESS UNIT RELATING TO THE ACTIVITY OF CUSTODIAN BANK OF BANCA SELLA HOLDING

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

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

FOCUS ON 2010-2012 STRATEGIC PLAN

"Review of corporate structures" and "2012 Organisation"

The two initiatives "Review of corporate structure" and "2012 Organisation" have the objective of achieving structural cost savings and enacting a high degree of simplification of the operational and governance structure; they will occur simultaneously.

Their heart lies in the "One Bank" project, which envisages, in two separate stages, the aggregation into Banca Sella of Banca Sella Sud Arditi Galati, Banca Sella Nordest Bovio Calderari, Sella Servizi Bancari and business units of Banca Sella Holding.

The first stage shall be completed through the following operations:

- conferral from Banca Sella Holding to Banca Sella of a business unit represented by the "Electronic and Traditional Payment Systems", by the "Customer Desk" and the "Banca Sella Holding Customer" area;
- merger by incorporation of Banca Sella Sud Arditi Galati and Sella Servizi Bancari into Banca Sella.

These operations will be completed in the order specified, subject to the approval of the Bank of Italy and the extraordinary shareholders' meetings of the companies involved, and shall take legal effect by the end of the first half of 2011.

Following the incorporation of Sella Servizi Bancari into Banca Sella, the latter shall directly hold the "Indian branch" of the consortium company.

The second stage of the programme should envolve the concentration into Banca Sella of Banca Sella Nordest Bovio Calderari. This stage should take place subject to the approval of the Bank of Italy and the extraordinary shareholders' meetings of the companies involved, by means of the merger by incorporation into Banca Sella of Banca Sella Nordest Bovio Calderari.

Thanks to the completion of the above-described stages, the "One Bank" programme will allow for the following:

- simplification of the corporate structure and general organisation, with major benefits both in operative terms and Group governance;
- reduction of the structural operating costs, mainly thanks to the recovery of staff, its requalification and the movement to the network as partial coverage of the natural turnover;
- facilitation of an incisive review of the Group organisation, particularly with regards to making processes efficient and consequently reducing general operating costs, with a simultaneous improvement to service levels and decision-making times.

Changes in the consolidation area

The structure of the Banca Sella Group at 31 December 2010, together with an indication of the main equity relationships, is shown in the Group chart provided at the beginning of this annual report. For more information on the shareholdings and availability of votes in the ordinary shareholders' meeting, please refer to Part A of the Explanatory Notes - A1 General part.

FULLY CONSOLIDATED COMPANIES

In relation to fully consolidated companies, in 2010 the following changes were recorded to the percentage stakes of the Group:

Changes in equity interests			
Company	**From**	**To**	**Operation**
Banca Sella Sud Arditi Galati S.p.A.	69,20%	69,19%	In order to comply with the provisions of the merger agreement and capital increase signed in February 2008, Banca Sella S.p.A. has assigned 1.088 shares pro quota held in Banca Sella Arditi Galati S.p.A. to: - Banca Sella Holding S.p.A.: 708 shares, amounting to 0,0113% of the company share capital; - C.B.A. Vita S.p.A.: 18 shares, amounting to 0,0003% of the company share capital; - other shareholders of the then Banca Arditi Galati S.p.A. and Banca di Palermo S.p.A.: 362 shares, amounting to 0,0058% of the company share capital.
Easy Nolo	84,74%	89,74%	Purchases

The corporate operations described in the previous chapters include just one that has involved a change to the scope of consolidation for 2010, namely that relating to the constitution of Family Advisory SIM S.p.A. Sella & Partners. To this end, we would specify that the stake held by Banca Patrimoni Sella & C. (equal to 80,000% of the total capital) is represented by 20.000 category A shares (equal to 66,667% of the total shares in that category) and by 20.000 category B shares (equal to all shares in that category).

It is noted that the division of Sella Bank Luxembourg has not, on the other hand, had any effect on the scope of consolidation, as the Banca Sella Group continues to hold 100% of the capital of both companies, Banque BPP S.A. and Miret S.A., created following the spin-off.

COMPANIES CONSOLIDATED AT NET EQUITY

With regards to the company's consolidated at net equity, we note the inclusion in this category of Enersel S.p.A., a new company in which Banca Sella Holding has a 18,298% stake and which falls under the scope of the cases envisaged by the regulations for companies subject to significant influence.

» COMMERCIAL POLICIES

In 2010, the commercial policies of the Banca Sella Group again followed the tactic of offering a "full circle" of customer services and products, thanks also to the advantages of multi-channelling and to the presence of specialised professional figures through which to build a personalized relationship "made to measure" for the customer.

The results obtained have been achieved by relying on the distinctive factors of the Group (trust, personal relationship, quality and innovation) and on the strong link with the territory, the transparency, professionalism and experience in customer management.

With respect to these distinctive factors and characterising elements, the development of new customers has taken place through the strengthening of the telematic channel and mobile banking[4] with the development of the operative platform for iPad and the restyling of the Sella.it application for iPhone with the addition of the Funds platform. Additionally, new functions have been implemented for the Internet Banking service, such as, for example, the activation of the chequebook, the transfer of liquidity from the credit card to the current account, the new video communication "click to call" and Skype services and the integration of marketing one-to-one.

The main commercial initiatives taken by the Group during the year also include the increase in cross selling through specific actions implemented centrally with direct market campaigns on several channels (branch, e-mail, SMS, telephone) and a specific focus on the product "salary-backed loans", confidential loan forms for employees of public or private administrations. Under the scope of the Customer Relationship Management (CRM) procedure, instead intervention was taken with the inclusion of the conditions card and the development of a new interface for support to commercial development.

During the year, the restyling continued in 2.0 of all Group websites, which began in 2009 with the idea of offering customers innovative relation instruments and evolved interaction; objectives that have also been pursued with the participation of the Banca Sella Group in the social network, Facebook, as further proof of the desire to remain close to customers.

2010 also saw the start-up of the following products and services:

- "Carta corrente prepagata" (i.e. Prepaid current account card): the card connected to an IBAN code that allows for certain transactions typical of an account to be implemented (transfers, salary accreditation);
- "SellaXtrading": free web platform for on-line trading, with real time data and push, book on 5 device levels, conditional orders, strategies and customisation;
- "Sella Kit": combined offer of an account and Consel loan at beneficial conditions (this initiative has been promoted in Consel branches of Turin, Milan and Genoa);
- "Sella Digit" - the digital signature that allows for the signing of documents in digital format with the same legal value as a traditional signature;
- "Sella Fidelity" - the programme that allows customers of the Group to accumulate points according to operations and convert them into physical and/or bank prizes.

Commercial initiatives also include the continued sponsorship of the junior basketball team of Biella and participation in fairs specialised respectively in the on-line trading sector ("Investment &

[4] *For more details on these aspects, please refer to that started below in this report on operation, in the chapter entitled "Internet and Mobile Banking".*

Trading Forum" of Rimini and "Tol Expo" of Milan) and assets management ("Salone della Gestione del Risparmio" of Milan).

Thanks to the space available in the new Parent Company premises in Piazza Gaudenzio Sella in Biella (opened in September 2010), training events were then organised for current and potential customers to encourage the use of internet banking, on-line trading and mobile banking.

During the year, the Group also collaborated with the province of Biella and municipality of Novara for the support of newborns through the diffusion of the "baby kit".

Prizes received during the year by the Group include:

- the "Lipper Fund Award 2010" assigned to Sella Gestioni Sgr as a recognition of the constant quality growth of the entire range of Sella Gestioni products;
- the prize for the best customer relations 2010, issued by the company CMMC;
- the AIFIn "Cerchio d'Oro dell'innovazione finanziaria" prize, under which scope the "Banca in Tasca" project won the category of distribution channels.

TRASPARENCY OF TRANSACTIONS AND BANKING SERVICES

During the first few months of 2010, activities continued for adaptation to regulatory requirements introduced last year by the new regulation "Transparency of banking and financial services and transactions and correctness of relations between intermediaries and customers" and incorporation of the European PSD (Payment System Directive). The operative rules underwent further change during the second part of the year, following both clarifications deriving from the document issued by the Bank of Italy in July 2010 (FAQ) and Italian Legislative Decree no. 141 of 13 August 2010.

Regulatory innovations were disclosed through:

- the update of internal regulations with the issue by the Parent company of a regulatory circular containing the update of the Service Order on transparency and with the preparation of the related technical rules by the individual companies;
- training and information opportunities at the sales network, organised by the transparency managers of the individual Group companies, also with the help of consultants in order to keep the level of attention on the matter high;
- preparation and delivery to all employees of the branches of the Italian banks of the Group of training videos illustrating the correct marketing of the banking and financial services and products.

In order to monitor the correct marketing of products and services in the network banks, also in compliance with the new rules, controls have also been prepared focussed on the sales process. Additionally, in order to facilitate compliance with the transparency regulations, automation projects for certain operative processes have also been developed in order to reduce the risk of human error. These include, by way of example, the automatic update of the conditions contained in the informative sheets and pre-contractual and contractual summary documents of current accounts and payments cards, the transformation of the current account and the making available of an updated summary document.

The new organisational structure of transparency has been audited by the Parent Company's internal audit division, which judged it to be appropriate to meeting the regulatory compliances required in accordance with the due dates established by the regulation.

In 2010, the Bank of Italy also carried out 5 inspections (in 3 branches of Banca Sella Sud Arditi Galati and in 2 branches of Consel). 3 remote audits have also been carried out on the transparency documents (contractual forms in Banca Sella Nordest Bovio Calderari and in Consel) and on the operating instructions in relation to the new supervisory instructions supplied to the Banca Sella Sud Arditi Galati sales network.

» DISTRIBUTION POLICIES

The commercial model of the Banca Sella Group is made up of:

- network banks: a network of local banks, well rooted in the community;
- integrated multichannelling: represented by the traditional branches, private banking offices, enterprise centres, the internet channel, the contact center, ATMs (both traditional and evoluted), SAS (centralized help desk for services support) and the mobile banking instruments;
- specialist account managers: figures in support of businesses and private banking customers, who operate in synergy with the branches;
- financial promoters and agents;
- branches and head offices of other Group companies specialized in consumer credit, leasing, managed savings and insurance broking.

In financial year 2010, the Group’s distribution network, which is structured in accordance with the principle of integration of channels, was again constantly engaged in catering with effictiveness and in a customized way to the needs of customers.

With regards to the efficiency and productivity of the distribution networks, in 2010, the Group's Italian banks mainly pursued the aim of reducing the administrative load on the branches, by optimising processes and innovating.

The recovery of productivity obtained this year in the distribution network of the Group's Italian banks amounted to 60.000 hours per annum, of which approx. 14.000 obtained thanks to the increase in transactions carried out entirely autonomously by customers through telematic channels.

The interventions include the following, of greatest importance:

- the automatic renewal of InChiaro policies;
- the making available to the networks of a function to calculate the return on bonds;
- the optimisation of tools designed to support the supply of loans, manage overdrafts and monitor credit risk;
- the optimisation of contract auditing processes;
- the continuation of centralisation interventions/automation of line controls.

As mentioned previously, at the end of the year, the new digital signature service began, which grants the possibility of signing contracts and forms from a remote position. In just a few days (from 17 to 31 December), 430 customers adhered. The digital signature has been made available for use immediately, for the signing of contracts relating to debit cards, credit cards and prepaid cards subscribed from the internet and, during 2011, will be extended to the main products and services, allowing it to be used from the branch too.

The significant growth of adhesions by customers to the Sella Box service for receiving communications electronically, also comes under the scope of the results obtained in terms of making services efficient. The percentage of customers adhering this year has risen from 6,24% to 15,25%.

During the year, the objective was pursued to increase the number of operations performed by customers autonomously, carefully monitoring requests for information and/or for the activation of new services and products received via remote banking channels. To this end, in 2010, the installation of advanced ATMs continued, which allow to pay-in cash and cheques, thus increasing business operations with existing customers and improving and expanding the service offered to them.

The Group's banks intensified their development of the Bancassurance project, also through appropriate training and the specific work of cross selling managers. The objective of acquiring new customers has been pursued, also through the launch of new products that have proved to be extremely popular (as borne out by specific customer satisfaction surveys), such as, for example, the already mentioned Carta Corrente (Current Account Card) and the installation of POS with new, non-current account holder customers.

In 2010, moreover, special attention was paid to the promotion of environmental loans, with particular reference to alternative energies. Under this scope, the development actions and related financial proposals focussed above all on plants for producing energy from renewable sources (biomass, biogas, wind power, photovoltaic) of medium and small sizes and coherently inserted into business and family contexts.

Finally, the same banks have also circulated information on the advantages of the use of banking services through channels complementary to branches, namely Internet Banking, Mobile Banking and Telephone and Video Communication Services.

FOCUS ON 2010-2012 STRATEGIC PLAN

"Evolution of the commercial model and Bank of the Future"

The 2010-2012 strategic plan envisages a broad evolution of the commercial model. The objectives of the initiative "Evolution of the commercial model and bank of the future" are as follows:

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

This evolution, together with a serious organisational review of the branch operations, will make it possible to sustainably increase our territorial network, as well as increase the time dedicated to commercial activities, thanks to the improved efficiency it will bring.

This evolution is based on the following guidelines:

- the review and rationalisation of the territorial structure of the Group through the adoption of a "territorial team" model;
- the evolution of the branch organisation and model with interventions concerning: operations, behaviour, innovation, automation, branch structure and opening hours and 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 integration 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.

Bank Branches

At end 2010, the number of Group branches has increased by one as compared with 31 December 2009, taking the total to 335.

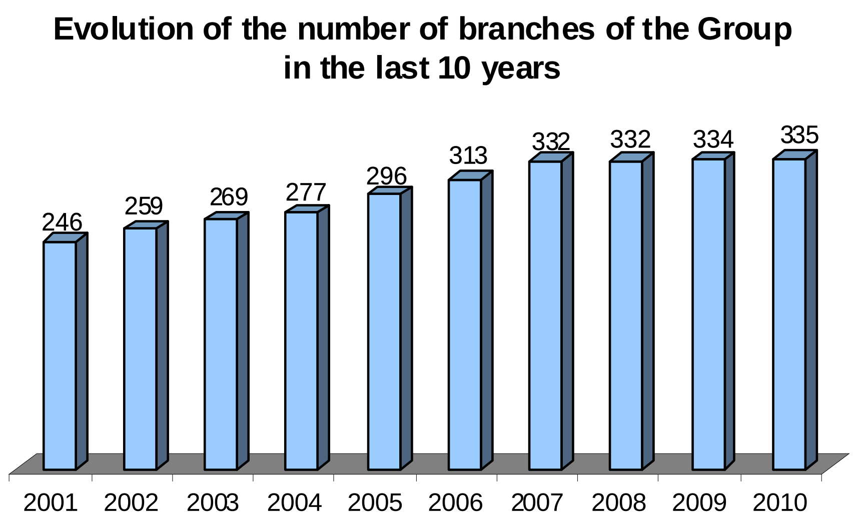
This result is the consequence of the following operations:

- on 6 April, Banca Sella Nordest Bovio Calderari started up operations in a new private office of Trento, in Via Oriola - Piazzetta al Sass. At the same time, the Bank closed the Trento branch at 18 Via Perini;
- on 12 April 2010, two new Group branches began operating: this is the Asti branch of Banca Sella and the Palermo branch of Banca Patrimoni Sella & C.. Consequently, Banca Patrimoni

Sella & C. has closed its Asti branch, moving operations and accounts to the Turin offices - 255 Piazza C.L.N. whilst in Asti, at the offices of 9 Via A. Bruno, the financial promotion office continues to be operative;

- on 5 July 2010 activities for the new Banca Sella branch at the Group's new registered offices began, located in Piazza Gaudenzio Sella no.1. Two separate areas have been activated in the new branch: a more "traditional" area with rooms dedicated to consulting and larger rooms available for customer use, and an "innovative/self-service" area, with a 24hr. annex zone;
- on 15 July 2010 Banca Sella opened a new branch in Villareggia, due to the transfer of the Biella Via Tripoli branch, which ceased its activities at the same time;
- on 31 August 2010, Sella Bank A.G. closed the Zurich offices, moving operations and accounts to the Lugano branch, now the new company head office.

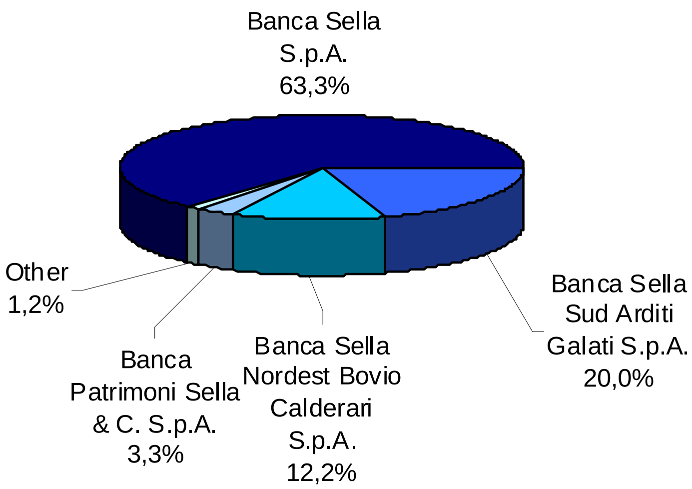
The diagram below shows the evolution in the number of Group branches in the last 10 financial years. It can be seen that in this time frame they have increased by 36,1%, from 246 in 2001 to 335 in 2010, witnessing the constant growth of the distribution network in the last few years.



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

Group bank branches				
Company	Branches at 31/12/2010	Proportion (%) of total 2010	Branches at 31/12/2009	Proportion (%) of total 2009
Banks in Italy				
Banca Sella Sud Arditi Galati S.p.A.	67	20,0%	67	20,0%
Banca Patrimoni Sella & C. S.p.A.	11	3,3%	11	3,3%
Banca Sella S.p.A.	212	63,3%	210	62,9%
Banca Sella Nordest Bovio Calderari S.p.A.	41	12,2%	41	12,3%
Banca Sella Holding S.p.A.	1	0,3%	1	0,3%
Total branches in Italy	**332**	**99,1%**	**330**	**98,8%**
Foreign banks				
Sella Bank A.G. - Svizzera	2	0,6%	3	0,9%
Banque BPP S.A. - Lussemburgo	1	0,3%	1	0,3%
Total branches abroad	**3**	**0,9%**	**4**	**1,2%**
Total Group branches	**335**	**100,0%**	**334**	**100,0%**
Geographical distribution of branches				
North West (Piedmont, Aosta Valley, Lombardy, Liguria)	167	49,9%	166	49,7%
North East (Veneto, Trentino, Emilia Romagna)	59	17,6%	59	17,6%
Centre (Tuscany, Lazio, Molise, Abruzzo, Marche)	35	10,4%	35	10,5%
South and Islands (Campania, Apulia, Sicily, Sardinia)	71	21,2%	70	21,0%
Abroad (Luxembourg, Switzerland)	3	0,9%	4	1,2%
Total branches	**335**	**100,0%**	**334**	**100,0%**

Percentage breakdown by company of the Group Bank branches



As shown in the table and chart above, the distribution network of the Group consists mainly (63,3%) of Banca Sella branches, while the second-largest Group entity, as regards the number of branches, is Banca Sella Sud Arditi Galati (with 20% of the total). Follow Banca Sella Nordest Bovio Calderari (12,2%) and Banca Patrimoni Sella & C. (3,3%). The remaining 1,2% is made up of the branches of the Group's foreign banks, Sella Bank (in Switzerland) and Banque BPP (in Luxembourg), and of the head office of the Parent Company Banca Sella Holding.

Financial promoters

The commercial network of Banca Patrimoni Sella & C. includes 295 financial promoters operating mainly on investment services at the bank itself and partly in synergy with other commercial channels of the Group.

The number of financial promoters in the Group as of 31 December 2010 stood at 295, 4 more than the 291 recorded for last year. They carry on their business at 11 branches and 21 financial promotion offices (at 31 December 2009, there were 25), distributed all over the country.

Private Banking

The Private Banking sector of the Banca Sella Group includes the companies Banca Patrimoni Sella & C., Selfid and Banque BPP, in addition to the Private Banking divisions of Banca Sella, Banca Sella Nordest Bovio Calderari, Banca Sella Sud Arditi Galati and Sella Bank A.G..

Total Group Private Banking deposits grew by 492 million euros in 2010, thereby consolidating the volume and economic growth trend already seen in 2009. During the year, there was an important redefinition of the customer asset mix, with a decrease in aggregates relating to repurchase agreements and direct deposits to the benefit of the securities administered and, above all, the assets managed, the component of which on the Italian system recorded net flow for more than 430 million euros, partially supported by the repositioning of liquid funds deriving from the so-called "tax amnesty".

Total stocks of the Private Banking sector of the Banca Sella Group as of 31 December 2010 amounted to approximately 11.153 million euros. The weight of private banking deposits within the Group has remained unchanged at around 40% with different percentage weights for the individual entities. The Private Banking Italy share has grown with regards to export, the weight of Sella Bank AG has remained unchanged, and that of Banque BPP has dropped.

With regards to the trend of revenues, net banking and insurance income for the Group Private Banking sector recorded a 16% improvement on last year. The main contribution, both in volume and economic terms, once again came from the Private Banking Italy segment, which recorded volume growth rates above the reference market[5].

For 2010 too, over performance commission (1,9 million euros) was positive, albeit to a lesser degree than 2009, whilst the good trend of net deposits and reallocation of assets have made a positive contribution to the increase in recurring commission and the total of income from services. The economic contribution of Assets Managed (up by 20,4% on last year) and Funds and SICAV (+59% on 2009) was particularly important.

Virtual banking channels

INTERNET AND MOBILE BANKING

As mentioned in the previous chapters, in 2010, the development of new Group customers has gone through a strengthening of the telematic channel and mobile banking.

The Internet Banking business has in fact recorded appreciable development rates both in terms of increasing the Group's banking customers and with regards to the increase in the number of on-line orders placed by customers.

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[5] *(Source: AIPB)*

In particular, during the year, the volume of orders made was more than 3,8 million transactions (an increase over the previous year of 12%) of which about 51% were transfers, 16% payments of contributions with F24 forms, 12% mobile phone top-ups and 8% prepaid card top-ups.

The new services launched in 2010 in the Internet and Banking segment comprise:

- the simplification of the authentication to telematic services (both home and mobile banking), eliminating the date of birth;
- the possibility of activating on-line chequebooks and receive them by post and viewing on-line certain details of cheques issued (such as the value and date of issue), as well as the number of cheques still available;
- the on-line display of the position in relation to the capital gain and overall optimisation of equity;
- the possibility of placing an on-line request to prepay loan instalments;
- the possibility for holders of no cost prepaid cards to transfer cash funds to accounts (held at the same or a different bank) and towards other cards;
- the on-line display of the list of transactions on debit cards;
- the integration of one-to-one marketing logics within the sector;
- the start-up of new on-line Skype and Click to Call video communication services that allow the customer to contact operators in order to receive face-to-face assistance and information;
- the introduction of the digital signature with the possibility of activating it on-line, changing the signatory PIN, revoking the service and viewing on-line the contracts signed digitally.

More than 200 thousand transactions were carried out by mobile, for the most part queries. The most important news in the field of Mobile Banking include:

- the new application specifically designed and created for iPad (the new Apple tablet PC that was launched in Europe early June);
- the launch of the Funds platform on the mobile website;
- the availability of the list of debit card transactions.

More specifically, with the application for iPad, customers can check the list of transactions and balance of their accounts and cards, as well as arrange for the main orders such as transfers and recharging mobile telephones and prepaid cards.

Through the Funds platform on the mobile website, investment funds can be subscribed and managed directly from the display of a mobile telephone. In greater detail, the new platform not only allows for the subscribing of a fund or SICAV that is part of the Banca Sella Group offer (totalling 800), also allows, with regards to products already subscribed and part of the investment portfolio, for a request for refund or switch at any stage, to view the list and details of orders issued in the last 30 days and to know the return of each fund and the characteristics of the different products, thanks to the Morningstar information sheets.

As concerns SMS, in 2010 the volume of informative SMS messages sent to customers of the Group banks grew by 21%, exceeding 7,6 million. Of these, more than 75% are Memo Shop, the service which enables customers to receive notification of transactions performed using their credit cards directly on their mobile phones. The number of customers registered for at least one SMS service grew by 23% compared 2009, reaching approximately 189 thousand.

TELEPHONE BANKING

In 2010, the volumes of calls received by the Telephone Banking service decreased by 28% on last year. The percentage of calls for orders dropped during the year to 71% from the 81% recorded for last year. This drop was caused above all by the decrease in trading orders (-33%), due to the unique situation of the financial markets.

Pursuing the objective of making an automatic channel available to customers, as an alternative to the telephone operator, and to allow them to operate and receive assistance independently, as from July, customers were able to obtain the outcome of orders entered onto the SellaXtrading platform directly through the automatic reply system. As from September, customers have also been able to independently recharge not only prepaid cards but also mobile telephones, with very positive results.

TRADING ON LINE

In 2010, the on-line trading business mainly developed on three guidelines:

- extension and evolution of the offer in product terms;
- commercial initiatives aimed at the acquisition of new Trader customers;
- development of activities consequent to the technical evolution of the market or regulations, such as, for example: the move to the new "Sola" platform of Borsa Italiana for trading in Italian derivative instruments; the use of a new engine for calculating and verifying the suitability/appropriateness of MIFID; the implementation of further controls by which to intercept possible cases of market abuse.

In relation to product innovation, the main project implemented for business development was the completion of the SellaXTrading and SellaExtreme 4 platforms, with the introduction of the on-line trading of derivative instruments. This integration has allowed for the introduction of higher performing applications, suitable to better meeting the demands of more evolved customers.

In order to increase the offer, in October, at the Tol Expo fair of Milan, the beta version of the Sella Trading Bridge service was presented. This application allows for the interfacing of external analysis systems or automatic trading systems with the Sella.it platforms, in server to server mode.

In 2010, on-line trading recorded an improvement in the Group position on the on-line bond market, thanks to a particularly complete offer that, under this scope, allows for trading on the MOT, EuroTlx and Hi-Mtf markets, through dynamic best execution. This trend has allowed for increasing income to be developed on this sector.

The trend of income from the Italian Derivatives market (Idem) has also been positive overall, whilst the trend in income relating to the foreign derivatives (Eurex) component has remained basically unchanged. Share segments instead came in slightly below forecasts, particularly with regards to the foreign share component. Finally, the limiting of costs linked to business proved to be very positive indeed.

Training of effective and potential customers was important and aimed at acquiring market shares, gaining the fidelity of customers already operative, carrying out cross-selling, spreading the financial culture and a greater awareness in investors of the approach to financial markets. In 2010, 82 training days were delivered in the main Italian cities, involving a total of 742 people through 5 different course types:

- Course on investments;
- Course on platform function;
- Prof. masters grant;
- Psychology in on-line trading;

- Workshop on derivatives.

Some remote courses were delivered in the form of live meetings (also referred to as "webinars"), a technology allowing customers to participate in training courses interactively and directly from their own homes.

As mentioned previously, the on-line trading department took part in the main events in the sector such as the “Investment & Trading Forum” in Rimini and “TOL Expo” in Milan. The participation in these initiatives allowed for the presentation of the offer and new products to the market and to consolidate the presence of Sella.it within the business.

Payment Systems Agents

As of 31 December 2010, the commercial network of the Banca Sella Group also included 63 Payment Systems Agents, up 7 on the 56 of 2009. The agents in possession of agency mandates issued by the company Easy Nolo promoting the Easy Nolo commercial services/products (e.g. POS hire, Fidelity and Gift Card Services) and the Acquiring service of Banca Sella Holding S.p.A. throughout national territory.

Other channels

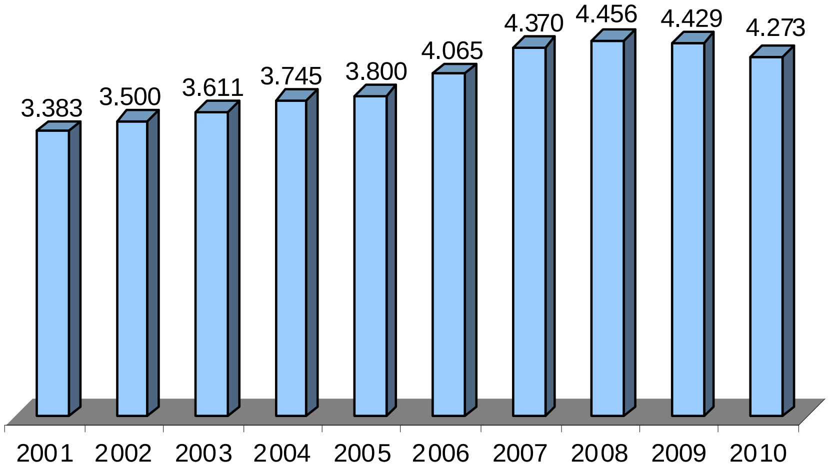
The Group’s commercial business is carried on also through 27 operating branches of Consel, company specialising in consumer credit that during 2010 has reduced its branches number by 3 units, having ended their activity the branches of Vicenza, Brescia and Varese. Biella Leasing, a company operating in the financial lease sector, is instead present on the territory with 9 branches, in addition to the Biella office.

The Group also operates through its companies working in the fields of asset management, IT services and insurance brokerage.

Management and development of human resources

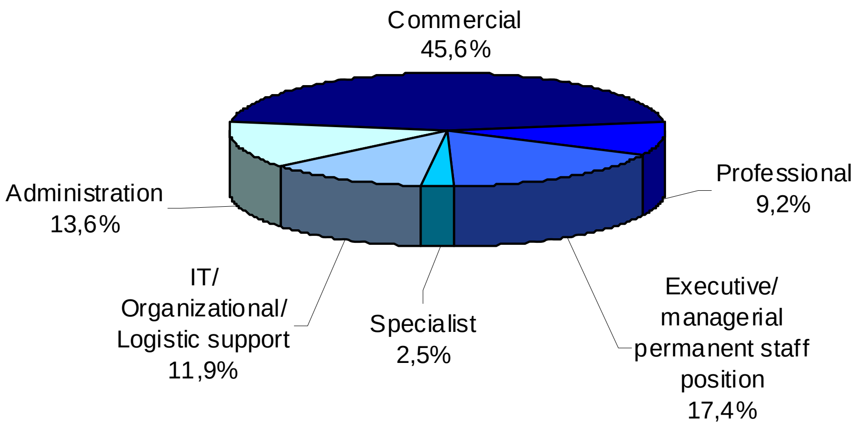
At 31 December 2010 the staff of the Banca Sella Group stood at 4.273 employees, a decrease of 156 compared with the figure at the end of 2009. As regards the banking group alone, (excluding companies in the insurance sector) at the end of the year the employees numbered 4.229, a decrease over 2009 of 154.

Evolution of the number of employees of the Group in the last 10 years



At the end of 2010 the average age of employees of the Group was approximately 37,6 years and women accounted for about 49% of the total work force. Both figures have increased over the previous year, in which the average age was 36,8 years and women accounted for about 48,2% of the total work force. The chart below provides a detailed breakdown of staff by professional category.

Distribution of personnel by category



The following table, instead, contains a breakdown of staff by company, with the corresponding percentage of the total workforce. Some of the variances in the number of employees of companies compared with last financial year are partly due to the transactions described in the section "Strategic issues" (to which you can refer in case of need of further information), with special reference to:

- the division of Sella Bank Luxembourg, by which effect the operations of Banque BPP S.A., a new bank incorporated under the laws of Luxembourg began in the Group, pursuing the banking activities of Sella Bank Luxembourg, whilst the pre-existing legal company Sella Bank Luxembourg S.A. continued to operate, changing its name to Miret S.A.;
- the incorporation of Sella Servizi Bancari S.C.p.A. Chennai Branch, as a "permanent establishment abroad" of Sella Servizi Bancari, which purchased the IT assets of Sella Synergy India Ltd..

GROUP STAFF STRUCTURE						
Company	**Employees at 31/12/2010**	**Proportion (%) of total 2010**	**Employees at 31/12/2009**	**Proportion (%) of total 2009**	**Changes**	
					absolute	**%**
Banking group						
Banca Sella Holding S.p.A.	312	7,3%	343	7,7%	-31	-9,0%
Banca Patrimoni Sella & C. S.p.A.	187	4,4%	186	4,2%	1	0,5%
Banca Sella Sud Arditi Galati S.p.A.	387	9,1%	402	9,1%	-15	-3,7%
Banca Sella S.p.A.	1.495	35,0%	1.536	34,7%	-41	-2,7%
Banca Sella Nordest Bovio Calderari S.p.A.	201	4,7%	224	5,1%	-23	-10,3%
Banque BPP S.A.(1)	30	0,7%	-	-	30	-
Biella Leasing S.p.A.	59	1,4%	59	1,3%	-	-
Consel S.p.A.	262	6,1%	261	5,9%	1	0,4%
Easy Nolo S.p.A.	2	0,0%	5	0,1%	-3	-60,0%
Miret S.A.(1)	5	0,1%	37	0,8%	-32	-86,5%
Selir S.r.l.	244	5,7%	227	5,1%	17	7,5%
Sella Bank A.G.	32	0,7%	34	0,8%	-2	-5,9%
Sella Gestioni SGR S.p.A.	58	1,4%	68	1,5%	-10	-14,7%
Sella Servizi Bancari S.C.p.A.(2)	953	22,3%	829	18,7%	124	15,0%
- of which Sella Servizi Bancari S.C.p.A Chennai Branch	*150*	*3,5%*	-	-	*150*	-
Sella Synergy India P.Ltd.(2)	-	-	168	3,8%	*-168*	*-100,0%*
Selgest S.A.	2	0,0%	4	0,1%	-2	-50,0%
Total Banking group	**4.229**	**99,0%**	**4.383**	**99,0%**	**-154**	**-3,5%**
Insurance companies						
Brosel S.p.A.	17	0,4%	17	0,4%	-	-
CBA Vita S.p.A.	21	0,5%	23	0,5%	-2	-8,7%
Sella Life Ltd	6	0,1%	6	0,1%	0	0,0%
Total insurance companies	**44**	**1,0%**	**46**	**1,0%**	**-2**	**-4,3%**
TOTAL GRUPPO BANCA SELLA	**4.273**	**100,0%**	**4.429**	**100,0%**	**-156**	**-3,5%**
AVERAGE TOTAL GRUPPO BANCA SELLA	**4.351**		**4.443**		**-92**	**-2,1%**

(1) As of 31 December 2010, the workforces of Miret S.A. and Banque BPP S.A. were involved by the spin-off of Sella Bank Luxembourg S.A.. For more information on the transaction, please refer to chapter "Strategic issues" of this Consolidated Report on Operations.

(2) As of 31 December 2010, the workforces of Sella Servizi Bancari S.C.p.A. and Sella Synergy India P.Ltd. report the effects of the transaction involving the companies that resulted in the Sella Servizi Bancari S.C.p.A. Chennai Branch, "permanent establishment abroad" of Sella Servizi Bancari, which acquired the IT activities of Sella Synergy India. For more information on the transaction, refer to the chapter "Strategic issues" of this consolidated report on operations.

Analysing this data we can see that, also as a consequence of the transactions mentioned above, the companies with the highest proportion of the total number of staff are Banca Sella, the main network bank of the Group (with 35% of the total), and the consortium Company Sella Servizi Bancari (22,3% of the total). The third force, as to number of staff, is Banca Sella Sud Arditi Galati with 9,1% of the total.

The foreign companies of the Group (Selir in Romania, Sella Bank in Switzerland, Banque BPP, Miret and Selgest in Luxembourg, Sella Life in Ireland and Sella Synergy India in India) together account for 7,3% of the total. If we add the figure relating to Sella Servizi Bancari Chennai Branch, the permanent establishment in India of the consortium company to this, the weight on the total rises to 11%.

Training

In 2010 too, as for last year, the Banca Sella Group has identified a critical factor in the people and their professionalism, by which to continue its success story and customer services in the current macroeconomic scenario. Training has therefore been placed at the centre of the personal development and management policy, and activities continued in the "Corporate University" project, aimed at creating a structure dedicated to training, with the aim of:

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

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

As regards the content of training activities, alongside the traditional subject areas (legislation, operations, conduct and technical and commercial aspects), in 2010 a number of specific projects continued, that had been launched in 2009, for the development of organisational skills of employees working in the offices and of commercial skills, for employees in the Italian commercial network. During the year, two training projects were started-up - one in credit and another for the private banker network - characterised by sessions for assessing the skills of participants before courses, which guided the design. In view of the significant new features arising in money laundering matters, training was delivered in a virtual classroom, involving the entire Group commercial network.

Overall, in the Group as a whole about 170 thousand hours of training were provided, of which about 61 thousand in the form of e-learning. The total amount of hours is in line with last year, whilst the division between corporate and external courses has changed, with a significant increase (+140%) of training delivered with in-house Group teachers: this set-up which anticipates that of the future "Corporate University" intends to support the spread of corporate culture and values.

In greater detail, the training hours delivered are divided up as follows:

- courses in the company: 109 thousand hours;
- external courses: 61 thousand hours.

As in 2009, the training work involved about 95% of the personnel at a cost of 1,2 million euros.

At the end of the year 1.711 members of staff were qualified as insurance brokers, (-3% as compared with last year), of whom 10% were employees trained and certified during the year, while the remaining 90% consisted of staff trained for the annual renewal of certification awarded in previous years.

As regards e-learning instruments, in 2010 the use of virtual rooms was increased (approximately 21 thousand hours, equal to 12% of the total hours delivered), as this method combines the advantages of synchronous learning with the organisational advantages of e-learning, meeting the need for reconciling work and family.

FOCUS ON 2010-2012 STRATEGIC PLAN

"Management of human resources"

With the aim of increasing quality, motivation, fidelity, involvment and personal growth of the staff in 2010-2012 strategic plan have been identified actions in the following contexts:

- staff selection;
- professional redevelopment;
- internal growth, management of talent and skill mapping;
- corporate university and professional update;
- rewarding and merit-based system;
- monitoring and measurement of internal climate.

» OPERATIONAL STRUCTURE

Research and development

A.B.I. ASSOCIATED WORKING PARTIES

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

Among these it is worth noting:

- within the ABILAB (Centre for Research and Development of Technologies for Banks, established in 2002 following an initiative of the Italian Banks Associations – ABI - with the purpose of creating a meeting point between banks and ICT Partners and to carry out research and development on innovative technologies for the management of processes, channels and bank security), the work Groups: "Technologies for the branch of the future", "Electronic document processing", "Alarm register against IT attacks" and Observatories: "TLC Observatory", "IT Architecture Observatory", "Bank Call Center Observatory", "Business Continuity Observatory", "Processes Observatory";
- the "Pillar 2" work group and the relevant subgroups "Concentration Risk by geo-area Laboratory" and "Stress test Laboratory ", "Liquidity contingency plan", "Liquidity ratios";
- the plenary work group "Basel 2010" and the related sub-groups "Quality of capital and leverage ratio", "Liquidity risk";
- the work groups under the scope of Anti-crime security "Technical study group for anti-crime security", "Cash group";
- the work groups within the Credit sector: "Land credit and Mortgages", "Microcredit and loans to social enterprises", "Guarantees", "Consumer Credit", "Small business";
- the work group within the Payment System sector: "Cheques", "Commercial revenues", "Payments", "Payment cards";
- the work groups within the tax sector: "Tax reform", "Registration tax on bank contracts", "New VAT territorial regulations";
- the work group "Internal communication";
- the work group "Claims Office";
- the work group "Consumer Bank", headed by the Consumer Organisation Relations Department, at the A.B.I. and under which scope experiences and initiatives, aimed at strengthening dialogue and synergies with the Organisations.

The Banca Sella Group participated in the QIS6 (Quantitative Impact Study), an articulated quantity impact study promoted by the Basel Committee to estimate the effect of the review of the bank prudential regulation (commonly known as Basel 3). This study was carried out using consolidated data, supplied by a broad international sample of banks. The Banca Sella Group is in the sample selected by the Bank of Italy, which involves 22 intermediaries, equal to approximately 75% of the total assets of the Italian banking system.

INFORMATION TECHNOLOGY

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

The most significant activities carried out during the year include:

- the conclusion of the ReHosting project, which has resulted in the physical disposal of the Bull mainframe and generated, in addition to cost savings, also significant improvements in applicative performance and a drastic reduction in the time needed to activate the secondary site if necessary;
- the review of the solutions adopted by the Printing Centre, which, through the various methods of aggregation and the making available of documents in electronic format for telematic users has involved a reduction in postal volumes with consequent lesser environmental impact and, thanks to the use of alternative postal suppliers, generated significant cost savings;
- continuation of activities aimed at keeping up with changes in the Information System, in particular in relation to: MIFID, PSD, Usury, Beneficial transfers, Anti-crisis Decree, Transparency, "Patti Chiari";
- under the scope of Green IT, in addition to the above-specified disposals of the mainframe, consolidation initiatives were developed for the existing machines fleet and the solution was extended to cover the Linux environment too; the very positive results concerned both the energy saving component and the major reduction in the physical space required in the machines room;
- the adoption of VOIP telephone solutions and the review of the Group fax system using FOIP technology;
- the release on the new trading application of the derivative component, which has led to the integration into a single advanced trading platform of all financial instruments with the gradual migration of customers from the old to the new platform;
- the release and integration of the digital signature solution, which will allow for the automation of the internal processes relating to the subscription of new products, encouraging both internal efficiency and customer services;
- the continued extension of the number of functions of the Corporate Computer System exposed through services (SOA), thereby allowing for an extension of the functions offered on the multi-channel platforms of mobile banking and internet banking;
- the introduction of a new innovative solution under the scope of the corporate Datawarehouse, which has allowed for merged performance in accessing corporate information together with a significant reduction in the space occupied by the database;
- the review of IT processes relating to the supply of services in ITIL terms, with the introduction of an infrastructural solution with which to govern these for the Service Operation component;
- ongoing migration of IT system procedures to the new “open” technology based on the three-level architecture that constitutes implementation of the concept of a “system of reusable services” generating operational efficiency;
- the pursuit of the work to optimise procedures, with a view to improving and increasing the efficiency of both processes and resource use;
- the review of processes and control methods under the scope of software development with the aim of generating greater efficiency;
- updating of the Data Centre by renovating the technology of central processing units, with the purpose of keeping them up to date and making them suitable for supporting the growth in volumes, also allowing a reduction in energy consumption with Green IT solutions;
- progressive adoption of open source software on production solutions;
- release of the new corporate intranet with the introduction of own solutions of Web 2.0 and the introduction of a search engine based on Google technology;

- regulatory adaptation of inter-connection to the derivatives market on the new "Sola" platform;
- release of dedicated applications for the use of mobile banking services on iPhone and iPad;
- research and development focussed on the selection of the technological solution with which to apply a review of the interfaces of the computer system from a multi-device standpoint in 2011.

Report on corporate governance and ownership structure

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

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

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

Internal controls

In 2010, the strategy that attributes a crucial role to the management of audits continued. The Banca Sella Group continues to invest in reinforcing the internal audit system in terms of efficiency and effectiveness, strengthening the structures appointed to audits and, at the same time, ensuring that the system is continually updated to take account of changes in the relevant standards. This orientation is reflected, in particular, in a detailed plan of action which was launched in 2005 and which has been constantly updated further to take into account the experience acquired and the existing best practices in the System, which operate on four guidelines:

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

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

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

a) Control of the rules and processes

The Group’s organisational framework is the basis of its stability, efficiency and profitability. In particular a complex organization, such as the Banca Sella Group is today, requires the processes to be well structured, subject to appropriate audits and based on clear and efficient rules.

This is why, in a bid to strengthen the organisational structure and extend coverage and efficiency of the internal audits system, 2010 also saw a continuation of the mapping of processes with a particular focus on the audits within these, and an assessment of the mitigating effect of the audits on these risks.

To every 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;
- 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).

With a view to pursuing the continuous improvement of the Group's capacity to intercept symptoms of process vulnerability in advance and have an immediate perception of the areas most greatly exposed to risks, in 2010 a reorganisation project was initiated involving business processes with an "end-to-end" approach[6]. This project, which is set to continue in 2011 too, involves processes being regrouped into macro-processes and then into macro-classes. An operating risk rating will also be assigned, not only to the individual process but also to the higher levels of regrouping, with a view to providing an overview of the vulnerability of the entire process chain and planning action to reduce comprehensive exposure to operating risk.

b) Continuous monitoring of adequacy of the rules

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

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

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

The input of the "Audit Cycle" process is the identification of anomalous events detected in the previously mentioned software procedure. Anomalous events include inspection findings, audit findings and non-conformities, disservices and malfunctions, claims and operative losses.

The anomalous event gives rise to:

- immediate assessment of the corresponding degree of seriousness: each anomaly is classified on the basis of a scale divided into discrete classes of growing risk from 1 to 5;
- an immediate solution (so-called "left cycle"), the aim of which is to neutralise immediately the effects of the anomaly, implementing, at the same time, continuous and/or extraordinary supervision until the root causes of the anomalous event have been definitively dealt with;

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

- the definitive solution (so-called “right cycle”), the aim of which is to remove the causes of the event definitively to prevent it from occurring again in the future. As a result of this it may become necessary to make some changes to the organization of processes or IT systems, to audits and/or to internal rules.

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

- improve the culture of risks, management of anomalies and service levels;
- identify, survey and analyse anomalies to create a statistical base that is also useful for assessing the vulnerability of the single processes and the exposure to risk of single sectors, activities, businesses and companies;
- rigorously track the responsibilities for and progress in eliminating anomalies;
- render the process of following up anomalies more effective and controlled;
- govern and supervise implementation of follow-up actions;
- guide the identification of the intervention priorities for an improvement of processes in order to mitigate operational, non-conformity and reputational risks;
- lay the foundations for the new Information Flow Rules of the Group.

In 2010, it worked to strengthen follow-up activities, which were centralised at a single structure of the consortium company Sella Servizi Bancari, referred to as "Operative Controls". Follow up activities consist in verifying that the solutions adopted to remove the events are able to prevent the same situation from recurring in the future. The concentration of these activities makes it possible to have a single actor for Group services/companies in terms of follow-up, focusing interventions on anomalous events of a relevant degree (level 3) or greater (4 and 5), which are the result of anomalies in terms of poor service, claims, or inspection reports, whether they derive from reports prepared by inspection offices or the compliance department, as well as for all anomalies reported by regulators for any Group companies.

The monitoring of technological, process, business and product innovations is constantly active by the second level audit structures, which carry out preventative and in-depth checks on the compliance of new products with current regulations and the Group guidelines, with the aim of creating good products and services, in line with the customer's demands, mitigating the risks related to commercial activity. In these terms, the checks focus on the structure and characteristics of products, guaranteeing compliance with Transparency regulations. To this end, a specific procedure has been designed to be followed for the approval and creation of a new product/service, through the use of a specific sheet aiming to guide the entire process.

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

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

c) Controls and inspection of the compliance with rules

In 2010, qualitative and quantitative reinforcement continued of the services responsible for second and third level audits, and the continual refinement of the organisation of activities, also improving the flows of information between the various audit structures.

Second and third level control units (Risk Management and Control, Compliance, Internal Audit) remain within the Parent company, in order to maintain a high degree of independence and authority, indispensable for guaranteeing effective control and ensure, as its ultimate aim, the Group's stability with respect for sound and prudent management principles. In order to execute direction, coordination and control activities, on the other hand, as of April 2009, the Parent Company has been making instrumental use of the consortium company Sella Servizi Bancari. This has the same structure as the audits system used by the Group, however, while the line control structure operates within the individual services of Sella Servizi Bancari, it does not have its own third and second level control structures; its activities, due to the strategic and functional importance of the consortium company in the Group, are directly controlled by the structures of the Parent company.

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

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

d) Growth of professional competencies and control culture

The growth of professionalism and the audit culture are pursued by paying careful attention to resources, whether directly operating as audits or in operative departments, ensuring constant professional growth through the use of external training and constant professional and regulatory updates, also through participation in inter-banking work groups. The resources operating in units not directly involved in control activities are subject to continuous professional training aimed at spreading the control culture to all levels.

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

FIRST LEVEL CONTROLS

First level controls are designed to ensure the correct performance of operations and are carried out by the same operational units or included within IT support procedures.

As regards first-level or line controls the following activities continued:

- automating manual controls;
- introducing new controls deriving from the aforementioned comprehensive analysis of processes and risks;
- reinforcing central monitoring of the outcome of peripheral controls.

SECOND LEVEL CONTROLS

Under the scope of second level or risk audits (which are carried out by structures other than production units), the improvement was pursued of quantitative and qualitative instruments for the measurement of exposure to risk and professional skills grew of the structures appointed, through suitable internal and external training.

The main activities performed by the Risk Management and Control service of Banca Sella Holding include:

- constant improvement of the "Audit Cycle" organisational process. The following are the main interventions developed in 2010:
    - standardisation of control departments of the criteria used to assign severity levels to anomalies;
    - centralising at a single structure (Operational Controls of Sella Servizi Bancari) of follow-up activities for a more efficient monitoring of anomalous events of a significant level (level 3) or greater (4 and 5);
- continuous, proactive and effective monitoring to prevent external IT attacks (including phishing);
- improvement of Risk Self Assessment activities, (coordinated by the Risk Management and Control with the involvement of all the departments and the process owner companies), with the ensuring more detailed study of the mapping of processes through a quantification, in terms of both financial impact and frequency of occurrence, of possible risk events, and therefore of losses, identified in the business processes;
- the review of the computational methodology used to determine the "Internal Operational Risk Rating", the indicator adopted by the Banca Sella Group to measure the exposure of the Group companies/Parent company areas to operating risk. The new methodology was definitively activated in January 2011;
- evolutionary maintenance of credit risk measurement processes and procedures, including:
    - the rating system for determining the credit quality of corporate and large corporate segments;
    - scoring system for determining the credit quality of private customers and companies internally defined as Small Business and Small and Medium Businesses;
    - IT procedure for identifying legal and economic bonds existing among customers;
    - monitoring of risk-adjusted return;
    - processes and procedures to check the admissibility requirements of credit-risk mitigation techniques;
- the continuous strengthening of the monitoring of market risks;
- the strengthening of controls on the suitability of portfolios invested in financial instruments;
- improvements in the management and control of Second Pillar risks identified in the Basel 2 standards and subject to measurement/assessment in the context of the ICAAP process. More specifically, we note the following:
    - improvements in the process of measuring and controlling the interest rate risk and the modelling used;
    - the constant refinement of the indicators adopted to monitor the liquidity risk, with a view to aligning these to future new standards proposed by Basel 3;
- maintenance of risk control and management policies;
- estimate of the quantity impact of the new equity rules dictated by the revised bank prudential regulation (Basel 3).

Again in 2010, the Banca Sella Group carried out an independent valuation of the Group's capital adequacy, both in current and prospective terms, in relation to the risks assumed and assumable and the corporate strategies, formalised in the drafting of the ICAAP report, sent to the Bank of Italy.

The company bodies of the Parent Company govern the entire ICAAP process and, in compliance with the Supervisory regulations, promote the update, in order to ensure that it continuously meets the operational characteristics and context in which the Group works.

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

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

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

The compliance unit controls risks by:

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

In Banca Sella Holding, the "BSH Compliance" department is operative, permanent and independent and an integral part of the internal audit system, located in staff to the Managing Director. Each company of the Banca Sella Group has assigned the responsibility for compliance to an internal compliance manager or, by virtue of specific outsourcing contracts, directly to the Parent Company division.

The compliance unit is the owner of the process by the same name and implements all activities required in order to complete this process in an efficient, effective manner. In greater detail, the application of the compliance process provides for the responsibilities described below, under its scope of competence:

- it proposes the guidelines at the Group level as regards the management of compliance risk;
- it continuously identifies the rules that apply to Group companies;
- it provides the companies concerned with a schematic assessment of the regulatory impact and the attribution of the related compliance risks, asking the local Compliance Manager, where present, to oversee the regulatory adaptation at the company of reference;
- it ensures that the processes, procedures, products and services offered comply with the self and hetero-regulation provisions;
- it provides advisory assessment to the Top Management on the regulatory compliance of innovative projects and on the prevention and management of the conflicts of interest;
- supply advice and assistance to significant subjects appointed to perform services, in order to ensure fulfilment of the obligations laid down in the legislation;
- it checks the consistency of the bonus system with the targets of compliance with regulations;
- it agrees courses and training seminars with human resources on compliance matters, both of a general nature and on specific subjects, in order to ensure the promotion and diffusion of a culture of legality and compliance and to prevent the compliance risk;

- at least once a year, it presents the company bodies with the report on activities, in accordance with that established by sector regulations;
- it draws up regular reports on the instances of non-compliance detected.

THIRD LEVEL CONTROLS

In the area of third-level controls, or internal audit, it is important to note that the Group Internal Audit Department is made up of five services: General and Foreign Inspectorate, Insurance Inspectorate, SIM Inspectorate, Edp Auditing and Internal Audit, which operate with the purpose to identify anomalous trends, violation of procedures and external and internal regulations, and to assess the functionality and appropriateness of the whole internal control system and report any potential risks identified during inspections. The Internal Audit Department reports to the Board of Directors of the Parent Company and, when the Board is not in session, it is under its Chairman; the services of which it is made up carry on their work, in accordance with their respective responsibilities, in close collaboration and under the guidance of the Internal Audit Manager, who, in turn, assists the Audit Committee[7], to which he or she reports.

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

In 2010 it worked to:

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

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

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

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

The regular routine meetings with the managers of the inspection and audit units of the other Group companies were also held; they are an important occasion for the exchange of information on the outcome of the audits and on the anomalies that have emerged, and for discussing and agreeing on methods of work and updating;

- make its measurement system consistent with that of other first and second-level control units.

The relevant control activities of the Internal Audit Department mainly focused not only on the Parent company, but also on the consortium company Sella Servizi Bancari with planned and unplanned inspections and audits, and with the subsequent follow-up of corrective actions.

Particularly, the inspections performed by the Internal Audit Department during the year had the purpose of:

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

From an exclusively quantitative and statistical point of view, considering a workforce of 27 units in 2008, 26 in 2009 and 25 in 2010, the audits carried out by the Internal Audit Department on site and remotely can be summarised as follows:

INTERNAL AUDIT ACTIVITY			
Audits of:	**2010**	**2009**	**2008**
- Areas/Services/Processed of the Parent company Banca Sella Holding S.p.A.	29	40	58
- Areas/Services/Processes of Sella Servizi Bancari S.C.p.A.	38	24	-
- Other Group companies and/or their Central Services/Processes	19	15	21
- Banca Sella S.p.A. peripheral business units (with outsourcing contracts)	15	23	31
Total	**101**	**102**	**110**

SUPERVISORY AND CONTROL COMMITTEE Lgs. Degree 231/01

During the year, the Supervisory and Control Committee pursuant to Italian Legislative Decree no. 231/01 of Banca Sella Holding duly went about its business, both in terms of assessing the need to update the "Organisation, Management and Control Models" and to monitor the application of the complex system of internal rules that govern the execution of the various company activities.

During 2010, the "Models" were not updated as the Committee did not see the immediate need to do so, as the new regulatory features introduced were only relative. More specifically, we note the following:

- Italian Law no. 96 of 4 June 2010 (Provisions for compliance with obligations deriving from Italy's belonging to the European Community - 2009 Community Law), by virtue of which the Government is appointed to adopt, within terms of nine months as from the date on which the law comes into force, one or more legislative decrees in order to incorporate provisions on the criminal protection of the environment and pollution caused by ships and the introduction of sanctions for breaches. With these legislative decrees, the Government must:

   a) introduce the afore-specified crimes amongst the crimes pursuant to section III of chapter I of Italian Legislative Decree no. 231/01 and subsequent amendments;
   b) with regards to the entities in whose interests or to whose benefit any of the crimes pursuant to letter a) have been committed, provide for suitable, proportional pecuniary administrative sanctions, confiscation, publication of the sentence or prohibitions, in compliance with the principles of standardisation and equivalence with respect to the sanctions envisaged for similar situations and, in any case, up to the maximum limits established by articles 12 and 13 of Italian Legislative Decree no. 231 of 8 June 2001;

- Italian Law no. 136 of 13 August 2010, which establishes amendments to Italian Legislative Decree no. 81/2008 in terms of health and safety at work.

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

Said inspections aimed at ascertaining the degree of applications of the rules established within internal regulations, such as: the correct preparation of proceedings to obtain contributions for training staff, organisation and controls relating to tax compliances in relation to stamp duty on banker's drafts issued by the Bank, the application of regulations to fight money laundering, the application of regulations on health and safety at work, the incorporation of requests for information and acquisitions documented and received by the supervisory bodies, the application of internal regulations for e-commerce, the control system for the opening of relations with trustee companies.

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

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

Service level monitoring

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

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

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

The 2010 dashboard has been adapted to suit the changes in the organisation as they have come into effect during the period.

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

At 31.12.10 the Group Dashboard recorded a total annual average service level of 99,954%, an improvement of 0,047% compared with the result for 2009 (99,907%).

» RESULTS FOR THE YEAR
INCOME DATA

Reclassified income statement *(euro million)*

Item	31/12/2010	31/12/2009	% change over 2009
10 Interest and similar income (1)	408,7	467,7	-12,6%
20 Interest and similar expenses (1)	(117,6)	(179,4)	-34,4%
70 Dividends and similar income	2,6	2,0	32,1%
NET INTEREST INCOME AND DIVIDENDS	**293,7**	**290,3**	**1,2%**
40 Fee income (1)	305,8	281,6	8,6%
50 Fee expenses (1)	(83,7)	(76,8)	9,0%
80 Net gains/(losses) on trading activities (1)	16,7	33,5	-50,0%
90 Net gains/(losses) on hedging activities	0,3	(1,1)	-
Net income from service	**239,0**	**237,2**	**0,8%**
150 Net premiums	443,2	235,4	88,3%
Other costs/income pertaining to insurance activities (1)	31,8	33,0	-3,6%
110 Net gains/(losses) on financial assets and liabilities at fair value through profit or loss	(6,4)	15,2	-
160 Balance of other income/expenses from insurance operations	(462,1)	(271,9)	69,9%
Net income from insurance activities	**6,5**	**11,7**	**-44,4%**
NET BANKING AND INSURANCE INCOME	**539,2**	**539,2**	**0,0%**
180 Administrative expenses:			
a) Personnel expenses	(238,7)	(248,1)	-3,8%
IRAP on personnel and seconded personnel expenses (2)	(7,9)	(8,7)	-9,3%
b) Other administrative expenses	(148,9)	(155,1)	-4,0%
Recovery of stamp duty and other taxes (3)	23,5	23,7	-1,1%
200 Value adjustments on tangible assets	(18,3)	(19,9)	-8,0%
210 Value adjustments on intangible assets	(15,3)	(14,3)	6,6%
220 Other operating expense/income (after deducting "Recovery of stamp duty and other taxes")	14,2	14,2	-0,6%
Operating costs	**(391,5)**	**(408,1)**	**-4,1%**
OPERATING PROFIT/(LOSS)	**147,7**	**131,1**	**12,7%**
190 Net provisions for risks and charges	(4,9)	(6,6)	-25,9%
130 Net value adjustments for impairment on:			
- loans and receivables	(96,4)	(83,8)	15,1%
- financial assets available for sale	(0,3)	(1,8)	-84,0%
- other financial transactions	(0,0)	(0,6)	-93,4%
100 Gains/(losses) on sale or repurchase of:			
- loans and receivables	(2,7)	0,7	-
- financial assets available for sale	10,1	11,1	-9,0%
- financial liabilities	(0,3)	1,4	-
240 Gains/(losses) on equity investments	(0,2)	(1,5)	-86,8%
260 Impairment of goodwill	(0,5)	(1,4)	-62,0%
270 Gain/(loss) on disposal of investments	0,4	0,1	584,4%
PROFIT FROM CONTINUING OPERATIONS BEFORE TAXES	**52,9**	**48,7**	**8,8%**
290 Income taxes for the period on continuing operations (after deducting "IRAP on personnel and seconded personnel expenses")	(23,9)	(19,6)	21,9%
PROFIT FROM CONTINUING OPERATIONS AFTER TAXES	**29,1**	**29,1**	**-0,1%**
310 Profit/(losses) on asset disposal groups held for sale after tax	(9,0)	-	-
PROFIT/ (LOSS) FOR THE YEAR	**20,1**	**29,1**	**-31,0%**
330 Profit/(loss) for the period pertaining to Parent Company	**19,0**	**26,8**	**-29,1%**
340 Profit/(loss) for the period pertaining to minority interests	**1,0**	**2,2**	**-53,5%**

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

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

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

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

As described in the previous chapters, 2010 has been marked by a slow continued economic upturn, which has remained affected by tension, first and foremost concern as to the sustainability of the public debt of some countries of the euro area.

In this difficult situation, the Banca Sella Group closed the 2010 financial year with an income of 20,1 million euros, of which 19 pertaining to the Parent company. When compared with the previous year, in which profits pertaining to the Parent Company totalled € 26,8 million, a decrease of 29,1% can be seen.

The main factors which determined the performance in financial year 2010 (set out in the analysis of the Reclassified Income Statement) are:

- the substantial stability of net banking and insurance income;
- the positive effect of the work to limit operating costs, which are down (-4,1%) on last year, thanks above all to the trend of administrative expenses;
- a 15,1% increase in value adjustments for impairment losses, mainly due to the difficult external economic scenario;
- the effects of impairment of the investment held in Banca Monte Parma S.p.A., which has generated losses on asset held for sale net of taxes for an amount of 8,4 million euros.

A short description of the performance of the main companies of the Group follows (comments refer to the results obtained, applying the accounting standards used to prepare the separate financial statements). For a more detailed analysis of the results of the single companies, see the specific section of this report entitled “Group Companies”.

The parent company Banca Sella Holding recorded a lower result than 2009, above all due to the effects of the negative trend of some of the subsidiaries. The contribution of the Group banks operating in Italy mainly in the retail sector (Banca Sella, Banca Sella Sud Arditi Galati and Banca Sella Nordest Bovio Calderari) to consolidated profits continued to be affected by the difficult external context which characterised the financial year, proving lower than that of the previous years.

As far as foreign banks are concerned, the Swiss Sella Bank AG confirmed its ability to make profits, although with a slight reduction compared with last year. Banque BPP, the new Luxembourg bank created from the division of Sella Bank Luxembourg (as described in the previous chapters), closed its first year with a positive result.

Biella Leasing, a company working in the leasing business, once again in 2010 proved to be one of the main sources of income for the Group with higher profits compared with last financial year. The same applies to Consel, a company specialised in consumer credit, which despite the sector difficulties, this year too further improved its performance on last year, and to Banca Patrimoni Sella & C., the Group's private bank, which achieved a considerably better result than it had in 2009.

The profit of Sella Gestioni SGR, a company operating in the sectors of assets management, individual assets management and supplementary welfare, instead was less than that recorded last year. In the insurance sector, C.B.A. Vita, a company specialised in the sector of life assurance policies, ended 2010 with a loss mainly deriving from the negative result of financial management.

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

R.O.E.[1]		
Company	31/12/2010	31/12/2009
Banca Patrimoni Sella & C. S.p.A.	7,0%	1,9%
Banca Sella S.p.A.	2,5%	2,4%
Banca Sella Nordest Bovio Calderari S.p.A.	-15,5%	-11,6%
Banca Sella Sud Arditi Galati S.p.A.	1,4%	4,9%
Banque BPP S.A.	2,5%	
Biella Leasing S.p.A.	13,1%	11,4%
Brosel S.p.A.	14,2%	20,9%
C.B.A. Vita S.p.A.	-10,5%	6,1%
Consel S.p.A.	3,2%	2,4%
Easy Nolo S.p.A.	28,1%	22,8%
Family Advisory SIM S.p.A. Sella & Partners	-6,2%	
Miret S.A.	-17,9%	
Selfid S.p.A.	12,0%	16,1%
Selgest S.A.	-13,5%	-77,0%
Selir S.r.l.	79,0%	31,3%
Sella Bank AG	5,2%	10,5%
Sella Servizi Bancari S.C.p.A.	-1,5%	-1,1%
Sella Gestioni SGR S.p.A.	2,5%	7,4%
Sella Life Ltd.	1,0%	-9,4%
Sella Synergy India P.Ltd.	-19,9%	242,7%

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

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

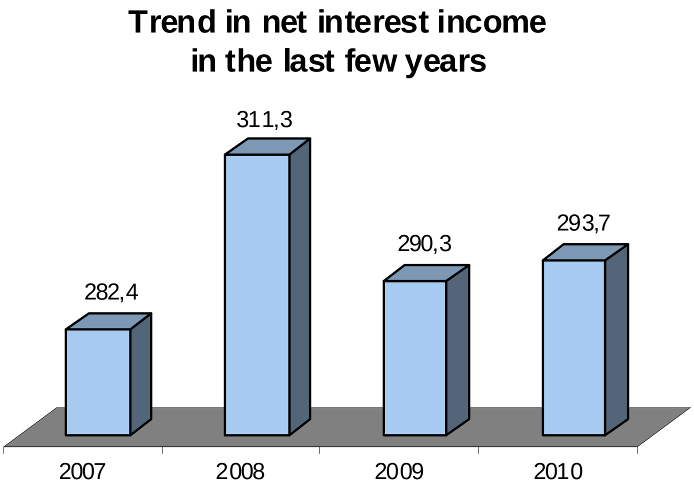
Net interest income and dividends

Net interest income amounted at 31 December 2010 to 293,7 million euro: comparison on an annual basis reveals an increase of 1,2% over the previous year.

This result is due to:

- the positive growth in turnover with customers;
- a financial scenario characterised by a still low market interest rate level, which limited the adaptation of deposit remuneration rates, given the objective uncontainability under certain levels, causing a significant worsening of the spread;

The chart below shows that net interest income remained on good levels compared to last year.



A breakdown of the items that come together to form the net interest income stated in the table below shows that operations with customers produced net interest of 321,8 million euros, showing a slight decline on 2009. The total of net interest settled at 291,1 million euros, up 1% on last year.

The item Dividends and other income, amounting to 2,6 million euros, presents growth of 0,6 million euros on 31 December 2009.

With regards to net interest on insurance activity gave a good performance, standing at 31,2 million euros, with a growth of 10% over last financial year.

Including the insurance component, the total net interest income, equal to 324,9 million euros, therefore recorded a 2% increase on the 318,6 million of 2009.

Net interest income and dividends *(euro millions)*

Item	31/12/2010	31/12/2009	Change	
			absolute	%
Net interest with customers	321,8	330,0	(8,2)	-2,5%
- interest income	356,7	397,7	(41,0)	-10,3%
- interest expenses	(34,9)	(67,7)	32,8	-48,4%
Interest income on financial assets	40,9	38,2	2,7	7,1%
Interest expenses on securities	(32,3)	(53,8)	21,5	-40,0%
Net interbank interest	2,0	12,0	(10,0)	-83,4%
- interest income	5,2	16,2	(11,0)	-67,9%
- interest expenses	(3,2)	(4,2)	1,0	-24,2%
Hedging differences	(41,5)	(38,4)	(3,1)	8,0%
Other net interest	0,2	0,3	(0,1)	-30,7%
Total net interest	**291,1**	**288,3**	**2,8**	**1,0%**
Dividends and other income	2,6	2,0	0,6	32,1%
Net interest income and dividends of banking group	**293,7**	**290,3**	**3,4**	**1,2%**
Net interest on insurance activity	31,2	28,3	2,8	10,0%
Total net interest income	**324,9**	**318,6**	**6,2**	**2,0%**

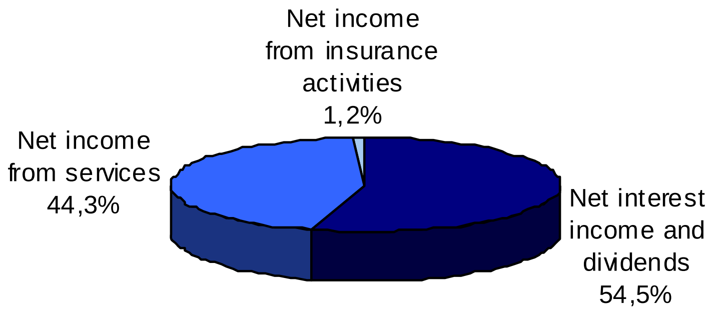
At the end of 2010 net interest income was 54,5% of net banking and insurance income, compared to 53,8% the previous year.

Net banking and insurance income

In 2010, consolidated net banking and insurance income settled at 539,2 million euros, in line with the result achieved during last year.

This trend is due to the different dynamics that have marked the components of the money management margin, with specific reference to the growth of the net interest income (as described in the previous chapter), and net income from services and the decrease of net revenues from insurance activity.

Breakdown of net banking and insurance income



NET INCOME FROM SERVICES

Total aggregate net income from services amounted to 239 million euros, an increase of 0,8% from the previous year, in which it was 237,2 million euros. This result is the consequence of two opposing forces:

- the decreased amount coming from the component relative to trading and hedging activities, which, after the excellent results seen in the Finance area and in the management of own securities during the course of 2009, returned to values in line with those of previous years, amounting to € 17 million, a € 15,4 million decrease with respect to 2009;
- the positive trend of commission, which, as shown in the table below, net fees reported a balance of 222 million euros, up by 8,4% over the 204,8 million euros of 2009, mainly due to the positive results recorded among collection and payment services and management, broking and advisory services. Please note that considering the portion of insurance companies, this increase is slightly lower (8,1%) than the figure pertaining exclusively to the bank group.

Net fees *(euro millions)*						
Item	**31/12/2010**	**Proportion (%) of total**	**31/12/2009**	**Proportion (%) of total**	**Change**	
					absolute	**%**
Banking and commercial business	56,6	25,3%	53,3	25,7%	3,3	6,2%
- guarantees	3,1	1,4%	3,2	1,5%	(0,1)	-3,1%
- collection and payment services	53,5	23,9%	50,0	24,1%	3,5	7,0%
Asset management, broking and advisory services	88,1	39,3%	84,7	40,9%	3,4	4,0%
- indirect deposit by customers (asset management, custody and administration of securities, advice, broking and placement of securities)	71,3	31,8%	67,1	32,4%	4,2	6,3%
- currency trading	1,2	0,5%	0,9	0,4%	0,3	33,3%
- custodian bank	2,1	0,9%	3,2	1,5%	(1,1)	-34,4%
- other fees on asset management, broking and advisory services	13,5	6,0%	13,4	6,5%	0,1	0,7%
Other net fees	77,3	34,5%	66,9	32,3%	10,4	15,5%
Total net fees pertaining to banking group	**222,0**	**99,2%**	**204,8**	**98,9%**	**17,2**	**8,4%**
Net fees on insurance activities	1,9	0,8%	2,3	1,1%	(0,4)	-17,4%
TOTAL NET FEES	**223,9**	**100,0%**	**207,1**	**100,0%**	**16,8**	**8,1%**

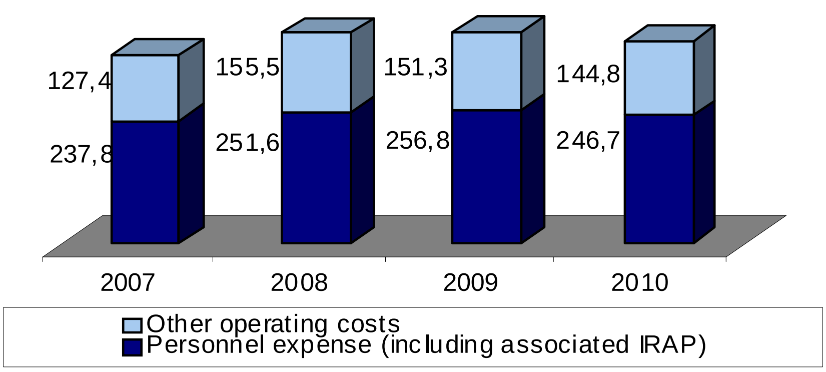
NET INCOME FROM INSURANCE ACTIVITIES

The total aggregate stood at 6,5 million euros, down 44,4% from the 11,7 million euros of last year. This trend mainly derives from the negative result of financial management.

Operating costs

Total operating costs amounted to 391,5 million euros, a decrease of 4,1% compared with the previous year.

The operating costs in last few years



Administrative expenses (net of the recovery of stamp duty and other taxes and including IRAP on net staff and attached staff costs) amounted to 372,1 million euros, as compared with the

388,2 million euros of last year. Within this aggregate, as can be seen from the table below, the component of personnel expenses (including related IRAP), settling at 246,7 million euros, shows a 4% drop on 2009. This trend is mainly due to the decrease in the Group workforce by 271 employees (average figure calculated as per the instructions of the Bank of Italy), which has more than offset the increases linked to the salary increases that incorporate the effects of promotions and seniority progress.

Personnel expenses *(euro millions)*						
Item	**31/12/2010**	**Proportion (%) of total**	**31/12/2009**	**Proportion (%) of total**	**Change**	
					absolute	**%**
Employees	230,5	93,5%	239,9	93,4%	(9,4)	-3,9%
Directors	4,0	1,6%	4,8	1,9%	(0,8)	-16,5%
Statuory auditors	1,2	0,5%	1,1	0,4%	0,1	10,7%
Other	3,0	1,2%	2,2	0,9%	0,7	32,7%
TOTAL PERSONNEL EXPENSES	**238,7**	**96,8%**	**248,1**	**96,6%**	**(9,3)**	**-3,8%**
IRAP on net personnel and seconded personnel expenses	7,9	3,2%	8,7	3,4%	(0,8)	-9,3%
PERSONNEL EXPENSES INCLUDING ASSOCIATED IRAP	**246,7**	**100,0%**	**256,8**	**100,0%**	**(10,2)**	**-4,0%**

Other administrative expenses, net of the recovery of indirect tax, was 4,5% less than 2009, settling at 125,5 million euros as compared with the 131,4 million euros. Please note that in compliance with the indications provided by the Bank of Italy with communication of 21 February 2011, some expenses previously included amongst “Other administrative expenses” were reclassified to personnel expenses, to the sub-item “Other employee benefits”. Consequently the comparison period has also been adjusted for an amount for 4,2 million euros. For more details on the sub-item of allocation of these reclassifications, refer to table "9.4 Other employee benefits" of the Explanatory Notes, Part C - Income statement.

Other operating costs are represented by the value adjustments on tangible and intangible fixed assets, are also down on last year (33,5 million euros in 2010 against the 34,2 million euros in 2009) and other operating income and expense, which, having deducted the recovery of indirect taxes settled at 14,2 million euros, in line with last year.

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

NET PROVISIONS FOR RISKS AND CHARGES

New provisions for risks and charges amounted to 4,9 million euros, compared with the figure of 6,6 million euros of the previous year.

NET VALUE ADJUSTMENTS FOR IMPAIRMENT

Net value adjustments on loans at the end of the year amounted to 96,4 million euros, as compared with the 83,8 million euros of 2009, showing a 15,1% increase, deriving from the continued negative economic outlook, which affected the quality of the loans portfolio, with the consequent need for greater allocations.

As a consequence of the above, the ratio of net value adjustments and cash loans went from 1% for 2009 to 1,1%.

The item "Net value adjustment on impairment of financial assets available for sale", amounting to 0,3 million euros, show the impact of the impairment on some minority interests. More specifically, during the year, the investments held in Cartalis (for 279 thousand euros) and SACE (15 thousand euros) were impaired. Last financial year instead saw the impairment of investments in Intesa Sanpaolo (for an amount of 1,3 million euros) and Cartalis (for 0,5 million euros). For further information, see the section on financial assets available for sale below.

GAINS ON DISPOSAL OF FINANCIAL ASSETS AVAILABLE FOR SALE

The item Gains on disposal of financial assets available for sale stood at 10,1 million euros due to the sale of some minority interests. The figure is 9% down on last financial year, when it amounted to 11,1 million euros.

IMPAIRMENT OF GOODWILL

The item, settled a 0,5 million euros, includes the effects of the impairment of goodwill relating to Sella Capital Management and Sella Synergy India and the subsidiary Agata. For further information on impairment tests on goodwill, please refer to the Notes to the Financial Statements, part B – Information on the Balance Sheet – Assets.

Income taxes

Income taxes (net of IRAP on staff costs, which increased this item) amounted to € 23,9 million, compared to € 19,6 million in the previous year, a decrease of 21,9%, resulting from a 8,8% increase in profit from continuing operations before taxes.

The tax rate, net of the IRAP component on personnel expenses, thus went up from 40,2% in the previous year to 45,1% in financial year 2010. This trend is due to the tax treatment of the components that characterized the two years.

Profit (losses) of asset disposal groups held for sale net of taxes

Income (losses) on assets held for sale net of taxes includes:

- income and expense for the year of Banque BPP, for an amount 0,6 million euros, of which assets and liabilities have been classified amongst the groups of assets/liabilities held for sale, given that at the end of the year the sales agreement had already been signed and scheduled for the first half of 2011, of the entire share capital by Banca Sella Holding and Sella Holding NV;
- the effects of the write-down of the investment in Banca Monte Parma, for an amount of 8,4 million euros; this investment has been included in the category in question, as the Board of Directors of Banca Sella Holding and C.B.A. Vita resolved its sale. It is also specified that the forecast sales price is in line and reasonable with respect to the current fair value, that it is highly probable that the transaction will be concluded during 2011 and that there are currently no foreseeable circumstances whereby the sales programme is likely to change.

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

This investment has been measured on the basis of a comprehensive value of the company of 257,9 million euros, equal to the same value on which the offer received from the Fondazione Monte Parma by Intesa San Paolo was based for the purchase of 51% of the share capital of Banca Monte Parma.

This measurement has yielded a new unit price per share of 92,107 euros, which, multiplied by the percentages of competence of the Group (4,5969% of Banca Sella Holding and 3,00% of CBA Vita) and compared with the book value, results in an impairment loss on the Consolidated Financial Statements of approximately 8,4 million euros (5,1 for Banca Sella Holding and 3,3 C.B.A. Vita).

Consolidated comprehensive income

Consolidated comprehensive income *(euro millions)*				
Items	**31/12/2010**	**31/12/2009**	**Variazioni**	
			assolute	**%**
Net profit/(loss) for the year	**20,1**	**29,1**	**(9,0)**	**-31,1%**
Other income net of tax	(23,4)	4,7	(28,1)	-597,4%
Comprehensive profit	**(3,3)**	**33,8**	(37,1)	-109,8%
Consolidated comprehensive profit pertaining to minority interest	(1,6)	2,9	(4,5)	-156,0%
Consolidated comprehensive profit pertaining to Parent company	**(1,7)**	**30,9**	**(32,6)**	**-105,5%**

Other income items net of taxes include 22,9 million euros in relation to financial assets held for sale. This amount refers to the impact of valuation reserves in relation to this portfolio, the negative trend of which above all refers to the component relating to public debt securities, above all Italian, held specifically by C.B.A. Vita S.p.A. and the Italian banks of the Group.

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

For C.B.A. Vita the measurement at fair value has had a negative impact on equity, gross of taxes and deferred liabilities towards the insured parties, equal to 17 million euros.
Financial assets held for sale of C.B.A. Vita do not include any capital securities. As such, as already mentioned previously, the capital losses mainly refer to state securities, the vast majority of which are Italian. No impairment has been recorded as this trend has been caused by an increase in rates and expansion of the credit spreads described above, and it is therefore considered that capital losses are temporary in nature.

With regards to Italian banks, we note that within the Banca Patrimoni Sella & C. securities portfolio, there are Greek government securities, which are amongst those most affected by the macroeconomic dynamics described previously.
With regards to exposure towards Italy, on the other hand, also in relation to the Group, which establishes that at least 50% of the portfolio shall be invested in Italian government securities, the Italian banks of the Group have decided not to sell securities whose listing is temporarily compressed by market contexts.

» RESULTS FOR THE YEAR
BALANCE SHEET DATA

Reclassified balance sheet *(euro millions)*			
Assets	**31/12/2010**	**31/12/2009**	**% change over 2009**
Financial assets [1]	3.220,6	3.128,3	3,0%
Due from banks	210,6	933,0	-77,4%
Cash loans[2]	8.825,0	8.499,2	3,8%
Equity investments	13,0	26,1	-50,3%
Reinsurers' share of technical reserves	4,6	4,8	-2,7%
Tangible and intangible fixed assets [3]	296,5	290,4	2,1%
Tax assets	191,9	170,3	12,7%
Non current assets and asset groups held for sale[4]	56,1	-	-
Other assets [5]	347,3	372,0	-6,6%
TOTAL ASSETS	**13.165,7**	**13.424,1**	**-1,9%**
Liabilities and shareholders' equity			
Due to banks	294,0	266,3	10,4%
Direct deposit [6]	10.040,7	10.650,4	-5,7%
Financial liabilities [7]	662,1	531,2	24,6%
Tax liabilities	57,8	62,1	-6,9%
Other liabilities [8]	364,6	451,3	-19,2%
Provisions for specific purposes [9]	82,3	94,3	-12,7%
Technical reserves	942,1	675,8	39,4%
Liabilities associeted to asset groups held for sale[10]	30,5	-	-
Shareholders' equity [11]	691,7	692,6	-0,1%
- pertaining to the Group	562,6	561,2	0,2%
- pertaining to minority interests	129,1	131,5	-1,8%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**13.165,8**	**13.424,1**	**-1,9%**

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

(2) Given by the sum of the following balance sheet asset items: 70 "Due from customers" and 90 "Change in value of financial assets subject to macrohedging" and the cash loans component included in the item 150 "Non-current assets and asset groups held for sale".

(3) Given by the sum of the following balance sheet asset items: 120 "Tangible assets" e 130 "Intangible assets".

(4) The item does not include the component referred to Due from customers, wich has been included within the cash loans item.

(5) Given by the sum of the following balance sheet asset items: 10 "Cash and cash equivalents", 80 "Hedging derivatives", e 160 "Other assets".

(6) Given by the sum of the following balance sheet liabilities items: 20 "Due to customers" ,30 "Outstanding securities" and the direct deposit component included in the item 90 "Liabilities associeted to asset groups held for sale".

(7) Given by the sum of the following balance sheet liabilities items: 40 "Financial liabilities held for trading" and 50 "Financial liabilities at fair value through profit or loss".

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

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

(10) The item does not include the component referred to Due to customers, wich has been included within the direct deposit item.

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

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

In 2010 total assets decreased by 1,9%, reaching 13.165,7 million euros, compared with 13.424,1 million euros recorded at the end of 2009.

The banking business with customers saw an increase in cash loans of 3,8% (8.825,0 million euros, as compared with the 8.499,2 million for last year) against 3% growth of total deposits as compared with 2009. Within the latter, as can be seen from the table on the next page, direct deposits amounted to 10.001,8 million euros, and indirect deposits settled at 16.407,5 million euros. The two components show opposite dynamics as the first decreases by 5,6%, whilst the second increases by 9,1%. The ratio between cash loans and direct deposits (net of repos) went from 80,2% in 2009 to 88,2% in 2010.

The analysis of the equity data shows how, during the year, the liquidity portfolio management policy that had been started last year continued, when, as the macroeconomic situation continued on after the profound changes in the economic and financial context, which occurred in 2008, the considerable stock of liquidity held by the European Central Bank in order to deal with this context, was converted into bonds. This produced a 3% increase in financial assets and a drop in amounts due from banks of 77,4%.

In relation to the first aspect, we note that financial assets, which have gone from 3.128,3 million euros in 2009 to 3.220,6 million euros, record a decrease in the component held for trading in favour of the other portfolios, particularly financial assets held for sale. If we consider the aggregate net of financial liabilities, a decrease of 1,5% is instead recorded.

With regards to amounts due from banks, on the other hand, the drop is due to the removal of certain loan operations, in particular through the Central Bank and the new interbank market for collateralised deposits (MIC). Consequent to this decrease, business on the interbank market recorded a net interbank position, given by the difference between amounts due from and to banks, which showed total payables due to the banking system of 83,4 million euros, as compared with the total receivables of 666,7 million recorded last year.

Shareholder's equity, inclusive of the valuation reserves, finally, amounted to 691,7 million euros (129,1 of which pertaining to minority interests), a decrease of 0,1% over the previous year, in which it was 692,6 million.

The banking business with customers

Banking business with customers saw an increase in both loans and global deposits. As mentioned previously, the ratio between cash loans and direct deposits (net of REPOs) came out at 89,1%, compared with 80,2% in the previous year.

DEPOSITS

At the end of the year total deposits – consisting of all the assets administered on behalf of customers – amounted to 26.448,1 million euros, up 3% compared with the previous year. In 2010, the trend continued that had been started over the previous years, involving a move of volumes to indirect deposits.

As can be seen from the table below, in fact, the development of the indirect component (+1.372,9 million euros on 2009) has more than offset the downturn in direct deposits and repurchase agreements (totalling -609,8 million euros on 2009).

Total deposits *(euro millions)*						
Item	**31/12/2010**	**Proportion (%) of total**	**31/12/2009**	**Proportion (%) of total**	**Change**	
					absolute	**%**
Direct deposit (excluding repurchase agreements)	10.001,8	37,8%	10.593,5	41,2%	(591,8)	-5,6%
Repurchase agreements						
Indirect deposit	16.407,5	62,0%	15.034,5	58,5%	1.372,9	9,1%
Total deposits	**26.448,1**	**100,0%**	**25.685,0**	**100,0%**	**763,2**	**3,0%**

[(1)] *The aggregate comprehends direct deposit referred to Liabilities associeted to asset groups held for sale*

FOCUS ON 2010-2012 STRATEGIC PLAN

"Net deposits"

With the aim of focussing on growth of deposits as the overall Group growth driver, of raising the competitive position of this in terms of customer investment services, of improving customer assistance with investments, the 2010-2012 Strategic Plan has selected some actions to be developed in the following contexts:

- services and products;
- tools available to the network;
- network training on the advisory service.

Direct deposit

At the end of 2010 direct deposits from customers amounted to 10.001,8 million euros, a decrease of 5,6% compared to the previous year. Considering the figure inclusive of repurchase agreements, the reduction becomes 5,7%.

The chart below shows the trend in the aggregate in the last few years, divided between amounts due to customers and outstanding securities.

Trend of direct deposit in last few years

* The aggregate comprehends repurchase agreements and due to customers referred to Liabilities associeted to asset groups held for sale.

Analysing the components of direct deposits, it can be noted that amounts due to customers (mainly represented by current accounts and deposits and excluding repurchase agreements), which stood at 7.726,2 million euros, recorded a decrease of over 422,3 million euros (-5,2%) on 2009, when the results were 8.148,5 million. As can be seen from the table below, the most significant item within the aggregate is that of current accounts and demand deposits. This has shown a downturn during the year of 4,5% on last year, which is partly due to the transfer of stocks of products proposed by the main network banks of the Group with different characteristics and is supported by the increase in indirect deposits.

We note that direct deposits include, for an amount of 126,4 million euros, amounts due to customers of Banque BPP, a company that in these financial statements has been classified to "Non-current assets and groups of assets held for sale".

With regards to other components of direct deposits, outstanding securities, amounting to 2.149,2 million euros, are down 12,1% on the 2.445 million euros recorded for 2009, due to the decision not to renew certain bond securities that had expired during the year, and mainly placed with institutional investors. Repurchase agreements, standing at 38,9 million euros, recorded a drop of 18 million euros on last year.

We note that the indications supplied by the Bank of Italy with communication dated 21 February 2011, concerning clarifications on "Financial Statements and supervisory notifications" specify that repurchase agreements with underlying securities of own issue repurchased are comparable with a new listing on the securities market. As such, these transactions, previously noted under the item “Due to customers” not as repurchase agreements but rather as other payables, have been reclassified to the item entitled “Outstanding securities”. Consequently the comparison period has also been adjusted for an amount for 453,1 million euros.

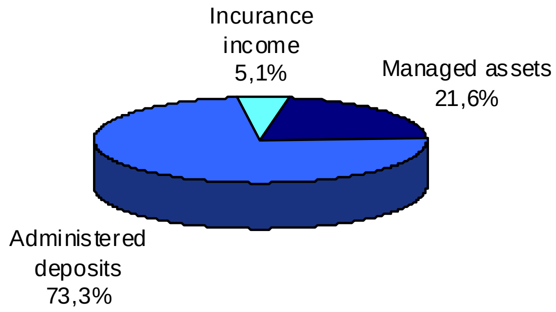
Direct deposit *(euro millions)*						
Item	**31/12/2010**	**Proportion (%) of total**	**31/12/2009**	**Proportion (%) of total**	**Change**	
					absolute	**%**
Due to customers (excluding repos)	7.726,2	76,9%	8.148,5	76,5%	(422,3)	-5,2%
- Current accounts and demand deposits	7.241,8	72,1%	7.582,8	71,2%	(341,0)	-4,5%
- Term deposits	358,1	3,6%	454,1	4,3%	(96,0)	-21,1%
- Other loans and advances	10,3	0,1%	2,0	0,0%	8,3	415,0%
- Other items	116,0	1,2%	109,7	1,0%	6,3	5,7%
Outstanding securities	2.149,2	21,4%	2.445,0	23,0%	(295,8)	-12,1%
Liabilities associeted to asset groups held for sale: due to customers	126,4	1,3%	-	0,0%	126,4	-
TOTAL DIRECT DEPOSIT	**10.001,8**	**99,6%**	**10.593,5**	**99,5%**	**(591,7)**	**-5,6%**
Repurchase agreements	38,9	0,4%	56,9	0,5%	(18,0)	-31,6%
TOTAL DIRECT DEPOSIT (INCLUDING REPURCHASE AGREEMENTS)	**10.040,7**	**100,0%**	**10.650,4**	**100,0%**	**(609,7)**	**-5,7%**

Indirect deposit

Indirect deposits are intended as the sum of the items "Asset Management", "Third party securities on deposit as custodian bank", "Other third party securities held in deposit (net of securities issued by companies included in the consolidation)" of the "Other information" section of the Explanatory Notes to the Balance Sheet and the component relative to income from insurance activities, as indicated in the note at the foot of the table on Management and Broking for third parties.

The total stock of indirect deposits at 31.12.10, was 16.407,5 million euros with a rise of 9,1% on an annual basis. As can be seen from the graph below, the main component of indirect deposits consists of administered deposits, which represents 73,3% of the total. Assets managed represent 21,6% of indirect deposits, whilst insurance income constitutes 5,1% of the total.

Breakdown of indirect deposit



The table below shows how in 2010, the main components of indirect deposits recorded different dynamics. Portfolios managed, equal to 3.550,4 million euros, have marked a good uptake on 2009 (+12,7%). Administered deposits are 7% greater than last year, going from 11.235,1 million euros recorded at the end of 2009 to 12.021,9 million euros. The component relating to insurance income has settled at 835,1 million euros, 28,6% above last year.

Indirect deposits *(euro millions)*

Item	31/12/2010	Proportion (%) of total	31/12/2009	Proportion (%) of total	Change	
					absolute	%
Managed portfolios	3.550,4	21,6%	3.150,0	21,0%	400,4	12,7%
Administered deposits	12.021,9	73,3%	11.235,1	74,7%	786,9	7,0%
Insurance income	835,1	5,1%	649,4	4,3%	185,7	28,6%
Total indirect deposits	**16.407,5**	**100,0%**	**15.034,5**	**100,0%**	**1.372,9**	**9,1%**

"Tax amnesty"

In 2010, activities started up again in relation to the introduction of the extraordinary tax on financial and equity assets introduced in 2009. The activities carried out by the coordinated work group of the Private Banking area of Banca Sella Holding, constituted in 2009, in order to provide a professional response to the customers concerned. This includes various competences, including those relating to the following services: Tax Services, Family Business, Anti-Money laundering, Compliance, Legal services, Network organisation, and Financial Instrument Administration Co-ordination, as well as the Group's trust company, Selfid.

The so-called Fourth tax amnesty had the final expiry of 30 April 2010. Its result (clearly lower than that of last year, both on a system level and for the Banca Sella Group), amounted to 85,6 million euros, of which indicatively 58,6 million euros, in the form of physical repatriation, 23 million euros as legal repatriation and 4 million euros as settlements.

Bancassurance

Gross life premiums booked in 2010 exceeded 631 million euros in total, with an increase of 276 million euros on 2009 (+78%), including approximately 184 million euros in relation to Sella Personal Life policies.

As concerns CBA Vita, deposits concentrated on products that can be revalued, including:

- CBA Tuo Valore, a revaluable life assurance product linked to the Conto Tuo Valore current account, a product launched in November 2009 and whose performance is linked to the separate ALFIERE management;
- CBA Valore Capitale and CBA Valore Cedola, life policies with a single premium, the capital of which is revalued (for CBA Valore Cedola, revaluations are liquidated annually in the form of coupons, according to the performance obtained by the separate management CBA Accumulo).

In the first part of the year, CBA Vita started-up the transfer process of the retail portfolio acquired previously from the subsidiary Sella Life, which was concluded at end April 2010.

On its part, during the year Sella Life significantly developed deposits in the Sella Personal Life product, thanks also to the benefits introduced by the Tax Amnesty for capital abroad.

In the non-life sector, 2010 saw the continued listing of various products of InChiaro Assicurazioni, a subsidiary of C.B.A. Vita.

Finally, we must point out the good results obtained in listing products linked to mortgages and other types of loans, such as fire policies and policies linked to personal loans.

Total premiums received ***(amounts in euro millions)***			
	2010	**2009**	**Change in %**
Total Life	**631,1**	**354,4**	**78,1%**
Unit and index linked policies (Branch III)	187,9	86,6	117,0%
- of which Sella Life	*183,9*	*74,5*	*146,9%*
traditional policies (Branches I and V)	443,2	267,8	65,5%
Total Damages	**14,2**	**10,2**	**40,04%**
car branches	8,6	5,7	51,89%
elementary branches	5,6	4,5	24,99%

LOANS

During financial year 2010, loans continued to achieve good growth rates, totalling 8.825 million euros, up 3,8% on 2009.

During the year, the Banca Sella Group continued to support the economy and activity of families and small and medium-sized enterprises, in which it is deeply rooted. In a situation characterised by an as-yet difficult economic situation, the Group's primary objective was that of ensuring a balanced growth of loans, prudent but attentive to customer demands, and particularly those of SMEs, of small businesses and private individuals.

Loans have been supplied significantly to production sectors. With regards to technical forms, the following trend is seen:

- <u>short-term credit</u>: destined to support businesses in their core business;
- <u>medium/long-term</u>: support to families for the purchase of property and businesses for new investments.

For Group banks, 2010 was a year that continued to be characterised by requests to renegotiate mortgages, both in terms of duration and pricing. Under this scope, further aid to families in difficulty comes from the formalisation of the Abi/Consumer Association agreement of January 2010 for the suspension of instalments. As in the past, the banks also operated through the "surrogate".

During the year, concrete collaboration continued with Regional Bodies, Category Associations, Loan Consortia with the review and signing of agreements increasingly in line with customer demands.

In 2010, collaboration of banks and other Group companies was also profitable, particularly with regards to Biella Leasing for investments and, in relation to private individuals, with Consel, for salary-backed loans.

As always, special attention was paid on the one hand to the training of staff operating in the credit sector and corporate managers, in order to further refine the assessment techniques of companies in a prospective manner, with a special focus on the aspect of the business as a going concern. On the other hand, great importance has been assigned to all activities concerning the control of credit supplied, also through the support of the Parent Company and the consortium company Sella Servizi Bancari.

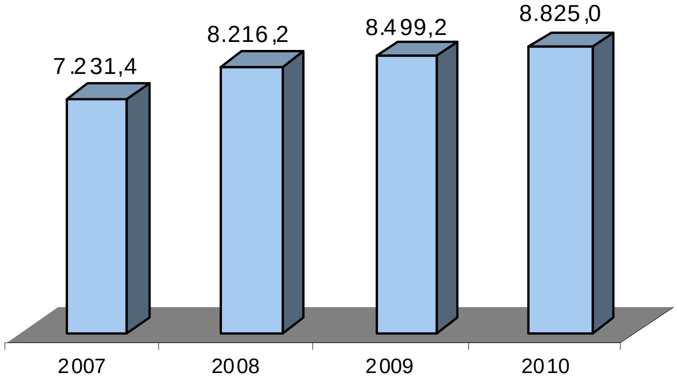
FOCUS ON 2010-2012 STRATEGIC PLAN

"Credit processes"

The 2010-2012 Strategic Plan stresses how it is essential that the granting of credit should continue to encourage the economic development of the territories in which the Group operates, by successfully identifying worthy customers (with a special focus on families and local businesses, including SMEs). From this standpoint, with a view to maintaining prudent, fractioned and controlled development of the loans portfolio, improving the capacity to manage risk, optimising the ratio of equity used and remuneration of loans and improving efficiency, actions were identified in the following contexts:

- credit policies;
- credit organisation;
- management of anomalous loans;
- mitigation of equity used.

Trend in amounts of cash loans in the last few years



By analysing the breakdown of amounts due from customers (see the table below) it can be noted that mortgages continued their positive trend (+ 5,6% over the previous financial year). Credit cards, personal loans and salary-backed loans also showed good trends with an increase of 5,3% over last year, as the trend of current accounts was also positive (+5,4% on 2009). Instead, the aggregate relating to financial leasing, which went from 1.092,9 million euros for last year to 1.008,1 million euros for 2010, was down.

The item "Change in value of financial assets subject to macro-hedging" includes the change in the fair value of the loans portfolio as, within the Group, a hedging model is adopted for fixed rate loans, based on the macro fair value hedge.

We note that cash loans include, for an amount of 24,1 million euros, amounts due from customers of Banque BPP, a company that in these financial statements has been classified to "Non-current assets and groups of assets held for sale".

The company that contributed most to the aggregate was Banca Sella, the main network bank of the Group, which accounts for 52,4% of loans. Also significant were the contributions of Banca Sella Sud Arditi Galati and Biella Leasing, which account respectively for 14,3% and 11,7% of the aggregate.

Cash loans *(euro millions)*

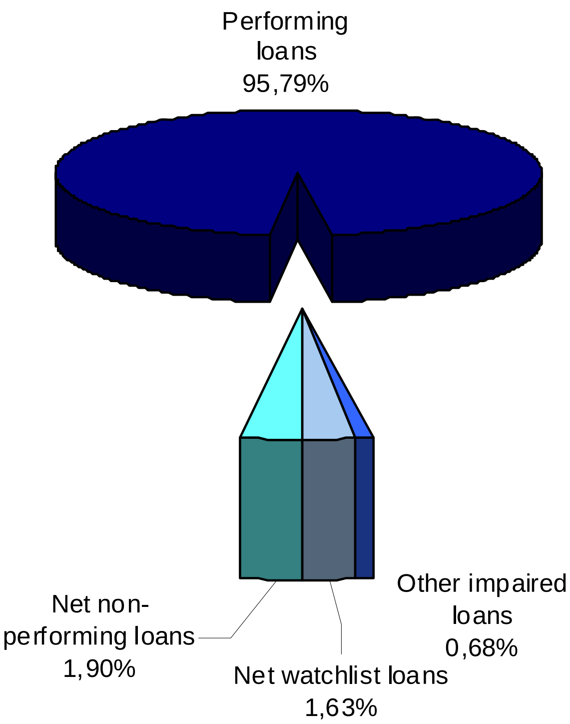
Item	31/12/2010	Proportion (%) of total	31/12/2009	Proportion (%) of total	Change	
					absolute	%
Total due from customers	**8.719,2**	**98,8%**	**8.422,4**	**99,1%**	**296,8**	**3,5%**
Performing cash loans	8.352,3	94,6%	8.105,6	95,4%	246,7	3,0%
- Current accounts	1.074,6	12,2%	1.019,9	12,0%	54,7	5,4%
- Repurchase agreements	54,3	0,6%	7,2	0,1%	47,1	650,2%
- Mortgage loans	3.552,5	40,3%	3.362,8	39,6%	189,7	5,6%
- Credit cards, personal loans, salary-backed loans	1.165,0	13,2%	1.105,9	13,0%	59,1	5,3%
- Financial leasing	1.008,1	11,4%	1.092,9	12,9%	(84,8)	-7,8%
- Other operations	1.491,7	16,9%	1.501,3	17,7%	(9,6)	-0,6%
- Debt securities	6,3	0,1%	15,6	0,2%	(9,4)	-59,9%
Impaired assets	366,8	4,2%	316,7	3,7%	50,1	15,8%
Change in value of financial assets subject to macro-hedging	**81,7**	**0,9%**	**76,8**	**0,9%**	**4,9**	**6,4%**
Positive change	81,7	0,9%	76,8	0,9%	4,9	6,4%
Negative change	-	0,0%	-	0,0%	-	-
Groups of assets held for sale: due from customers	**24,1**	**0,3%**	**-**	**0,0%**	**24,1**	**-**
TOTAL CASH LOANS	**8.825,0**	**100,0%**	**8.499,2**	**100,0%**	**325,8**	**3,8%**
Details for Group companies						
Banca Patrimoni Sella & C. S.p.A.	136,6	1,5%	86,6	1,0%	50,0	57,8%
Banca Sella S.p.A.	4.627,4	52,4%	4.533,1	53,3%	94,2	2,1%
Banca Sella Holding S.p.A.	244,2	2,8%	122,0	1,4%	122,2	100,2%
Banca Sella Nordest Bovio Calderari S.p.A.	607,8	6,9%	622,8	7,3%	(15,0)	-2,4%
Banca Sella Sud Arditi Galati S.p.A.	1.266,3	14,3%	1.185,4	13,9%	80,9	6,8%
Biella Leasing S.p.A.	1.034,6	11,7%	1.061,4	12,5%	(26,8)	-2,5%
Consel S.p.A.	854,9	9,7%	842,0	9,9%	12,9	1,5%
Sella Bank A.G.	21,1	0,2%	12,3	0,1%	8,8	71,9%
Other Group companies	32,0	0,4%	33,5	0,4%	(1,5)	-4,5%
Total for Group companies	**8.825,0**	**100,0%**	**8.499,2**	**100,0%**	**325,8**	**3,8%**

CREDIT QUALITY

At 31 December 2010 net non-performing loans amounted to 165,4 million euros, an increase of 126,7 million euros over 2009. Watchlist loans at the same date totalled 142,1 million euros, up 28,8% on 2009. Adding to non-performing and watchlist loans rescheduled loans and past-due exposures, at 31 December 2010 the total came to 366,8 million euros impaired loans.

It is noted that during the preparation of the 2010 half-year financial statements, positions which had characteristics of past-due loans included in impaired assets, were subject to review to verify that the attribution of past-due loan status was correct. From the in-depth analysis of the individual positions, certain cases were found that did not meet the required characteristics for inclusion in that category. Consequently, within the impaired loans relating to 31 December 2009, the amount of past due loans was reduced by approximately 26,7 million euros in favour of performing positions.

Percentage of impaired loans



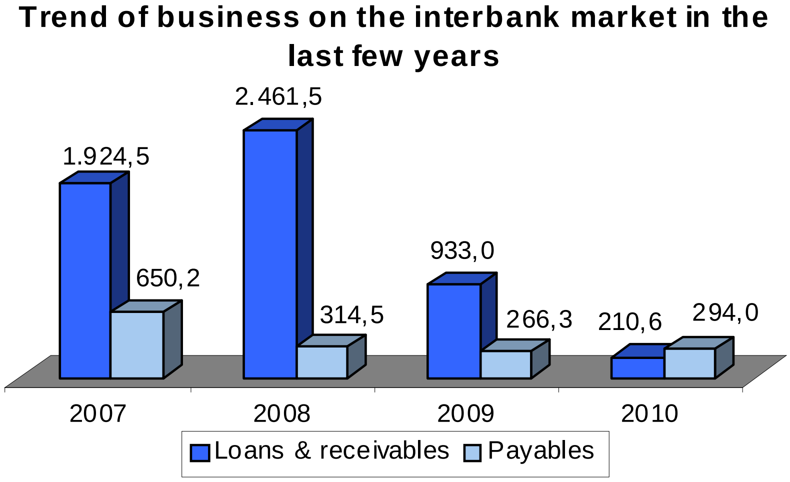
As shown by the table at the foot, impaired loans represent 4,21% of net loans to customers, which have therefore worsened since last year, when the ratio was 3,76%.

Credit quality *(euro millions)*

Item	31/12/2010	Proportion (%) of total	31/12/2009	Proportion (%) of total	Change absolute	Change %
Due from customers	**8.719,2**	**100,00%**	**8.422,4**	**100,00%**	**296,8**	**3,5%**
Performing loans	8.352,3	95,79%	8.105,7	96,24%	246,6	3,0%
Impaired loans	366,8	4,21%	316,7	3,76%	50,1	15,8%
of which net non-performing	*165,4*	*1,90%*	*126,7*	*1,50%*	*38,7*	*30,5%*
of which net watchlist	*142,1*	*1,63%*	*110,3*	*1,31%*	*31,8*	*28,8%*

Business on the interbank market

At the end of 2010, the Group's business on the interbank market showed total receivables (net of amounts due from banks) of 83,4 million euros, clearly down on the total receivables of 666,7 million euros recorded for 2009.



The chart above shows that this result is mainly attributable to the decrease in amounts due from banks, which in 2009 reversed the increasing trend of the past few years. At the end of 2010, this component, settling at 210,6 million euros, in fact recorded a drop of 722,4 million euros on last year. Total amounts due to banks, on the other hand, is up by 10,4%, going from 266,3 million euros of 2009 to 294 million euros.

Net interbank position *(euro millions)*

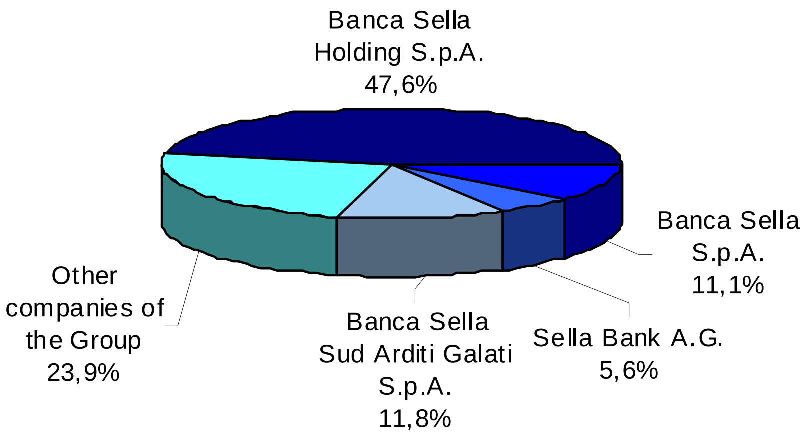
Item	31/12/2010	31/12/2009	Change	
			absolute	%
Due from banks	210,6	933,0	(722,4)	-77,4%
Due to banks	294,0	266,3	27,7	10,4%
Net interbank position	**(83,4)**	**666,7**	**(750,1)**	**-**

DUE FROM BANKS

As of 31 December 2010, amounts due from banks totalled 210,6 million euros, down 77,4% on 2009. This trend is due to the fact that in 2010 the main banks of the Group pursued the liquidity portfolio management policy that had been started in 2009, when, as the macroeconomic situation continued on after the profound changes in the economic and financial context, which occurred in 2008, the considerable stock of liquidity held by the European Central Bank in order to deal with this context, was converted into bonds.

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

Percentage distribution by company of amounts due from banks



Analysing in detail the Group companies which contributed to the composition of the item, it is evident that most of the amounts due from banks (47,6% of the total) pertain to the Parent Company Banca Sella Holding.

Due from banks *(euro millions)*						
Item	**31/12/2010**	**Proportion (%) of total**	**31/12/2009**	**Proportion (%) of total**	**Change absolute**	**Change %**
Due from central banks	**63,1**	**30,0%**	**381,8**	**40,9%**	**(318,7)**	**-83,5%**
Statutory reserve	63,1	30,0%	156,8	16,8%	(93,7)	-59,8%
Other amounts due from central banks	-	0,0%	225,0	24,1%	(225,0)	-
Due from banks	**147,6**	**70,1%**	**551,3**	**59,1%**	**(403,7)**	**-73,2%**
Current accounts and demand deposits	55,8	26,5%	104,1	11,2%	(48,3)	-46,4%
Term deposits	28,6	13,6%	356,5	38,2%	(327,9)	-92,0%
Repurchase agreements	13,5	6,4%	32,3	3,5%	(18,8)	-58,2%
Financial leasing	1,0	0,5%	1,4	0,2%	(0,4)	-28,6%
Other loans and advances	16,8	8,0%	11,8	1,3%	5,0	42,4%
Debt securities	31,9	15,1%	45,2	4,8%	(13,3)	-29,4%
Total	**210,6**	**100,0%**	**933,0**	**100,0%**	**(722,4)**	**-77,4%**
Details for Group companies						
Banca Patrimoni Sella & C. S.p.A.	7,8	3,7%	7,0	0,8%	0,8	11,4%
Banca Sella S.p.A.	23,3	11,1%	118,8	12,7%	(95,5)	-80,4%
Banca Sella Holding S.p.A.	100,2	47,6%	679,2	72,8%	(579,0)	-85,2%
Banca Sella Nordest Bovio Calderari S.p.A.	9,4	4,5%	9,5	1,0%	(0,1)	-1,1%
Banca Sella Sud Arditi Galati S.p.A.	24,9	11,8%	26,3	2,8%	(1,4)	-5,3%
Sella Bank A.G.	11,8	5,6%	41,0	4,4%	(29,2)	-71,2%
Other companies of the Group	33,2	15,8%	51,3	5,5%	(18,1)	-35,3%
Total	**210,6**	**100,0%**	**933,0**	**100,0%**	**(722,4)**	**-77,4%**

DUE TO BANKS

At 31.12.10, amounts due to banks totalled 294 million euros, up by 10,4% compared with the previous year, in which they amounted to 266,3 million euros.

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

The increase in loans is instead mainly due to the subscription by Biella Leasing of loans granted by the European Investment Bank (EIB) and to the subscription by Consel and Biella Leasing of loans external to the Group.

Due to banks *(euro millions)*

Item	31/12/2010	Proportion (%) of total	31/12/2009	Proportion (%) of total	Change	
					absolute	%
Due to central banks	**-**	**0,0%**	**40,1**	**15,1%**	**(40,1)**	**-**
Due to banks	**294,0**	**100,0%**	**226,2**	**84,9%**	**67,8**	**30,0%**
Current accounts abd demand deposit	84,1	28,6%	52,2	19,6%	31,8	60,9%
Term deposits	36,3	12,3%	42,6	16,0%	(6,3)	-14,8%
Loans and advances	173,2	58,9%	131,0	49,2%	42,2	32,2%
Others	0,4	0,1%	0,4	0,1%	0,0	8,2%
Total	**294,0**	**100,0%**	**266,3**	**100,0%**	**27,7**	**10,4%**
Details for group companies						
Banca Patrimoni Sella & C. S.p.A.	0,0	0,0%	0,3	0,1%	(0,3)	-95,4%
Banca Sella S.p.A.	6,8	2,3%	4,2	1,6%	2,6	63,0%
Banca Sella Holding S.p.A.	116,8	39,7%	106,4	39,9%	10,4	9,8%
Biella Leasing S.p.A.	143,6	48,8%	116,0	43,5%	27,6	23,8%
Sella Bank A.G.	0,5	0,2%	0,1	0,0%	0,4	304,1%
Other companies of the Group	26,2	8,9%	39,4	14,8%	(13,1)	-33,4%
Total	**294,0**	**100,0%**	**266,3**	**100,0%**	**27,7**	**10,4%**

Financial assets

The total financial assets of the Group at 31.12.10, which came out at 3.220,6 million euros, were up (3%) compared with the previous year, in which they were 3.128,3 million euros.

Considering the figure net of financial liabilities, the aggregate is down 1,5%. The total in this case in fact amounts to 2.558,5 million euros, compared with 2.597,1 million euros recorded in 2009.

As mentioned previously, the increase in financial assets is strictly linked to the decrease in amounts due from banks, as during 2010 the main banks of the Group pursued the liquidity portfolio management policy that had been started in 2009 when, as the macroeconomic situation continued on after the profound changes in the economic and financial context, which occurred in 2008, the considerable stock of liquidity held by the European Central Bank in order to deal with this context, was converted into bonds.

Financial assets/liabilities of the Group *(euro millions)*						
Item	31/12/2010	Proportion (%) of total	31/12/2009	Proportion (%) of total	Change	
					absolute	%
Finalcial assets						
Financial assets held for trading	925,2	28,7%	1.530,1	48,9%	(604,8)	-39,5%
Financial assets at fair value through profit or loss	793,7	24,6%	668,1	21,4%	125,6	18,8%
Financial assets available for sale	1.173,5	36,4%	709,2	22,7%	464,3	65,5%
Financial assets held to maturity	328,3	10,2%	220,9	7,1%	107,3	48,6%
Total financial assets	**3.220,6**	**100,0%**	**3.128,3**	**100,0%**	**92,3**	**3,0%**
Financial liabilities						
Financial liabilities held for trading	34,5	5,2%	46,3	8,7%	(11,8)	-25,5%
Financial liabilities at fair value through profit or loss	627,6	94,8%	484,9	91,3%	142,7	29,4%
Total financial liabilities	**662,1**	**100,0%**	**531,2**	**100,0%**	**130,9**	**24,6%**
TOTAL NET FINANCIAL ASSETS AND LIABILITIES OF THE GROUP	**2.558,5**		**2.597,1**		**(38,6)**	**-1,5%**

As can be seen from the table above, the aggregate relating to financial assets and liabilities records a decrease in the part held for trading in favour of other portfolios, particularly that of financial assets held for sale.

FINANCIAL ASSETS/LIABILITIES HELD FOR TRADING

The total at 31.12.10 of financial assets held for trading (net of financial liabilities) was down by 40% compared with the previous year, amounting to 890,7 million euros, against 1.483,8 million recorded in 2009.

Financial assets/liabilities held for trading *(euro millions)*						
Item	31/12/2010	Proportion (%) of total	31/12/2009	Proportion (%) of total	Change	
					absolute	%
Cash assets/liabilities	**898,7**	**100,9%**	**1.478,1**	**99,6%**	**-579,4**	**-39,2%**
Debt securities	782,1	87,8%	1.419,1	95,6%	-637,0	-44,9%
Equity securities	2,5	0,3%	4,3	0,3%	-1,8	-41,6%
UCITS units	117,2	13,2%	83,9	5,7%	33,3	39,7%
Others	(3,1)	-0,4%	(29,3)	-2,0%	26,2	-89,3%
Derivative instruments	**(7,9)**	**-0,9%**	**5,7**	**0,4%**	**-13,7**	**-**
- of wich financial derivatives	(7,9)	-0,9%	5,7	0,4%	-13,7	-
- of wich credit derivatives	-	0,0%	-	0,0%	0,0	-
TOTAL NET FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING	**890,7**	**100,0%**	**1.483,8**	**100,0%**	**(593,0)**	**-40,0%**
Detail of trading securities for main Group companies						
Banca Patrimoni Sella & C. S.p.A	2,4	0,3%	77,8	5,2%	(75,4)	-97,0%
Banca Sella S.p.A.	150,5	16,7%	262,7	17,4%	(112,3)	-42,7%
Banca Sella Holding S.p.A.	545,0	60,4%	929,3	61,7%	(384,3)	-41,4%
Banca Sella Nordest Bovio Calderari S.p.A.	3,4	0,4%	21,4	1,4%	(18,0)	-84,2%
Banca Sella Sud Arditi Galati S.p.A.	52,2	5,8%	77,2	5,1%	(25,1)	-32,5%
C.B.A. Vita S.p.A.	90,2	10,0%	59,3	3,9%	30,9	52,2%
Sella Life Ltd	10,2	1,1%	6,5	0,4%	3,7	56,2%
Other Group companies	48,0	5,3%	73,1	4,8%	(25,0)	-34,3%
Total trading securities	**901,8**	**100,0%**	**1.507,4**	**100,0%**	**(605,5)**	**-40,2%**

As can be seen from the table above, the component of securities held for trading above all refers to the parent company Banca Sella Holding (for 545 million euros) and Banca Sella (for 150,5 million euros). Precisely these two companies are the main parties responsible for the drop in the aggregate, which mainly took place by virtue of the expiry and sale of government securities and bank bonds in 2010. This decrease is offset by a greater use of the category of financial assets held for sale.

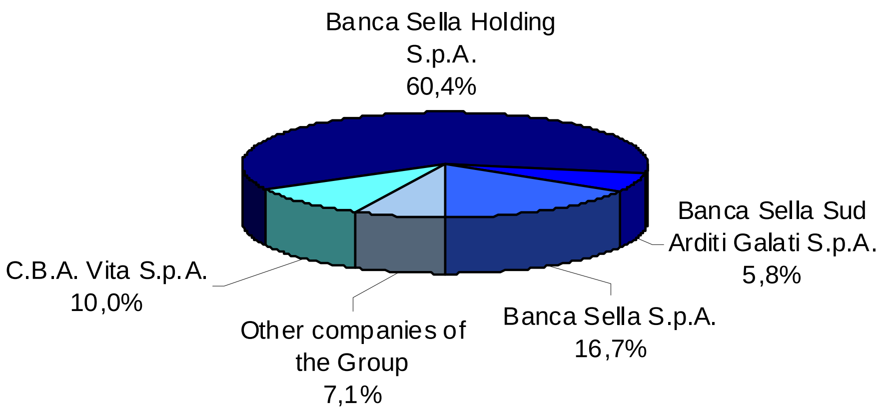
Going against this trend, C.B.A. Vita increased use of the sector by 52,2% this year. The increase on last year is connected with the significant increase in premiums, from which greater liquidity derives, which has been mainly invested in securities of the category financial assets held for trading and financial assets held for sale.

As always, management tended towards a policy of prudence and the strategy entailing a diversification of investments was maintained, paying careful attention to the quality of the bond securities of bank, financial and corporate issuers held in the portfolio.

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

The graph below shows how trading securities are mainly held by the parent company Banca Sella Holding (for 60,4%) and Banca Sella (for 16,7%). Altogether the other Group Italian banks represent 6,5% of the total of the aggregate, while among the other companies the proportion held by CBA Vita is significant, representing 10% of the total.

Percentage distribution of trading securities by company



FINANCIAL ASSETS AVAILABLE FOR SALE

At the end of the year financial assets available for sale amounted to 1.173,5 million euros compared with the 709,2 million euros recorded at 31.12.09, showing an increase of 65,5%.

Analyzing the breakdown of the aggregate (see the table given over the next few pages), it can be seen that most of it consists of debt securities, which account for 1.146,7 million euros, or 97,7% of the total. This item was up on the previous year, in which it amounted to 683,9 million euros.

The item Equity securities, instead, totalled 24,3 million euros, up 6,4% on 2009 and consisted mainly of minority equity interests, which at the end of the year were subjected to impairment tests, according to criteria described in Part A of the Notes to the Financial Statements. The following writedowns have been made:

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

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

- London Stock Exchange Group (measurement method: market price): Banca Sella Holding and Banca Patrimoni Sella & C. adjusted the positive shareholders' equity reserve to the closing market price at 31 December 2010 for a total amount of 2,3 million euro;
- Intesa Sanpaolo S.p.A. (measurement method: market price): as the closing market price at 31 December 2010 was slightly lower than the security book value, Banca Sella Holding posted a negative shareholders' equity reserve for 137 thousand euro;
- Gruppo Mutui On Line (measurement method: market price): Banca Sella Holding adjusted the positive shareholders' equity reserve to the closing market price at 31 December 2010 for an amount of 626 thousand euro;
- Visa Inc. (measurement method: comparable transactions): the class C shares held by Banca Sella Holding were measured in a 1:1 ratio with class A shares, discounting them to take into consideration the lock-in clause preventing trading until 2011; the positive reserve recognised in the shareholders' equity was adjusted for 435 thousand euro.
- Exor (measurement method: market price): Banca Patrimoni Sella & C. adjusted the positive shareholders' equity reserve to the closing market price at 31 December 2010 for an amount of 223 thousand euro;

During 2010 the interests in London Stock Exchange Group, Visa and Exor were partly sold and the interests in Pro Mac and Key Client Cards & Solutions were entirely sold; on the whole, 4,1 million euro of gross capital gains were realised.

At year end, Banca Sella Holding signed an agreement with ICBPI (the Central Institute of Italian Popular Banks), which provided for the subscription by Banca Sella Holding of a share capital increase reserved to it by means of the conferral of the business unit acting as deposit bank. By virtue of this agreement, the Bank acquired a total share of 0,96% in the capital of ICBPI.

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

For information on the impact of reserves from valuation of the financial assets held for sale, please instead refer to that described previously in the chapter on comprehensive consolidated profitability.

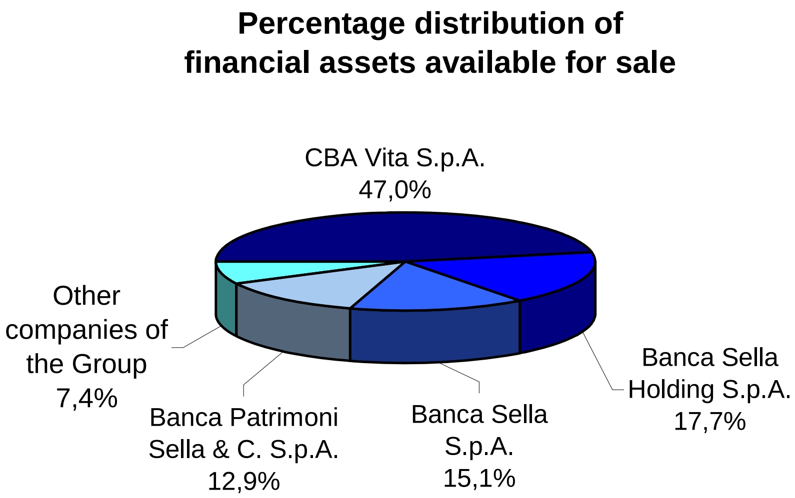
Financial assets available for sale *(euro millions)*						
Item	**31/12/2010**	**Proportion (%) of total**	**31/12/2009**	**Proportion (%) of total**	**Change**	
					absolute	**%**
Debt securities	1.146,7	97,7%	683,9	96,4%	462,7	67,7%
Equity securities	24,3	2,1%	22,8	3,2%	1,5	6,4%
UCITS units	0,1	0,0%	-	0,0%	0,1	-
Loans and advances	2,5	0,2%	2,5	0,3%	-	0,0%
Total securities available for sale	**1.173,5**	**100,0%**	**709,2**	**100,0%**	**464,3**	**65,5%**
Details for main Group companies						
Banca Patrimoni Sella & C. S.p.A.	151,4	12,9%	216,3	30,5%	(65,0)	-30,0%
Banca Sella S.p.A.	176,9	15,1%	51,5	7,3%	125,4	243,4%
Banca Sella Holding S.p.A.	207,2	17,7%	17,7	2,5%	189,4	1067,8%
Banca Sella Nordest Bovio Calderari S.p.A.	32,3	2,8%	16,2	2,3%	16,1	98,9%
Banca Sella Sud Arditi Galati S.p.A.	51,4	4,4%	5,4	0,8%	46,0	854,0%
CBA Vita S.p.A.	551,4	47,0%	399,2	56,3%	152,3	38,1%
Other Group companies	2,9	0,2%	2,8	0,4%	0,1	2,1%
Total securities available for sale	**1.173,5**	**100,0%**	**709,2**	**100,0%**	**464,3**	**65,5%**

As shown by the table above, financial assets held for sale above all refer to C.B.A. Vita S.p.A., which, with 551,4 million euros, holds 47% of the sector securities. During the year, the company increased its portfolio of securities held for sale by 38,1%. This trend is linked to the significant increase in premiums, from which greater liquidity derives, which has been mainly invested in securities of the category financial assets held for trading and financial assets held for sale. We also note that in the second half of 2010, the company reclassified some securities held for sale to those held to maturity, for an amount of 60 million euros at nominal value, as permitted by ISVAP Regulation no. 37 of 15 March 2011, as the company has assessed its capacity to hold investments until the time of repayment, in line with the due dates of the policy portfolio.

On the other hand, the companies of the banking group that make the greatest contribution to the aggregate are the parent company Banca Sella Holding (for 207,2 million euros) and Banca Sella (for 176,9 million euros). For both companies, the portfolio of securities held for sale increased significantly in 2010. Acquisitions during the year (mainly Italian government securities) were also made following resolution by the respective Boards of Directors, which, in line with the provision of the Bank of Italy of 18 May 2010, in relation to the calculation of the Regulatory Capital and treatment of revaluation reserves concerning government securities for the Euro area held in the portfolio "Available for Sale", has allowed for greater use of the accounting category in question for the purpose of permanent investment.

Banca Patrimoni Sella & C., which contributes to the item for 151,4 million euros, instead decreased its portfolio of securities held for sale by 30%; a decrease connected to the trend of the Bank's direct deposits, which, after the peak seen in the last quarter of 2009, thanks to the so-called "Third tax amnesty", began to fall in the first half of the year due to the effect of the investment of sums received from customers in securities. This transformation of cash assets into investments on the part of customers led to disinvestment of part of the securities that the Turin bank had acquired over the course of 2009.

The chart below shows that the portfolio of financial assets available for sale is held mostly (47% of the total) by CBA Vita, followed by Banca Sella Holding (with 17,7% of the total) and Banca Sella (15,1% of the total).



FINANCIAL ASSETS HELD TO MATURITY

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

The book value of the aggregate, amounting to 328,3 million euros, increased by 48,6% compared with the 220,9 million euros of the previous year.

Financial assets held to maturity *(euro millions)*

Item	31/12/2010	Proportion (%) of total	31/12/2009	Proportion (%) of total	Change	
					absolute	%
Book value	328,3	100,0%	220,9	100,0%	107,3	48,6%
Fair value	317,5	100,0%	224,8	100,0%	92,7	41,2%
Details for main Group companies (book value)						
Banca Patrimoni Sella & C.	35,4	10,8%	30,1	13,6%	5,3	17,6%
Banca Sella S.p.A.	90,9	27,7%	52,3	23,7%	38,6	73,9%
Banca Sella Holding S.p.A.	80,0	24,4%	69,1	31,3%	10,9	15,8%
Banca Sella Nordest Bovio Calderari S.p.A.	5,1	1,6%	5,2	2,3%	(0,0)	-0,1%
Banca Sella Sud Arditi Galati S.p.A.	18,0	5,5%	20,5	9,3%	(2,5)	-12,2%
C.B.A. Vita S.p.A.	62,3	19,0%	-	0,0%	62,3	-
Sella Bank A.G.	36,4	11,1%	2,8	1,3%	33,6	1181,7%
Other Group companies	-	0,0%	41,0	18,6%	(41,0)	-
Total financial assets held to maturity (book value)	**328,3**	**100,0%**	**220,9**	**100,0%**	**107,3**	**48,6%**

In relation to the amount pertaining to C.B.A. Vita, we also note that in the second half of 2010, the company reclassified some securities held for sale to those held to maturity, for an amount of

60 million euros at nominal value, as permitted by ISVAP Regulation no. 37 of 15 March 2011, as the company has assessed its capacity to hold investments until the time of repayment, in line with the due dates of the policy portfolio.

The following table displays the breakdown by maturity date:

Distribution by maturity of financial assets held to maturity *(euro millions)*

Group companies / Maturity	2011	2013	2014	2015	2016	2017	2018	2019	2020	Total
Banca Patrimoni Sella & C.	-	-	-	9,6	-	-	-	25,8	-	35,4
Banca Sella S.p.A.	-	-	-	-	10,3	-	21,0	20,9	38,8	91,0
Banca Sella Holding S.p.A.	-	-	-	10,0	-	28,1	21,3	20,7	-	80,1
Banca Sella Nordest Bovio Calderari S.p.A.	-	-	-	-	-	-	-	5,1	-	5,1
Banca Sella Sud Arditi Galati S.p.A.	-	-	-	-	-	-	-	18,0	-	18,0
CBA Vita S.p.A.	-	-	-	-		-	-	5,3	57,0	62,3
Sella Bank A.G.	2,4	26,1	1,0	2,6	2,7	1,0			0,6	36,4
Total debt securities (by maturity)	**2,4**	**26,1**	**1,0**	**22,2**	**13,0**	**29,1**	**42,3**	**95,7**	**96,4**	**328,3**

FINANCIAL ASSETS / LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

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

An examination of the aggregates at 31.12.10 reveals a rise of 18,8% compared with the previous year in assets, which amounted to 793,7 million euros, offset by an increase in liabilities (+29,4% compared with 2009) which at the end of the year totalled 627,6 million.

Owing to these two trends, the total net result at the end of the year amounted to 166 million euros, down by 9,3% from 2009, in which the figure was 183,1 million.

Examining the contribution of the item, it is noted that Sella Life has recorded an increase in financial liabilities measured at fair value mainly relates to the positive trend of the Sella Life premium deposits, up by 146,9% in 2010. This increase is partly re-connected to the signing of policies of customers adhering to the tax amnesty in force in the first few months of the year, but above all to a more intense collaboration with the Group distribution networks.

With regards to CBA Vita, on the other hand, a decrease in assets and liabilities has been seen, due to the fact that during the year, no branch III products were issued and, instead, index products of previous years have reached maturity. These maturity dates have entailed the sale of securities connected with the above products.

Financial assets/liabilities at fair value through profit or loss *(euro millions)*						
Item	**31/12/2010**	**Proportion (%) of total**	**31/12/2009**	**Proportion (%) of total**	**Change**	
					absolute	**%**
Financial assets at fair value through profit or loss						
Debt securities	413,4	52,1%	480,3	71,9%	(66,9)	-13,9%
Equity securities	22,3	2,8%	20,0	3,0%	2,3	11,3%
UCITS units	335,5	42,3%	141,5	21,2%	194,0	137,1%
Loans and advances	22,5	2,8%	26,2	3,9%	(3,8)	-14,4%
Total	**793,7**	**100,0%**	**668,1**	**100,0%**	**125,6**	**18,8%**
Financial liabilities at fair value through profit or loss						
Due to customers	627,6	100,0%	484,9	100,0%	142,7	29,4%
Total	**627,6**	**100,0%**	**484,9**	**100,0%**	**142,7**	**29,4%**
TOTAL NET FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	**166,0**		**183,1**		**(17,1)**	**-9,3%**
Net details for Group companies						
C.B.A. Vita S.p.A.	166,1		183,1		(17,1)	-9,3%
Sella Life Ltd	(0,0)		-		(0,0)	-
TOTAL	**166,0**		**183,1**		**(17,1)**	**-9,3%**

Non-current assets and asset groups held for sale and associated liabilities

The assets and liabilities of Banque BPP and the investment held by Banca Sella Holding and C.B.A. Vita in Banca Monte Parma have been classified to "Non-current assets and groups of assets held for sale" and "Liabilities associated with groups of assets held for sale", insofar as at the end of 2010, the criteria established by IFRS 5 had been met for inclusion in this category.

Non current assets and groups of assets held for sale and associated liabilities *(euro millions)*	
Items	**31/12/2010**
Single asset	19,6
Asset groups (discontinued operations)	60,7
- of wich: cash loans	24,1
Total non current assets and groups of assets held for sale	**80,3**
Liabilities associated with groups of assets held for sale	156,9
- of wich: direct deposit	126,4
Total liabilities associeted to non current assets and groups of assets held for sale	**156,9**

With regards to Banque BPP, the company's assets and liabilities have been included amongst the groups of assets held for sale (and associated liabilities), as on 28 December 2010, the agreement was signed for the sale of the entire capital of the company by Banca Sella Holding and Sella Holding NV to a major European banking counterparty for an amount in line with the value of the company. The transaction was resolved by the Board of Directors of Banca Sella Holding on 21 December 2010 and that of Sella Holding NV on 27 December 2010. It is part of the rationalisation and equity strengthening plan of the Banca Sella Group and shall be completed during the first half of 2011, subject to obtaining the usual authorisations from the supervisory authority.

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

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

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

Regulatory capital

The regulatory capital and capital ratios at 31 December 2010 have been calculated on the basis of the figures in the balance sheet and income statement determined by applying the IAS/IFRS international accounting standards, in accordance with Circular no 155/91 of the Bank of Italy, containing “Instructions for preparing reports on regulatory capital and prudential ratios”.

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

At the end of the year, the Group's consolidated regulatory capital amounted to 983,7 million euros, down 0,7% on last year. The breakdown of the aggregate shows different dynamics for the different items comprising it, with a growth of the Tier 1 capital and a reduction in Tier 2 and 3 capital.

Tier 1 capital in fact settled at 607,4 million euros, recording 4,7% growth on last year. We note that the negative component in relation to goodwill, which is included in the calculation of the Tier 1 capital, has also included goodwill in relation to the investment in Banca Monte Parma, which, during the period, was classified amongst assets held for sale.

The tier 1 capital does not include financial instruments increasing the capital other than ordinary shares. Consequently, the Group's Tier 1 also represents its Core Tier 1.

As a consequence of the dynamics described above, as of 31 December 2010, the Tier 1 capital ratio, namely the ratio of the Group's Tier 1 capital and the total weighted risk assets (which came in at 8.406,8 million euros, slightly below last year), showed a coefficient of 7,22% as compared with the 6,84% of end 2009.

Tier 2 capital was down 7,9%, standing at 403 million euros, as compared with the 437,6 million euros of 2009. The drop is mainly due to the decrease of subordinate liabilities falling under the positive elements of the tier 2 capital.

The tier 3 capital recorded a 24% decrease (11,2 million euros as compared with the 14,8 million euros of 2009).

Ineligible items, almost entirely consisting of investments in Group insurance companies, amounted to 37,9 million euros, down 10,6% on 31 December 2009, when they had totalled 42,4 million euros.

At 31.12.10 the Total capital ratio, namely the ratio between the Group's total regulatory capital and its total risk weighted assets was 11,70%, compared with 11,67% at the end of 2009.

Regulatory capital *(euro mililonis)* **and capital adequacy ratios** *(%)*

Item	31/12/2010	31/12/2009	Change	
			absolute	%
Tier 1 capital	**607,4**	**580,3**	**27,1**	**4,7%**
Tier 2 capital	403,0	437,6	(34,6)	-7,9%
Tier 1 and Tier 2 capital ineligible items	37,9	42,4	(4,5)	-10,6%
Tier 3 capital	11,2	14,8	(3,6)	-24,0%
Regulatory capital including Tier 3	**983,7**	**990,2**	**(6,5)**	**-0,7%**
Credit and counterparty risk	577,7	576,2	1,5	0,3%
Market risks	15,7	20,7	(5,0)	-24,3%
Operational risk	79,1	81,7	(2,6)	-3,2%
Other capital requirements	-	-	-	-
Total capital requirements	**672,5**	**678,7**	**(6,2)**	**-0,9%**
Risk weighted assets	**8.406,8**	**8.483,3**	**(76,5)**	**-0,9%**
Tier 1 capital/Risk weighted assets (Tier 1 capital ratio)	**7,22%**	**6,84%**		
Regulatory capital including Tier 3/Risk weighted assets (Total capital ratio)	**11,70%**	**11,67%**		

FOCUS ON 2010-2012 STRATEGIC PLAN

"Strengthening of Core Tier 1"

The aim of the Strategic Plan is to take and maintain on a stable basis, the Core Tier 1 (according to the calculation methods currently in use) above the level of 7,5% by 2012 and from then on respecting the requirements of Basel 3 at the checkpoints in 2014 and 2019.
On this we note that at present, the Group Banca Sella already respects the new capital requirements envisaged for 2014.
This result will be obtained by reducing risk absorption, increasing capital in subsidiaries or reducing dividends and through the sale of corporate assets or business units of suitable characteristics.

Liquidity

In 2010 the liquidity situation, at a general and market level, did not yet return to the levels it reached before the crisis. The unsecure interbank market was still tense, mainly due to the little confidence of financial intermediaries.

Especially in the first half of the year, banks continued to accumulate or deposit large volumes of liquidity with central banks, also so as to be able to withstand any sudden future needs.

Considerable government plans were worked out to support the economic cycle, whilst central banks responded to the liquidity crisis of money markets, keeping the extraordinary measures taken in 2009 to support the system, in place. Also in 2010, therefore, the European Central Bank has maintained high volumes of liquidity assigned with frequent full-allotment refinancing transactions over several due dates, accepting a wide range of securities as collateral.

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

Liquidity monitoring and management operations for the Banca Sella Group 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 2010 to maintain a more than adequate level of liquidity against the market crisis.

The new rules for the measurement and monitoring of the liquidity risk, contained in the documents issued by the Basel Committee and referred to as "Basel 3" [8], have been seen, right from the start, by the Group as an opportunity by which to refine its risk management processes.

In 2010, the Group also participated in the Quantitative Impact Study organised by the Basel Committee with a view to calibrating the parameters needed to calculate two new quantitative requirements in relation to the liquidity risk. This study further highlighted the prudential profile of the liquidity of the Banca Sella Group and provided a first opportunity by which to adjust its monitoring systems to meet the future new standards.

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

Information on exposure to "high risk" financial products

BANCA SELLA

SPE (Special Purpose Entities)

At 31 December 2010, and during the whole of 2010, Banca Sella was not exposed to special purpose entities (SPEs), structured investment vehicles (SIVs) or other conduit structures, considered risky as they are associated with the crisis caused by sub-prime mortgages, which became a generalized crisis of the global financial system.

The securitisation transactions concluded by Banca Sella involved performing loans; in the second half of 2010, the securitisation with the vehicle company Secursel S.r.l., a company of the Banca Sella Group, was completed, whilst that with Mars 2600 S.r.l., a company held 10% by Banca Sella Holding, was still in place.

For further details on these transactions, the reader is referred to Part E of the Notes to the Financial Statements, and specifically to the section on securitization transactions.

Sub-prime and Alt-A exposures

[8] *Specific reference is made to the document entitled "International framework for liquidity risk measurement, standards and monitoring", which introduces the Liquidity Coverage Ratio (short-term liquidity index, timeframe 30 days) and the Net Stable Funding Ratio (long-term/structural liquidity index, timeframe 1 year), which will come into force respectively in January 2015 and January 2018.*

At 31 December 2010, and during the whole of 2010, Banca Sella was not exposed to structured CDO-type products or other financial instruments perceived by the market as highly risk as associated with the sub-prime mortgage and Alt-A crisis.

ABS (CMBS, RMBS)

Given that there are no exposures in ABS connected to sub-prime mortgages, the ABS that were present in the portfolios owned by Banca Sella, relating to the situation of the ABS deriving from the securitisation performed by Banca Sella S.p.A. on performing residential mortgage loans, expired in 2010.

BANCA SELLA HOLDING

SPE (Special Purpose Entities)

At 31 December 2010, and during the whole of 2010, Banca Sella Holding was not exposed to special purpose entities (SPEs), structured investment vehicles (SIVs) or other conduit structures, considered risky as they are associated with the crisis caused by sub-prime mortgages, which became a generalized crisis of the global financial system.

Sub-prime and Alt-A exposures

At 31 December 2010, and during the whole of 2010, Banca Sella Holding was not exposed to structured CDO-type products or other financial instruments perceived by the market as highly risk as associated with the sub-prime mortgage and Alt-A crisis.

ABS (CMBS, RMBS)

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

- *ABSs from third-party securitisations*
  - ABSs issued by Italian companies (Società di Cartolarizzazione Italiana Crediti ARL and Società Cartolarizzazione Crediti INPS) found in Banca Sella Holding portfolio since 2004 and gradually decreased. The total equivalent value is 0,471 million euros and represents approximately 0,02% of the total portfolio (floating + fixed) of Banca Sella Holding.

ABSs issued by Italian companies *(thousand euro)*

Description of security	Isin	Currency	Nominal Value	Book value
SCIC A2 TV EUR CART	IT0003731426	EURO	7.500	471
Total				**471**

- ABSs issued in securitization of residential and non-residential loans and leasing credits carried out by European banks (Spain and the United Kingdom). The total held at 31.12.10 amounted to an equivalent value of 2,868 million euros, thus representing a residual part of the whole portfolio, about 0,14%.

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

Description of security	Isin	Currency	Nominal Value	Book value
BUMF 6A2 TV 40 LR	XS0299446103	EURO	1.500	964
TDAC 8A TV 49 LR	ES0377966009	EURO	643	586
CAJA MADRID TV 50 LR	ES0359093012	EURO	1.400	1.318
Total				**2.868**

- *Units of ABSs present in SICAV segments or units of Hedge Funds*
  - The Banca Sella Holding portfolio contains units of Group SICAVs that invest in ABSs (the investment decisions taken in the segment favoured instruments with medium-high ratings with careful selection of the underlying and excluding investments linked to US subprime mortgages). This is an investment of 4,3 million euros, equal to 0,21% of the portfolio itself. The Hedge Funds in the portfolio, whose equivalent value is 0,717 million euros, represent only 0,03% of the portfolio itself.

» PROFIT DISTRIBUTION POLICY

As regards the policy on the distribution of profits, a method is usually used within the Group whereby the dividend distributed by each company on a yearly basis depends on the risk-free interest rate, on a proportion of the risk premium and on the average equity of subsidiaries; in any case the maximum dividend distributable is the profit for the year less the provisions established by the articles of association and allocated to the legal and statutory reserves.

This year, however, with a view to increasing the equity of the individual companies comprising the Group, it was decided to distribute significantly less profit than as would have resulted from the application of said methodology.

For the year ended 31 December 2010, the Parent Company will distribute 1,9 million euro, or 10% of the consolidated net profit pertaining to the Parent Company, which came out at 19 million euro.

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

» GROUP COMPANIES

As already mentioned previously, the Banca Sella Group operates through 26 companies (of which one in liquidation) working in many different geographical areas with a vast range of products and services.

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

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

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

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

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

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

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

- Family Advisory SIM S.p.A. - Sella & Partners: newly-incorporated equity intermediation company, operative only as from 1 January 2011, this is a multi-family office providing a concrete response for families and businesses;

- Leasing
  - Biella Leasing, a company operating in the financial leasing segment;
- Consumer credit
  - Consel, a company which works in the consumer credit sector, providing customers with a wide range of products focused on credit;
- Bancassurance
  - Brosel, a company active in the insurance broking and advice sector;
  - C.B.A. Vita, a company that operates in the sector of life assurance and health and accident insurance;
  - Sella Life, an Irish company specialized in the issue of unit linked policies,
- Banking Services
  - Sella Servizi Bancari, consortium company of the Group, whose creation, achieved in 2009, is fully described in the section "Strategic issues";
  - Selir, a Romanian company which operates in the sector of the design and development of software products and in the provision of administrative services exclusively for the Group's banks, Easy Nolo and Consel;
  - Easy Nolo, a company operating in the world of electronic payment systems.
- Other sectors of activity
  - Miret S.A.: *société anonyme* legal company dealing exclusively with administrative activities deriving from transferred management of Sella Bank Luxembourg S.A.;
  - Immobiliare Sella and Immobiliare Lanificio Maurizio Sella: Group real estate companies;
  - Secursel: special purpose vehicle for securitisation transactions;
  - Sella Holding NV: holding of foreign investments of the Group;
  - Sella Capital Management: company in liquidation;
  - Sella Synergy India: Indian company, which on 15 February 2010 sold its IT activities to Sella Servizi Bancari S.c.p.A. Chennai Branch "permanent establishment abroad" of Sella Servizi Bancari; the company is active but no longer operative.

For more information on the corporate transactions involving:

- the constitution of Family Advisory SIM S.p.A. - Sella & Partners;
- the constitution of Sella Servizi Bancari S.C.p.A. Chennai Branch;
- the division of Sella Bank Luxembourg into Banque BPP and Miret;
- the sale of the business unit of Banca Sella Holding relating to the activity of custodian bank please refer to that stated at the start of this report on operation, in the section "Changes in the framework of the Group and equity investments" in the chapter "Corporate transactions".

For more complete information on the performance of main individual companies listed above, the present section presents a summary comment on the business they carried on and the results they achieved during 2010 describing their operating performance and overall results.

It is specified that the following comments report the results obtained, applying the accounting standards used to prepare the separate financial statements.

Italy network banks

BANCA SELLA S.P.A.

The net profit for the year, which came out at 9,2 million euros (+6,4% compared with 31.12.09), took the level of R.O.E. up to 2,5%, compared with 2,4% achieved in 2009.

The comments below refer to the reclassified Income Statement items.

At 31 December 2010 net interest income amounted to 146,2 million euros, down by 2,9% compared with the previous year. The impact on net interest and other banking income fell from 61,6% in 2009, to 59,2% in 2010.

The financial context that marked 2010 confirmed the trend of market rates, still at low levels, which prevented a possible improvement of spread. In fact, the difference between the active rates to customers and the passive rates on deposits was significantly lower than the already low levels of 2009. The result was affected by the positive trend of loans (+12,8%) and from the direct deposits inclusive of REPOs (-4,9%).

The trend in net income from services, which amounted to a total of 100,6 million euros, showed a rise of 7,1% compared with the previous year, in which it was 93,9 million euros. This component represented 40,8% of net interest and other banking income (38,4% in 2009).

The result was particularly affected by payment services: the credit card acquiring activity recorded volume growth as compared with last year of +5,8%; activities relating to debit and credit cards showed growth in spending volume terms of +6,7% as compared with last year. A particular note should be taken of the new "Carta corrente prepagata" (prepaid current account card), which has enjoyed widespread interest amongst customers.

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

Income from listing shows an increase of 22,2% as compared with last year, thanks to the good results achieved in the listing of products linked to mortgages and other types of loans, such as fire policies and policies connected with personal loans.

The remainder of net income from services, including commission charged on holding and managing current accounts and commission on loans granted to customers, increased significantly linked to the partial application of this commission in 2009, as it was only applied during the second half of the year.

Net income from money management, together with net income from services, led to total net income of 246,8 million euros, up by 1% compared with 2009, in line with the results achieved on average in the Italian banking system as a whole.

Operating costs, amounting to 175,2 million euros, including the negative contribution of 0,6 million euros of the item "Other operating expenses/income", decreased by 3,6% compared with 2009.

This result was affected by the decrease of all cost items, as proof of the careful pursuit of the guidelines of the three-year strategic plan, in terms of limiting and rationalisation to be applied to all expense items.

As a result, 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 interest and other banking income, comes in at 69%, an improvement on the 72,4% recorded for last year and in line with the objectives established by the Bank.

Owing to the above trends the operating result amounted to 71,6 million euros, up by 14,3% in comparison with the figure for the previous year.

During the year, provisions of 0,5 million euro were set aside for risks and charges. The aggregate decreased clearly with respect to 2009, during which it totalled 2,3 million euro. In 2009, the Group signed an agreement with trade unions on 4 December 2009 for the access to the extraordinary services provided by the Solidarity Allowance of the sector. As such, a properly discounted provision was approved at the end of 2009, to cope with the use of future economic resources. This was used almost entirely in 2010.

Net value adjustments on loans and advances amounted to 51,1 million euros, up by 14,2% compared to the 44,7 million euros of the previous year. The item accounts for 0,9% of the total loans, despite the continued generalised crisis that began in 2009; the incidence on total loans has remained on similar levels (0,9%).

BANCA SELLA SUD ARDITI GALATI S.P.A.

The net profit for the year amounted to 1,2 million euros, determining an R.O.E. of 1,4%. Both figures show a worsening over 2009, in which the annual profit was 4,2 million euros and the R.O.E. 4,9%.

The comments below refer to the reclassified Income Statement items.

Net interest income achieved a result of 34,2 million euros, a decrease over the 38,5 million euros of the previous year, due to a shrinking of spreads, above all as a result of the generalised reduction seen in interest rates and of increased competitiveness on direct deposits.

As a proportion of net interest and other banking income, net interest was 63,6%, compared with 67,1% in 2009.

Net interest and other banking income, amounting to 53,8 million euros, decreases overall by 6,3% on last year. The result obtained, despite the negative trend of the net interest income, thanks to the positive contribution made by net commission.

2010 recorded a good upturn to net income from services, showing a total of 19,6 million euros, up 3,6% on 2009. This component represents 36,4% of the net interest and other banking income (32,9% in 2009).

Operating costs, amounting to 42,4 million euros decreased by 6,2% compared with the previous financial year. The operating costs component is mostly made up of “Other administrative expenses”, which, net of “Recovery of stamp duties and other taxes” amount to 20,3 million euros, and “Personnel expenses” (including the associated IRAP tax), which stand at 22,0 million euros.

As a result, the efficiency indicator known as the cost-to-income ratio, which is the ratio between operating costs and net interest and other banking income, came out at 76,5%, slightly worse than the 76,3% of 2009.

Owing to the above trends the gross operating result amounted to 11,4 million euros, a decline of 6,4% compared with the figure at 31.12.09.

During the year, provisions for risks and charges were made for 0,1 million euros, against a positive component recorded last year of 0,2 million euros - the result of allocations made in previous years.

Total adjustments for the year stood at 7,9 million euros, worse than last year, when a negative figure of 5,9 million euros was recorded.

BANCA SELLA NORDEST BOVIO CALDERARI S.P.A.

Financial year 2010 ended with a net loss of 7,4 million euros, and an R.O.E, which came out at - 15,5%. The causes of the worsening of the economic result compared with previous years are explained in the comments below, in relation to the items of the reclassified Income Statement.

Net interest income, net of dividends, amounts to 16 million euros, slightly better than 2009 (+0,9%), following the significant drop in both active interest (-20,7%) and passive interest (-44,5%). If not considered, for greater homogeneity of comparison with last year, maximum overdraft commission, which until suppressed during the second quarter of 2009 came under the positive components of net interest income, the aggregate is instead up by 1,3% on 2009.

The incidence of net interest income (including dividends) on the net interest and other banking income is 68% as compared with 66% for 2009.

The result of net interest income was determined by a reflective trend both in cash loans, down 2,4% on last year and direct deposits (excluding REPOs), down 5% and the trend of market rates, which reached all-time lows during the first few months of the year, before remaining at these levels and showing a slow recovery in the last few months, particularly on deposits, by virtue of the pre-announced regulatory interventions on liquidity requirements. The global spread fell 15 basis points during the year, with a reflective trend particularly during the second half of the year.

In 2010, net income from services settled at 7,5 million euros as compared with the 8,1 million euros recorded in 2009 (-7,9%). The negative trend of the aggregate is due to the net result of the finance sector, which closed the year with a loss of 509 thousand euros, as compared with the positive contribution of 912 thousand euros of 2009. This result has, to a large extent, been determined by the great tension on the government securities of the peripheral countries of the euro area, which marked 2010, with severe repercussions also involving the trends of Italian public debt securities included in the Bank's securities portfolio. Net of this impact, net income from services would have shown an improvement of 10,7% on 2009. In fact, the trend of net commission was positive, recording a 9,4% increase on last year. Under this scope, the best results have been achieved by the portfolio management sector (+62,6%), commission and expense recovery on loans granted to customers (+38,9%), securities listing (+17,2%) and insurance products (+37,1%).

The described trend of net interest income and income from services has determined a 2010 net interest and other banking income of 23,4 million euros, down 2,1% on 2009. We must, however, stress that if we eliminate the extraordinary impact of the finance sector from the figure, the comparison with last year shows a 3,9% improvement on the net interest and other banking income.

Operating costs (including IRAP on personnel costs) amount to 23,8 million euros, showing a significant drop of 5,4% on 2009, as proof of the efficiency of the cost reduction policy adopted by the Bank and the Banca Sella Group in 2010, in harmony with the pressing indications in this sense given by the Supervisory Body.

Operating costs are mainly made up of:

- personnel expenses: amount to 11,9 million euros (excluding the associated IRAP), falling by 8,6% on 2009;
- other administrative expenses: amount to 11,7 million euros (-2,1% compared with 2009);
- amortisation and depreciation on tangible and intangible fixed assets: 969 thousand euros (-21,3% on 2009).

On the basis of the data illustrated, the efficiency indicator referred to as the "cost-to-income" amounts to 99,1%, showing an improvement of 4,5 points as compared with last year, at the end of which the index stood at 103,6%.

Owing to the above trends the operating profit for financial year 2010 amounts to - 0,4 million euros, still negative, but significantly better than the -1,2 million of 2009.

During the year, provisions for risks and charges were made for a total of 0,8 million euros, down 36,1% on 2009, when the aggregate included an extraordinary allocation of 0,9 million euros in relation to the "surplus project".

Most of the economic impact in 2010 refers to the allocation of 582 thousand euros in view of the risk of administrative sanction in relation to the dispute of the Financial Police, in relation to an alleged breach of money laundering regulations. The residual part consists of allocations made in view of forecast adverse judgements in relation to lawsuits already brought.

In 2010, the item amounted to 8,7 million euros, showing a significant increase of 43,2% on 2009 and represented 1,4% of cash loans at the end of the year (the share was 1% in 2009). The major impact, further increased on that already noted in 2009, is the direct consequence of the economic crisis, which continued to concern the world economy in 2010 and is in line with the trend recorded by the entire national banking system.

In detail, adjustments on loans amounted to 11,6 million euros (+37,3% compared with 2009), while writebacks amounted to 2,9 million euros (+ 22,1% compared with 2009).

In 2010, the Bank bought back own bond issues in order to relist them on the market; an activity previously carried out by the Parent Company Banca Sella Holding.

The repurchases made generated income stated in the item Profits (losses) from sales or repurchases of credits, financial assets held for sale and financial liabilities.

Large customers and asset management

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

Banca Patrimoni Sella & C. closed 2010 with net profit for 3,3 million euros, a distinct improvement on the profit of 0,9 million euros recorded as of 31 December 2009.

As compared with last year, the result as of 31 December 2010 has been determined above all by the following aspects:

- a good dynamic of net interest and other banking income that, settling at 34,5 million euros, has recorded an increase on last year of 27,3%; this took place mainly thanks to the positive contribution made by the components of interest and commission;
- a more limited growth of operating costs, which settled at 29,8 million euros, 3,4 million euros above the figure recorded for 31 December 2009;
- greater provisions for risks and charges, which in 2010 amounted to 1,2 million euros, as compared with the 0,8 million euros of last year;
- slight growth in absolute terms of the value adjustments made for credit deterioration, which settled at 0,3 million euros;
- a positive trend of the aggregate of income from sales of financial assets held for sale, which resulted in greater income for 0,3 million euros.

As a result of the performance outlined above, income from continuing operations before taxes totalled 5,0 million euros , with respect to 1,4 million euros recorded in the previous year.

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

Net interest income, inclusive of the item "Dividends and other income" settled at 7,5 million euros, up 37,4% on the 5,4 million recorded in 2009. This trend is the direct consequence of the interest expense dynamic, for which the decrease of 2,8 million euros as compared with last year, due to the lesser costs of direct deposits and repurchase agreements, more than offset the lesser income due to the deduction of interest income, which was 0,8 million euros less.

Net income from services totalled 27 million euros, an increase of 5,4 million euros (+24,7%) in respect to last year. This can mainly be attributed to the performance of commissions, the net aggregate of which increased by 6,2 million euros on 2009, thanks to the increase in volumes, and led to a greater increase of the assets component rather than the liabilities one. In particular, net fees increased in the assets management sector, both those received for individual management for Bank clients, and those referred to the management of Group banks delegated to Banca Patrimoni Sella & C.

Net trends relating to trading on own behalf and the receipt and transmission of orders on behalf of customers settled at 2,8 million euros, 22,5% less than last year, when it settled at 3,5 million euros.

Income from asset management by proxy settled at 2,8 million euros as compared with last year, when they were 1,6 million euros.

Operating costs stood at 29,8 million euros, an increase of 12,7% compared with the 26,5 million euros recorded in the previous year.

Within the total, expenses for personnel (including IRAP relative to the same) totalled 17,5 million euros, an increase of 18,5% when compared to 31 December 2009.

In comparing the two years, however, we must consider the fact that in 2009, the purchase of the business unit from Sella Gestioni SGR had entailed an expansion of the workforce by 8 employees, but as this took place at the end of the year (on 23 November 2009), its effects only partially applied to the personnel costs as of 31 December 2009.

Amongst the other reasons for the growth of the aggregate, we note the increase in the allocation for the variable retribution recognised to personnel in relation to having reached predefined objectives and the growth of the private banker network.

Other administrative expenses (net of recovery of stamp duty and other taxes) amounted to 11,2 million euros at the end of the year, thereby coming in slightly above 2009, when they were 11 million euros.

Please note that in compliance with the indications provided by the Bank of Italy with communication of 21 February 2011, some expenses previously included amongst “Other administrative expenses” were reclassified to personnel expenses, to the sub-item “Other employee benefits”. Consequently the comparison period has also been adjusted for an amount for 148 thousand euros. For more details on the sub-item of allocation of these reclassifications, refer to table "9.4 Other employee benefits" of the Explanatory Notes, Part C - Income statement.

Other components of operating costs include an increase of 0,6 million euros of the item Other operating expenses, which, having deducted the recovery of stamp duty and other taxes, stood at 0,7 million euros.

As a result of the trends described above, the operating result at 31.12.10 amounted to 4,7 million euros, a distinct improvement on the previous year, when it was 0,6 million euros.

SELLA BANK AG

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

Last financial year the Bank realised a net performance fee of 0,8 million euros deriving from the final liquidation of a venture capital investment fund managed by the Bank. The following comment also provides information about the change compared to the previous year net of said fee. Note also that the comparison with the previous year uses the exchange rate in force on 31.12.10 (EUR/CHF 1,25).

Net interest income, amounting to 0,9 million euros, went down by 13,3% compared with 2009, while net income from services, amounting to 7,4 million euros, showed a decrease of 15,4% (-3,5% net of the above extraordinary fee).

Net interest and other banking income, amounting to 9,3 million euros, went down by 13,2% (-3,5% net of the extraordinary fee) over the previous year.

Structural costs, amounting to 6 million euros, show a rise of 1,2% whilst the cost to income ratio, due to the increase in net allocations to provisions for risks and charges due to the operational risk component, stood at 75,9%, up 19,9% (+13,7% net of extraordinary commission) on 2009.

The above performance has enabled the Bank to achieve a net profit of € 1,8 million, a decrease in respect to the € 3,5 million seen last year.

BANQUE BPP S.A.

Banque BPP was incorporated as from 1 July 2010 under the scope of the division of Sella Bank Luxembourg, as described in the chapter entitled "Changes in the framework of the Group and equity investments". During the second half of 2010, the Bank mainly focused on corporate and private banking departments, besides custodian bank services.

The year closed with a positive result of 230 thousand euros, mainly due to the recovery of a tax allocation for 651 thousand euros. The gross operating result, prior to value adjustments and other operating charges/income, was 88 thousand euros.

Net interest income stood at 829 thousand euros, whilst net commission recorded a balance of 1,3 million euros. General expenses, including personnel expenses and other administrative expenses, instead came in at 2,4 million euros.

The year ended with total assets of 184,1 million euros. Amounts due from customers were 24,1 million euros (all performing), whilst overall deposits stood at 766,6 million euros. It is important to note that private and corporate customer deposits represent more than 57% of the total.

Please remember that at the end of the year, Banca Sella Holding and Sella Holding NV signed an agreement for the sale of the entire capital of Banque BPP to a major European banking counterparty for an amount in line with the value of the company. The transaction will be completed during the first half of 2011, subject to obtaining the usual authorisations from the supervisory authority.

SELFID S.P.A.

The Company, based in Biella, carries on a so-called “static” fiduciary business (as provided for in Law 1966/39).

Again in 2010 the main activity of Selfid was the fiduciary custody of financial assets and insurance products, and the assumption of fiduciary appointments for the custody of equity interests and shares of companies. The number of trustee mandates as of 31 December 2010 stood at 896. The assets administered went from 1.800 million euros for 2009 to 1.948 million euros in 2010. Commission income amounted to 1.149 thousand euros, showing a major increase on the 655 thousand euros from last year. The most significant cost item, costs for services, instead totalled 730 thousand euros.

Selfid ended the year with a net profit of 149 thousand euros, as compared with the 199 thousand euros recorded in 2009.

SELGEST S.A.

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

The year just ended confirms the down trend of managed assets. Despite an increase seen since the start of the year, with a peak at 260 million achieved in April, assets managed as of 31 December 2010 stood at 202 million euros, 7% worse than 2009.

In 2010, efforts continued in the organisation that had been started-up in the last quarter of 2009, and which allowed for a further reduction in the Company's workforce, taking it to just 2 employees.

The year ended with a loss of 373 thousand euros, in any case 58,3% better than the loss recorded last year.

Please note that on 26 February 2010, the Parent Company, already majority shareholder, subscribed a further capital increase of 2,5 million euros.

SELLA GESTIONI SGR S.P.A.

The Company, which is based in Milan, has operated in the managed savings sector, in the segment of collective management since 1983 and since 1999 it also operates in the social security sector.

At the end of 2010 the company managed 16 Italian-law mutual funds, a fund of funds made up of 2 segments, a pension fund made up of 5 segments, and, with delegated powers, 2 Luxembourg-law SICAVs and one Monaco-based fund. For the placing of its products the Company works with banks and security brokerage companies both within and beyond the Banca Sella Group.

As far as collective management is concerned, at year end the assets were invested as follows: 78,1% in bond funds, 10,4% in balanced and flexible funds and 11,5% in equity funds.

As of 31 December 2010, total assets managed (net of duplications) amounted to 2.024,2 million euros, down 9,1% on the end of 2009. This decrease was due to the trend in deposits, which had a balance (intended as the net value of subscriptions and redemptions) that was negative for 221,3 million euros.

The market share held by the company in the sphere of collective management was 0,417% at year end, compared with 0,492% at the end of 2009.

As of 31 December 2010, the year ended with net profit for 528 thousand euros, against net income of 1,5 million euros recorded for 2009. This result was significantly affected by the sale of the premises owned, situated in Via Pirelli, Milan, which yielded a capital gain of 0,5 million euros.

Net interest and other income amounted to 6,6 million euros, down 41,4% on 2009. The change in the net interest and other income was negatively affected by the transfer of the business unit of individual managements of portfolios, which took place in November 2009, by the lesser average assets managed during the period, the lesser profitability of liquid funds invested and the significantly lower incentive commission than in 2009.

Structural costs, amounting to 6,7 million euros decreased by 28,8% compared with the previous financial year. This change was caused to not only the above-specified sale of the business unit dealing with the individual managements of portfolios, which took place in November 2009, but also by careful cost limitation. In particular, the number of personnel of the Company, including attached staff and collaborators, went down from 61,8 full time equivalent of the end of 2009 to 53,3 full time equivalent of the end of 2010.

For 2011, the plans are to pursue a growth objective of volumes and quality of products managed, in a context that is increasingly attentive to limiting costs.

Leasing

BIELLA LEASING S.P.A.

The company, based in Biella, works in the financial leasing business, in all sectors but in particular: motor vehicles, capital goods, property, boats and photovoltaic. Biella Leasing operates with 9 branches, besides the head office in Biella.

During the year the company signed 3.607 contracts for a total amount of 254,7 million euros; this figure is up on the 3.345 contracts (for an amount of 254,5 million euros) signed in 2009.

The market share of the newly-signed contracts was 0,93%, a decrease over the previous financial year, when it was 0,98%.

Net interest and other income, amounting to 26,8 million euros, is growing compared with 2009, when it was 22,5 million euros. Structural costs, inclusive of personnel expenses and other overheads, amounted to a total of 6,6 million euros at 31 December 2010, up by 3% compared with the previous year, in which they were 6,4 million euros.

On 31.12.10 the staff, including employees and seconded personnel from other companies of the Group, was made up of 65 people (no changes with respect to 2009 figures), of which 34 men and 31 women. Seconded personnel was made up of 5 people. In 2010, one person was seconded to another company of the Group.

The incidence of net non-performing positions on loans went from 1,66% in 2009 to 1,56% in 2010.

The company thus closed the year with a net profit of 6,8 million euros, 26,90% up on the figure of 5,4 million euros recorded in 2009.

Consumer credit

CONSEL S.P.A.

The company, which has its operational office in Turin, works in the consumer credit sector, providing its customers with a wide range of credit-based products, in particular financing for hire purchase, credit cards, salary-backed loans and motor vehicle leasing. Consel carries on its business through an operational structure consisting of 262 employees, 26 managed branches, 11 affiliated "Consel Points" and more than 2.800 partner sales points active in 2010 all over Italy.

In 2010, the consumer credit sector continued to suffer the negative effects of the external situation of economic-financial crisis, albeit to a lesser degree than last year. On the basis of the data collected by the "Observatory on consumer credit" by the Assofin Associates, in 2010, the total value financed by Italian consumers and families totalled 52,4 billion euros of loans supplied, with 112,4 million lending transactions concluded. As compared with the great drop recorded last year (11,3%), the result of 2010 confirms the negative trend, but with less intensity (-5,3%).

The dynamic of the number of transactions financed also shows a slowing down as compared with the past (-1,2% on 2009, as compared with the +1,5% recorded in 2009), significantly affected by the trend in the number of uses of revolving credit cards, which account for approximately 95% of the total consumer credit transactions.

The continued weakness of the Italian market, which is not yet able to return to pre-crisis levels is due not only to the tail-end of the economic-financial crisis, but also to the changes in the regulatory context which have required major efforts to adapt, resulting in a significant reorganisation of the business by operators.

Against the trend of the Italian consumer credit market, in 2010 Consel recorded growth of 4,1% in volumes supplied.

With regards to consumer credit products, the Company dealt with 171.471 financing applications (for personal loans, cars and other specific financing, salary-backed loans) for a total amount of 653,5 million euros and liquidated 124.679 transactions for a total of 389,4 million euros.

With reference to the activities implemented through the agency channel of the Toro group (Alleanza Toro, Augusta Assicurazioni, Lloyd Italico), 2010 was a year of consolidation of the collaboration with the authorised agencies and development of new forms of partnership, also thanks to the opening of 11 new affiliated "Consel Points". The work of disbursing personal loans through the Agencies produced 3.768 new operations, for a total of 45,2 million euros liquidated. The affiliated points produced 545 loan applications with 6,9 million euros supplied.

Net interest income amounted to 38,4 million euros, an increase of 16,1% over 2009, while net interest and other income, amounting to 52,7 million euros, showed an improvement of 4,7% compared with the previous year, thanks also to the increase in total revenue to 19,8 million (up +3,7%).

At 31.12.10 operating costs amounted to 29,2 million euros, of which 27,9 million relating to administrative and personnel expenses (an increase compared with the 25,9 million recorded in 2009) and 1,3 million for amortisation and depreciation (in 2009 the figure was 1,2 million). The increase in operating costs is therefore in line with the rate of growth and development of the company.

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

Bancassurance

BROSEL S.P.A.

This Biella-based company operates in the field of insurance broking and consultancy work.

In 2010, Brosel brokered a volume of premiums amounting to approximately 24 million euros. The continued decrease in financial income, linked to an extremely low rate level and a slight decrease in net commission from intermediation of insurance (equal to 2,2 million euros, down 1,3% as compared with those of last year) as well as an increase, albeit limited, of the structural costs, have yielded a pre-tax result of 705 thousand euros, down 17,7% on last year.

Net profit came in at 444 thousand euros, down 112 thousand euros on last year.

In 2010, the Company's business continued to develop mainly in the corporate sector, and specifically in that of policies covering construction risks and alternative energies, as well as in the financial institutions and credit institutions sector, where the Company has particular know-how and professionalism.

The main future projects involve both commercial and organizational aspects. With regards to the first aspect, the intention is to continue developing activities in collaboration with the Banca Sella Group network to increase the introduction to customer companies of the Group. As for the latter, a complete review of the business processes will continue, in order to obtain a recovery of productivity.

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

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

During the year, C.B.A. Vita collected total net deposits for 443,2 million euros (up on the 272,9 million euros recorded in 2009), mainly from traditional life policies. Premiums ceded amounted to 2,3 million euros.

Gross premiums of the non-life portfolio amounted to 1,6 million euros while premiums ceded totalled 0,7 million euros.

The net result of financial and insurance operations was 4,7 million euros, compared with 10 million euros in the previous year. This decrease is mainly due to the lesser income from financial management.

Structural costs amounted to 3,2 million euros, of which 1,8 million euros relating to personnel and 1,4 million euros relating to other administrative expenses. The aggregate presents a decrease of 6,4% on 2009, mainly following the reduction of personnel costs.

Compared with the previous year the number of employees decreased by two, going from 23 to 21.

The trend shown brought the Company to close the year with a net loss of 4,9 million euros, as compared with the profit of 3,7 million euros recorded at end 2009. The loss mainly derives from the negative result of financial management.

In relation to life products, in 2010 the Company reviewed products with guaranteed yield of 2%, taking it down to 1,5%. Additionally, as established by the regulation, it updated the informative files of the products distributed.

The collection of new production continued significantly in the product "CBA Valore Capitale" (CBA Capital Value) linked to the current account "Conto Tuo Valore". Under this scope, the guaranteed return on insured capital was 2% until 31 March 2010. Subsequently, this was reduced to 1,75% for the second quarter and further limited to 1,5% for the last two quarters of the year.

During the first few months of 2010, activities continued to transfer the unit linked portfolio of the retail customers of Sella Life. The transfer was authorised by the Supreme Court of Ireland at end March and the portfolio was transferred on 1 May 2010. Together with the contracts portfolio, the assets of 27 internal funds were also transferred, of which 13 with daily valuation, thereby bringing the number of internal funds of unit linked products managed by C.B.A. Vita to 32.

During the last quarter of the year, Banca Sella Holding, Banca Sella and Banca Patrimoni Sella & C. redeemed the capitalisation policies subscribed in the second half of 2009. The total amount liquidated was 37,7 million euros. The liquidation did not have any effect on the return of the "Vitabank" separate management as the conditions establish the debit of capital losses developed deriving from the sale of securities belonging to the management before dealing with the liquidity.

Finally, we note that on 21 September 2010, the Board, in strengthening the solvency margin of CBA Vita approved the issue of a subordinate debenture loan, to be listed by 31 December 2010, with the following characteristics:

- value of the loan up to a maximum of 15 million euros;
- a number of bearer bonds, up to a maximum of 300, of a nominal value of 50 thousand euros each, indivisible;
- issue and reimbursement at par, with effect by 31 December 2010 and a term of ten years;
- recognition of interest in arrears, calculated on an annual basis, with a gross annual nominal rate equal to the rate of return of the ten-year BTP, increased by a spread of 0,25%.

The Regulation of the subordinate debenture loan meets the criteria of art. 45, paragraph 8 of Italian Legislative Decree no. 209 of 7 September 2005 and art. 17, paragraph 2 of ISVAP Regulation no. 19 of 14 March 2008.

SELLA LIFE LTD

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

During the year, the company collected premiums worth 183,9 million euros, achieving a total insurance investment of 555,7 million euros. In 2010, net interest and other income was 1,3 million euros, up on last year due to the increase in the investment portfolio managed. Structural costs in 2010 reduced significantly, amounting to 1,6 million euros (last year, these were 2,2 million euros).

The combination of these effects means that the company closed the year with a profit of 0,1 million euros, as compared with the previous year's loss of 1,1 million euros.

Banking services

SELLA SERVIZI BANCARI

2010 ended, after the tax allocation and the re-invoicing carried out according to the "Cost allocation regulations" to customer and associated companies with a loss of 619 thousand euros.

We would also remind you of the corporate transaction implemented during the year, as described in the previous chapters of this consolidated report on operations, which resulted in the start-up of operations of Sella Servizi Bancari S.C.p.A. Chennai Branch, the "permanent establishment abroad" of Sella Servizi Bancari, which acquired the information assets of Sella Synergy India Ltd., a company already previously operative within the Group.

The following are the most significant items that have resulted in the calculation of the year result:

- the cost of labour, which is the cost of the personnel employed by the company for supplying services to associated and customer companies, amounted to 39,6 million euros;
- operating costs for services amounted to 20,2 million euros;
- amortisation and depreciation for the year amounted to 17,5 million euros, of which 12 million euros related to intangible assets (mainly software) and 5,5 million euros related to tangible fixed assets (mainly data processing machines).

Taxes accrued in the year amounted to 1,6 million euros, of which 1,1 million euros are related to IRAP on labour costs.

Non-current assets are mostly made up of intangible assets, for an amount of 30,6 million euros, and tangible fixed assets for an amount of 10,5 million euros.

Current assets are mainly divided into business credit (2,5 million euro) and liquid assets (18,7 million euro).

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

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

In 2010, the income from services supplied to members was recognised in the Income Statement for 76,9 million euros and to non-members for 1,4 million euros, divided among the various services offered.

SELIR S.R.L.

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

In 2010, net interest and other income, amounting to 4,0 million euros, recorded a 12% increase on 2009 (when it amounted to 3,6 million euros). Net income from services for the year were up 11% on 2009, following the 13% increase in activities performed by the administrative back office and call centre administrative services structure, and the 9% growth in sales linked to software development.

Operating costs amounted to 3,0 million euros, down by 1% on the previous year. Within the component there was an increase in personnel expenses, which amounted to 2,1 million euros (+3% over 2009), while other administrative expenses decreased by 10%.

The Company ended the year with a net profit of 644 thousand euros, an increase of 391 thousand euros over the previous year.

EASY NOLO S.P.A.

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

The value of production amounted to 10,5 million euros, a decrease of 6,3% compared with the previous year. Production costs amounted to 8,8 million euros, also down of 8,9% on the previous year. Consequently, the difference between production costs and revenues, amounting to 1,7 million euros, shows an improvement on last year, by approximately 0,1 million euros.

The company closed the year with a net profit of 927 thousand euros, compared with 684 thousand euros in the previous year.

In financial year 2010 the following important facts occurred:

- consolidation of partnerships with institutional customers for the distribution of POS services offered by Easy Nolo;
- the closure of the Easy Più prize competition;
- the distribution to shareholders of extraordinary reserves for 1.999.940 euros against reserves of 2.138.095,47 euros.

For 2011 operations, the focus will be on consolidating the current services and developing new products.

Other sectors of activity

MIRET S.A.

By virtue of the division of Sella Bank Luxembourg, described in the chapter entitled "Changes in the framework of the Group and equity investments", since 1 July 2010 the Company has changed its name first to IBL S.A. and then (on 12 October 2010) to Miret S.A., continuing to operated under the form of *société anonyme* legal company and dealing exclusively with the management of administrative activities deriving from past management, whilst the banking activities of Sella Bank Luxembourg have been removed and transferred to the new Banque BPP S.A..

The data supplied below, therefore, is the result of the first half-year of banking operations of Sella Bank Luxembourg and of the second exclusively linked to the management of Miret. Consequently, the comparison with last year is non-standard and of little significance.

Net interest income was 0,9 million euros. The commission dynamic was positive, with commission income amounting to 1,5 million euros and expense at 0,3 million euros. At year end, net interest and other income was 2,4 million euros.

With regards to operating costs, personnel expenses stood at 2 million euros and other administrative expenses totalled 1,4 million euros.

By virtue of the above dynamics, the net economic result for the year is negative for 0,7 million euros and incorporate positive benefits of the repayment of a significant amount (0,7 million euros) by the local tax administration on the declaration of the VAT for past years.

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

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

For reasons of clarity and consistency, we are presenting once again the division of risks following the same scheme that appears in the report on the 2009 financial statements, distinguishing therefore between:

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

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

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

The Liquidators thus undertook, against the payment made by Sella Bank Luxembourg (now Miret S.A.) of the further sum of 4 million euro, to collate by 3 July 2011 the waivers of at least 85% of the Vario Invest investors of all claims against Sella Bank Luxembourg (now Miret S.A.). On 30th March 2010, the Liquidators informed that they had collated the waivers of Vario Invest customers in accordance with that required through a transaction in the amount of 18,9 million euro, equal to 86,50% of the total indicated in the transaction signed on 21st March 2008. As a consequence, on 8th June 2010, Sella Bank Luxembourg (now Miret S.A.) continued the above mentioned transaction, depositing the amount of 3,46 million euro, the full charge of which was sustained by Banca Sella Holding, as in the signed letter of financial support. The conclusion of the condition and the subordinate obligation to pay the remaining amount of 540 thousand euro appear to be highly probable. No investor or third party, subsequent to the transaction, has made any demands of any type of Sella Bank Luxembourg (now Miret S.A.).

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

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

As a whole, having carried out the transaction with the judicial winding-up of Sicav Amis Fund and Top Ten Multifonds including as regards the Vario Invest investors (section a above), operating risk for Miret S.A. is being modified as to the rights claimed. However, until the judicial authority of Luxembourg makes any decisions on the opposed claims of BVI funds and the relevant management and/or sub-management companies briefly mentioned in sub-section b), no elements can be attributed to a quantitative variation of the risk estimated in the 2009 financial statements.

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

In execution of the resolution passed by the General Meeting on 18 September 2007, with effect from 1 October 2007, the company had placed itself in voluntary liquidation following the transfer of the company division relating to delegated managements and to the advisory activities and, consequently, following an application presented by the company, with an order of 6 December 2007 was cancelled from the Roll pursuant to section 35 of Italian Legislative Decree no. 58/98 held by the Bank of Italy.

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

During the year, work continued to limit costs, as had begun two years earlier. The company no longer has employees of its own and the Liquidator is assisted by a resource partially seconded from another Group company.

In December 2010 (as per resolution taken by the ordinary Shareholders' Meeting held on 22 December 2010), an advance was divided up between shareholders on the result of the liquidation for a total amount of 3 million euros, equal to 0,30 euros for each of the 10.000.000 shares representing the share capital. This decision was taken as the financial statements as of 31 December 2009, and indeed the accounting position presented as of 30 June 2010 and subsequent accounting positions of the Company showed that the equity was certainly sufficient to sustain the hypothetical loss of 2010 and that the allocation to shareholders of an advance of 3 million euros on the result of the liquidation in no way affected availability of sums suitable to fully satisfying company creditors in a timely manner, as represented by the liquidator and confirmed by the board of auditors during the shareholders' meeting.

2010 closed with a loss of 241 thousand euros (as compared with the profit of 258 thousand euros recorded in 2009), which was due to the trend of the Sicav sector in which the Company's equity is substantially invested. By contrast to last year, in fact, the trend of the bond markets and, in particular, of the Italian variable rate government securities (CCTs) present in the sector portfolio, penalised it. We note that the result of the investment of the company equity is the only potential source of income of the Company, given its state of liquidation and consequent cessation of all activities.

SELLA SYNERGY INDIA LTD

Sella Synergy India, based in Chennai (Madras – India), until 14 February 2010 operated in the sector of design and development of software products for the Group companies and banks. On 15 February 2010, the Company sold its IT assets to Sella Servizi Bancari S.C.p.A. Chennai Branch, the "permanent establishment abroad" of Sella Servizi Bancari. Sella Synergy India pursues its business, despite no longer being operative, in order to allow for the resolution of administrative issues. For more details on the transaction, please refer to the chapter entitled "Changes in the framework of the Group and equity investments" of this report on operations.

As of the date of the sale, Sella Synergy India numbered 169 employees (of which 73% men and 27% women) with an average age of 29 years old, whilst at year end, it had no employees.

In the period in which the company was operative (from 1 January to 14 February 2010), operating costs amounted to 384 thousand euros, of which 284 thousand euros relating to personnel expenses and 100 thousand euros for other administrative expenses. Net interest and other income, net of taxes in this period, was 13 thousand euros.

The company obtained extraordinary income of 2,2 million euros in relation to the capital gain obtained from the sale to Sella Servizi Bancari - Chennai Branch.

In the period following the transaction, the company recorded income of 116 thousand euros for interest income on restricted deposits and incurred costs for 89 thousand euros.

Total Company performance in 2010 recorded profits of 1,6 million euros.

» OWN SHARES

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

» BUSINESS OUTLOOK

The scenario

In 2011, the world economy should show an appreciable growth rate, above all thanks to the support of emerging countries.

In the USA, the new interventions of monetary and expansive tax policy should provide further support to the economy. The dynamic of consumptions shall, in any case, remain limited with respect to previous stages of the upturn, due to the weakness of the employment market. Investments of businesses and production shall instead remain stable, in a context of global growth that remains positive.

In the euro area, after the growth dynamic of 2010, which was better than forecast, signs of a weakening of the economic cycle are forecast, as a consequence of restrictive tax policy measures that are not entirely offset by the evolution of export. Although the gradual reduction of tension on the sovereign debt of the euro area is considered likely, the evolution of the crisis is no small risk factor for economic growth.

The macroeconomic context of reference of the emerging areas instead remains positive.

In terms of consumer prices of developed countries, the moderate growth should justify the continued lack of inflationist tension in the less volatile components. The rise in prices of raw materials instead represents a greater risk factor for inflation in emerging areas.

In the United States, the process involved in normalising monetary policies shall be longer than in the euro area. Long-term interest rates are expected to rise gradually in both areas.

The development of loans of Italian banks should continue throughout 2011 towards a gradual recovery of demand by businesses, driven by export and by a progressive improvement in consumption. Loans to families should also continue to grow due to the upturn to the real estate market. The cost of credit, although remaining high, should improve slightly.

Direct deposits may weaken in 2011, by virtue of a lesser preference for liquid funds; bond deposits should instead grow, as should indirect deposits.

Business continuity, strategy and profitability of the Group

The Directors state that they have examined with care and attention the assumptions of business continuity. The report on operations describes the results for the year: the performance, activities, capital management processes and financial position of the Group testify to the policy of extreme prudence maintained throughout during the year. Liquidity, which was kept at a more than adequate level despite the continuation of the crisis during the whole financial year, and the risk management processes and objectives, with particular focus on the riskiest financial instruments, are commented on in detail both in the report on operations and in Part E of the notes to the financial statements.

The external scenario (as described in the previous chapter) is marked by high levels of instability linked to the continuation of the crisis. More specifically, the situation of the sector shows critical issues linked to a still high credit risk, the structural drop in margins, the demand for greater equity and the significant operative impact and compliance impact of the adaptations consequent to the introduction of new regulations.

The time of poor bank reputation thus has the consequence of yielding elements of conflict in customer relations, which make it difficult to increase margins by increasing prices, even where improving the service offered.

And in addition to all this, we have the difficulties linked to a different attitude taken by the authorities, with growing frequency and incidence of audits and increased amounts of any sanctions applied. Another critical point concerns the incidence of tax, which to a large extent is not linked to profitability and, therefore, grows proportionally as this decreases (without neglecting the possibility that further taxes may be introduced to the financial sector).

In this context, there are also important opportunities linked to indirect deposits and assets managed, to the growth of the banking service market, the increasing demand for advisory services and relations by customers and a growing incidence of technological innovation. Additionally, the change underway lays the basis for the creation of new sectors and new businesses of success, with new developing business segments (social security, e-cash, damages insurance, etc.) and opportunities for acquiring new customers deriving from the "consolidation" strategies adopted by most competitors.

Taking into account the possible changes, and after examining financial indicators (with particular attention paid to liquidity indicators and capital ratios), operational indicators and other significant indicators, the estimates and projections enable the Directors to conclude that there is no uncertainty regarding the assumption of business continuity.

» EVENTS SUBSEQUENT TO CLOSING OF THE FINANCIAL YEAR

Bank branches

OPENING OF A NEW BRANCH OF BANCA SELLA

On 23 February 2011, activities began in the new branch of Banca Sella of Ayas (AO), a place where the Bank had been present up until last year with a treasury branch.

With this new opening, the number of branches of Banca Sella has remained unchanged at 212, as the Private branch of Turin - in Piazza Carignano - has been transferred, joined to the Turin branch in Piazza Castello.

CLOSURE OF A BRANCH OF BANCA PATRIMONI SELLA & C.

On 25 February 2011, Banca Patrimoni Sella & C. closed the Treviso branch. Operations and accounts pertaining to that branch have been transferred, since 28 February 2011, to the Milan branch at 2 Via Giulini and the Bologna branch at 11 Via Farini, whilst in Treviso, in the premises of 2 Via Federici, the financial advisory department continues to operate. With this closure, the number of branches of Banca Patrimoni Sella & C. drops to 10, from the 11 of 31 December 2010.

Awards

PRIZES AWARDED TO SELLA GESTIONI

On 8 March 2011 in Paris, Sella Gestioni was awarded the Grands Prix Eurofonds Fundclass 2011 prize as the best manager of Italy in the category of 8-15 funds. The prize, organised by the Fundclass ratings company, is promoted in collaboration with some of the most important European magazines and journals, such as Le Monde, El Pais, La Stampa, Tageblatt Le Jeudi and Fonds.NL.

On 25 March 2011, for the second year running, Sella Gestioni SGR won the "Lipper Fund Award" promoted by Lipper, the ratings and fund research agency of the Reuters group, as the company that had obtained the best overall results in the "Overall Small" category of the last three years.

The prize awarded by Lipper to Sella Gestioni is the recognition of the constant increase in the quality of the entire product offer of Sella Gestioni, which has shown an ability to successfully balance the research for asset performance with a correct use of the risk budget.

Other information

"ONE BANK" PROJECT

On 28 March 2011, the Bank of Italy approved the first stage of the One Bank project. For more information on the transaction, please refer to chapter "Strategic issues" of this Report on Operations.

LIQUIDATION OF SECURSEL

We would point out the intent to liquidate Securšel S.r.l., the Group's special purpose vehicle for securitisation company. On 31 October 2010, the last of the securitisation transactions involving this company as a vehicle was, in fact, concluded, as explained in Part E of the Notes to the Financial Statements - Section C.

Securšel, an 80% subsidiary of the parent company Banca Sella Holding, will be liquidated subject to obtaining the necessary authorisations in the first half of 2011.

» STATEMENT OF RECONCILIATION BETWEEN SHAREHOLDERS' EQUITY AND NET PROFIT OF THE PARENT COMPANY AND CONSOLIDATED SHAREHOLDERS' EQUITY AND PROFIT PERTAINING TO PARENT COMPANY

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

(euro thousand)	Profit for the year 31 December 2010	Shareholders' equity at 31 December 2010
Balances as per parent company financial statements	**4.219**	**469.751**
Own shares deducted	-	-
Equity pertaining to group of companies consolidated with line-by-line and net equity methods	-	73.345
Profit/(loss) for the period of consolidated investee companies, net of proportion pertaining to minority interests	14.750	14.750
Profit/(loss) for the period of investee companies measured with net equity method pertaining to the Group	-4.395	-4.395
Elimination of intragroup dividends collected in the period	-15.047	-
Consolidation adjustments:		
Reversal of writedowns of consolidated investee companies	24.062	74.334
Assessment of goodwill	-4.337	-55.134
Reversal of gains on sales made between group companies	-	-9.762
Other adjustments	-233	-330
Balances as per consolidated financial statements	**19.019**	**562.559**

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

Biella, 29 March 2011

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

Maurizio Sella

REPORT OF THE BOARD OF STATUTORY AUDITORS

» REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS MEETING ON CONSOLIDATED ANNUAL REPORT AT 31 DECEMBER 2010

Dear Shareholders,

During financial year 2010, the Board of Auditors monitored, among other things, the most significant operations, on the basis of the information provided pursuant to Art. 2381, paragraph 5, of the Civil Code, of which the following were of particular importance:

- the incorporation of Sella Servizi Bancari S.C.p.A. CHENNAI BRANCH, as a "permanent establishment abroad", which purchased the IT assets of SELLA SYNERGY INDIA LTD;
- the spin-off of SELLA BANK LUXEMBOURG S.A. with the creation of BANQUE BPP S.A., with the task of continuing the banking activity, successively sold to a leading bank counterpart;
- by means of an agreement with ISTITUTO CENTRALE BANCHE POPOLARI ITALIANE and with the authorisation of the BANK OF ITALY, the underwriting of a share capital increase by the conferment of the company branch of the Custodian Bank activity; with this operation, your Company acquired 0,96% of the ICBPI capital with the consequent reinforcement of the Group's equity;
- the constitution of FAMILY ADVISORY SIM S.p.A. SELLA & PARTNERS held by BANCA PATRIMONI SELLA & C;
- the continuance of the activity tending towards the creation of the "One Bank";
- the underwriting, on the occasion of the capital increase, of shares of ENERSEL S.p.A., consolidated in the net equity for a stake of 18,298%.

****

The consolidated financial statements at 31st December 2010 – consisting of the balance sheet, income statement, statement of changes in shareholders' equity, cash flow report, statement of comprehensive income and notes to the financial statements, accompanied by the report on operations – show a total profit of 19.019 thousand euro.

The total shareholders' equity amounted to 691.673 thousand euro, of which 129.114 thousand euros pertaining to minority interests.

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

On these accounts and information, and also on the consolidated financial statements of BANCA SELLA HOLDING, the Board of Statutory Auditors – in accordance with the provisions of law, the legal certification of the accounts being the responsibility of the external auditing firm – has therefore not carried out any checks.

DELOITTE & TOUCHE, in as much as appointed to carry out the legal audit of the accounts, have informed us that, on the basis of the outcome of the work done up to now, they will issue their own positive opinion on the consolidated financial statements, with no objections; we therefore see no need for further comments by us on the document.

Biella, 7 April 2011

The board of statutory auditors

Alessandro Rayneri President	Paolo Piccatti	Alberto Rizzo

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2010

» CONSOLIDATED BALANCE SHEET

Assets *(euro thousand)*		31/12/2010		31/12/2009		Differences %
10. Cash and available liquidity		105.362		122.323		-13,87%
20. Financial assets held for trading		925.212		1.530.056		-39,53%
30. Financial assets at fair value through profit or loss		793.666		668.070		18,80%
40. Financial assets available for sale		1.173.488		709.220		65,46%
50. Financial assets held to maturity		328.258		220.932		48,58%
60. Due from banks		210.631		933.026		-77,42%
70. Due from customers		8.719.159		8.422.371		3,52%
80. Hedging derivatives		6.793		3.037		123,67%
90. Change in value of financial assets subject to macro-hedging (+/-)		81.738		76.792		6,44%
100. Equity investment		12.997		26.131		-50,26%
110. Reinsurers' share of technical reserves		4.635		4.764		-2,71%
120. Tangible assets		210.028		185.780		13,05%
130. Intangible assets		86.520		104.661		-17,33%
of wich:						
- goodwill	48.169		63.934		-24,66%	
140. Tax assets		191.873		170.270		12,69%
a) current	101.685		99.913		1,77%	
b) deferred	90.188		70.357		28,19%	
150. Non-current assets and asset groups held for sale		80.255		-		-
160. Other assets		235.129		246.657		-4,67%
Total assets		**13.165.744**		**13.424.090**		**-1,92%**

Liabilities and shareholders' equity *(euro thousand)*		31/12/2010		31/12/2009		Differences %
10. Due to banks		293.991		266.303		10,40%
20. Due to customers		7.765.097		8.205.430		-5,37%
30. Outstanding securities		2.149.180		2.444.991		-12,10%
40. Financial liabilities held for trading		34.464		46.259		-25,50%
50. Financial liabilities at fair value through profit or loss		627.638		484.941		29,43%
60. Hedging derivatives		91.042		85.074		7,02%
80. Tax liabilities		57.817		62.073		-6,86%
a) current	47.495		55.700		-14,73%	
b) deferred	10.322		6.373		61,96%	
90. Liabilities associated to asset groups held for sale		156.853		-		-
100. Other liabilities		273.526		366.249		-25,32%
110. Employee severance indemnities		38.077		40.720		-6,49%
120. Provisions for risks and charges:		44.250		53.585		-17,42%
a) retirement and similar obligations	-		-			-
b) other provisions	44.250		53.585		-17,42%	
130. Technical reserves		942.136		675.823		39,41%
140. Valuation reserves		(9.672)		10.225		-194,59%
170. Reserves		403.298		374.192		7,78%
180. Share premiums		49.414		49.414		0,00%
190. Share capital		100.500		100.500		0,00%
210. Capital pertaining to minority interests (+/-)		129.114		131.473		-1,79%
220. Profit for the year		19.019		26.838		-29,13%
Total liabilities		**13.165.744**		**13.424.090**		**-1,92%**

» CONSOLIDATED INCOME STATEMENT

ITEM *(euro thousand)*		31/12/2010		31/12/2009		Differences %
10. Interest receivable and similar income		440.627		498.042		-11,53%
20. Interest payable and similar expense		(118.364)		(181.372)		-34,74%
30. Net interest income		**322.263**		**316.670**		**1,77%**
40. Fee income		307.984		283.982		8,45%
50. Fee expenses		(84.061)		(76.909)		9,30%
60. Net fees		**223.923**		**207.073**		**8,14%**
70. Dividends and similar income		2.593		1.963		32,09%
80. Net gains/(losses) on trading activities		15.487		35.836		-56,78%
90. Net gains/(losses) on hedging activities		261		(1.063)		-124,55%
100. Gains/(losses) on sale or repurchase of:		7.140		13.214		-45,97%
a) loans & receivables	(2.680)		729		-467,63%	
b) financial assets available for sale	10.079		11.077		-9,01%	
c) financial assets held to maturity	6		(7)		-185,71%	
d) financial liabilities	(265)		1.415		-118,73%	
110. Net gains/(losses) on financial assets and liabilities at fair value through profit or loss		(6.429)		15.201		-142,29%
120. Net interest and other banking income		**565.238**		**588.894**		**-4,02%**
130. Net value adjustments for impairment on:		(96.740)		(86.184)		12,25%
a) loans & receivables	(96.408)		(83.771)		15,09%	
b) financial assets available for sale	(294)		(1.833)		-83,96%	
c) financial assets held to maturity	-		-		-	
d) other financial transactions	(38)		(580)		-93,45%	
140. Net gains/(losses) on financial operations		**468.498**		**502.710**		**-6,81%**
150. Net premiums		443.216		235.415		88,27%
160. Balance of other income/expenses from insurance operations		(462.082)		(271.912)		69,94%
170. Net gains/(losses) on financial and insurance operations		**449.632**		**466.213**		**-3,56%**
180. Administrative expenses		(387.638)		(403.156)		-3,85%
a) personnel expenses	(238.719)		(248.064)		-3,77%	
b) other administrative expenses	(148.919)		(155.092)		-3,98%	
190. Net provisions for risks and charges		(4.911)		(6.632)		-25,95%
200. Net value adjustments on tangible assets		(18.284)		(19.870)		-7,98%
210. Net value adjustments on intangible assets		(15.254)		(14.314)		6,57%
220. Other operating expenses/income		37.622		37.971		-0,92%
230. Operating costs		**(388.465)**		**(406.001)**		**-4,32%**
240. Gains/(losses) on equity investments		(193)		(1.464)		-86,82%
250. Net gains/(losses) on measurement at fair value of tangible and intangible assets		-		-		-
260. Impairment of goodwill		(530)		(1.393)		-61,95%
270. Gains/(losses) on sale of investments		438		64		584,38%
280. Profit/(losses) from continuing operations before taxes		**60.882**		**57.419**		**6,03%**
290. Income taxes for the period on continuing operations		(31.823)		(28.337)		12,30%
300. Profit/(losses) from continuing operations after taxes		**29.059**		**29.082**		**-0,08%**
310. Profit/(losses) on asset disposal groups held for sale after taxes		(8.997)		-		-
320. Profit/(Loss) for the year		**20.062**		**29.082**		**-31,02%**
330. Profit/(loss) for the year pertaining to minority interests		1.043		2.244		-53,52%
340. Profit/(Loss) for the period pertaining to Parent Company		**19.019**		**26.838**		**-29,13%**

» STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

	Voci *(in migliaia di euro)*	**31/12/2010**	**31/12/2009**
10.	**Net profit/(loss) for the year**	**20.062**	**29.082**
	Other comprehensive income (net of tax)		
20.	Financial assets available for sale	(22.972)	4.507
30.	Tangible assets	(78)	-
40.	Intangible assets	-	-
50.	Hedges of foreign investments	-	-
60.	Cash flow hedges	-	-
70.	Foreign exchange differences	-	-
80.	Non-current assets held for sale	-	-
90.	Actuarial gains (losses) on defined benefit plans	-	-
100.	Share of valuation reserves connected with investments meaured with net equity method	(327)	221
110.	**Total other comprehensive income (net of tax)**	**(23.377)**	**4.728**
120.	**Total comprehensive income (item 10+110)**	**(3.315)**	**33.810**
130.	Total consolidated comprehensive income pertaining to minority interests	(1.625)	2.890
140.	**Total consolidated comprehensive income pertaining to the parent company**	**(1.690)**	**30.920**

» CONSOLIDATED CASH FLOW STATEMENT

Direct Method

(euro thousand)

A. OPERATING ACTIVITIES	31/12/2010	31/12/2009
1. Operations	**149.198**	**95.154**
Interest income collected (+)	440.627	498.042
Interest expense paid (-)	(118.364)	(183.333)
Dividends and similar income	2.593	1.963
Net fees (+/-)	223.923	207.073
Personnel expenses	(237.595)	(246.636)
Net premiums collected (+)	443.216	235.415
Other insurance income/expenses (+/-)	(462.082)	(271.912)
Other costs (-)	(148.919)	(155.092)
Other revenues (+)	37.622	37.971
Taxes and duties	(31.823)	(28.337)
2. Cash provided (used) by financial assets	**208.283**	**292.787**
Financial assets held for trading	620.331	(562.149)
Financial assets at fair value throguh profit or loss	(132.025)	16.762
Financial assets available for sale	(499.521)	542.781
Due from customers	(400.822)	(366.001)
Due from banks	722.395	1.528.487
Other assets	(102.075)	(867.093)
3. Cash provided (used) by financial liabilities	**(276.559)**	**(202.228)**
Due to banks	27.688	(48.158)
Due to customers	(440.333)	(472.177)
Outstanding securities	(296.076)	160.246
Financial liabilities held for trading	(11.795)	1.974
Financial liabilities at fair value through profit or loss	142.697	(7.175)
Other liabilities	301.260	163.062
Net cash provided (used) by operating activities	**80.922**	**185.713**
B. INVESTING ACTIVITIES	**31/12/2010**	**31/12/2009**
1. Cash provided by:	**52.337**	**80.824**
Sales of equity investments	4.851	4.284
Dividends collected on equity investments	121	440
Sales/redemptions of financial assets held to maturity	46.531	70.165
Sales of tangible assets	694	320
Sales of intangible assets	140	5.615
Sales of subsidiaries and company divisions	-	-
2. Cash used by:	**(146.327)**	**(259.124)**
Purchase of equity investments	(243)	(652)
Purchase of financial assets held to maturity	(91.529)	(203.645)
Purchase of tangible assets	(41.490)	(34.063)
Purchase of intangible assets	(13.065)	(20.764)
Sales of subsidiaries and company divisions	-	-
Net cash provided (used) by investing activities	**(93.990)**	**(178.300)**
C. FUNDING ACTIVITIES	**31/12/2010**	**31/12/2009**
Issue/purchase of own shares	-	-
Issue/purchase of equity instruments	-	-
Distribution of dividends and other purposes	(3.893)	(4.065)
Net cash provided (used) by funding activities	**(3.893)**	**(4.065)**
NET CASH PROVIDED (USED) IN THE PERIOD	**(16.961)**	**3.348**
RECONCILIATION	**31/12/2010**	**31/12/2009**
Cash and cash equivalents at start of year	**122.323**	**118.975**
Total net cash provided (used) in the period	(16.961)	3.348
Cash and cash equivalents at end of year	**105.362**	**122.323**

» STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY 2009

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

	Balance at 31/12/2008	Changes to opening balance	Balance at 01/01/2009	Allocation of profit of previous year: Group 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	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 31/12/2009	Group shareholders' equity 31/12/2009	Minority interest shareholders' equity 31/12/2009
Share capital:															
a) ordinary shares	147.415	-	147.415	-	-	(198)	6.136	-	-	-	-	-	-	**100.500**	**52.853**
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Share premiums	88.937	-	88.937	-	-	(7)	9.091	-	-	-	-	-	-	**49.414**	**48.607**
Reserves:															
a) profit reserves	388.972	-	388.972	10.543	-	4.513	(1.216)	-	(1.487)	-	-	-	-	**374.192**	**27.133**
b) others	8.649	-	8.649	-	-	-	(8.649)	-	-	-	-	-	-	**-**	**-**
Valuation reserves	11.690	-	11.690	-	-	(3.431)	(2.126)	-	-	-	-	-	4.728	**10.225**	**636**
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Own shares	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Profit (loss) for the year	17.084	(3.841)	13.243	(10.543)	(2.700)	-	-	-	-	-	-	-	29.082	**26.838**	**2.244**
Group Shareholders' equity	535.072	(3.295)	531.777	-	(1.075)	1.035	-	-	(1.487)	-	-	-	30.919	**561.169**	
Minority interest Shareholders' equity	127.675	(546)	127.129	-	(1.625)	(158)	3.236	-		-	-	-	2.891		**131.473**

» STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY 2010

Statement of changes in consolidated sharholders' equity 2010 *(euro thousands)*

	Balance at 31/12/2009	Changes to opening balance	Balance at 01/01/2010	Allocation of profit of previous year: Group reserves	Allocation of profit of previous year: Dividends and other uses	Changes in the period: Changes to reserves	Operations on shareholders' equity: Issue of new shares	Operations on shareholders' equity: Purchase of own shares	Operations on shareholders' equity: Distribution of extrahordinary dividends	Operations on shareholders' equity: Change in equity instruments	Operations on shareholders' equity: Derivatives of own shares	Operations on shareholders' equity: Stock options	Total comprehensive income for the period at 31/12/2010	Group shareholders' equity 31/12/2010	Minority interest shareholders' equity 31/12/2010
Share capital:															
a) ordinary shares	153.353	-	153.353	-	-	78	100	-	-	-	-	-	-	**100.500**	**53.031**
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Share premiums	98.021	-	98.021	-	-	(1.463)	-	-	-	-	-	-	-	**49.414**	**47.144**
Reserves:															
a) profit reserves	401.325	-	401.325	25.189	-	6.873	-	-	(249)	-	-	-	-	**403.298**	**29.840**
b) others	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Valuation reserves	10.861	-	10.861	-	-	900	-	-	-	-	-	-	(23.377)	**(9.672)**	**(1.944)**
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Own shares	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Profit (loss) for the year	29.082	-	29.082	(25.189)	(3.893)	-	-	-	-	-	-	-	20.062	**19.019**	**1.043**
Group Shareholders' equity	561.169	-	561.169		(2.562)	5.642	-	-	-	-	-	-	(1.690)	**562.559**	
Minority interest Shareholders' equity	131.473	-	131.473		(1.331)	746	100	-	(249)	-	-	-	(1.625)		**129.114**

NOTES TO THE FINANCIAL STATEMENTS

PART A ACCOUNTING POLICIES

» A 1 GENERAL SECTION

Section 1 - Declaration of conformity to international accounting standards

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

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

The Consolidated Financial Statements, therefore, are clearly set out and give a true and fair picture of the economic and financial situation of the companies in the Banca Sella Group.

Section 2 - General drafting principles

The financial statements consist of the Balance Sheet, the Income Statement, the Statement of Consolidated Comprehensive 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 2009; the notes to the financial statements are stated in thousands of euro.

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

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

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

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

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

Section 3 - Consolidation area and methods

The Consolidated Financial Statements are the Group's financial statements presented as though they were the financial statements of a single economic entity. They comprise the Balance Sheet and Income Statement of the parent company and of its directly and indirectly controlled companies.

In preparing the Consolidated Financial Statements, the draft financial statements for 2010 were used of the parent company and other companies of the Group subject to full consolidation. The latter, where necessary, are appropriately reclassified and adjusted to meet the needs relating to the representation in the bank financial statements and the need for standardisation in the use of IAS/IFRS accounting standards.

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

- Balance Sheet assets and liabilities are translated at the exchange rate obtaining at the balance sheet date;
- revenues and costs in the Income Statement are translated at the average exchange rate for the year;

all exchange differences arising from the translation are recognized in a specific and separate shareholders' equity reserve. The above reserve is eliminated at the moment of any sale of the equity interest, and the amounts are added to or subtracted from the Income Statement at the same time.

Subsidiaries

All companies in which, directly or indirectly, another company possesses more than half the voting rights, are considered subsidiaries, unless, in exceptional cases, it can be clearly shown that this possession does not constitute control. Or when, in holding a share in the voting rights that is less than half, the party concerned has:

- the power to determine the financial and operational policies of the company in question;
- the power to appoint or remove from office the majority of the members of the board of directors or equivalent organisation of corporate governance, and the control of the entity is held by that board or organisation; or
- the power to exercise the majority of voting rights in meetings of the board of directors or equivalent organisation of corporate governance, and the control of the entity is held by that board or organisation.

Subsidiaries are consolidated using the line-by-line method. Full consolidation consists of acquiring the Balance Sheet and Income Statement aggregates of the controlled companies “line by line”. After attributing to minority interests, under a separate item, the portions pertaining to them of shareholders’ equity and profit, the value of the equity interest is derecognized, offsetting the residual value of the subsidiary’s equity. The differences resulting from this operation, if positive, are recognized – after any allocation to the assets or liabilities of the subsidiary – as goodwill under item 130 “Intangible assets” of the Assets section of the Consolidated Balance Sheet at the date of first consolidation.

Assets, liabilities, income and expenses between consolidated companies are eliminated completely.

Subsidiaries include the special purpose entity (SPE) incorporated for the securitisation transactions involving financial assets, as established by SIC 12. This latter requires the consolidation of not only the SPEs controlled by a company of the Group, but also those for which a company of the Group maintains the majority of risks and benefits deriving from activities implemented or those controlled by the company. In this regard, the existence of a shareholding in the capital of these special purpose entities is not relevant.

The profits or losses of a subsidiary acquired during the period are included in the Consolidated Financial Statements starting from the date of its acquisition. On the contrary, the profits or losses of a subsidiary sold are included in the Consolidated Financial Statements up to the date on which control ceased. The difference between the selling price and the book value at the disposal date (including any exchange differences recognized each time in shareholders’ equity at the moment of consolidation), is recognized in item 270 “Profits (losses) on disposals of investments” of the Consolidated Income Statement.

Associated companies

Associated companies are those over which a company has considerable influence (the set of so-called “associated companies”), that is companies over which it exercises the power to determine the financial and management policies without however controlling or having joint control over them, and are neither subsidiaries nor jointly-controlled companies.

This type of company is measured using the equity method.

Significant influence is assumed when the investor directly or indirectly holds at least 20% of voting rights. By contrast, if the investor directly or indirectly holds a share of less than 20%, it is assumed that the investor does not exert any significant influence, unless said influence can be clearly demonstrated by one or more of the following criteria being met:

- representation of the investor in the Board of Directors or equivalent organisation;

- participation in the decision-making process, including participation in decisions relating to dividends or other types of profit allocation;
- onset of significant transactions between investor and investee;
- interchange of managerial staff; or
- the supply of essential technical information.

The net equity method entails initial recognition of the equity interest at cost and its subsequent adjustment on the basis of the percentage stake in the shareholders' equity of the investee company. Differences between the value of the equity interest and the shareholders' equity of the investee company are treated in the same way as the full consolidation differences.

In the measurement of the equity proportion any potential voting rights are not considered. The relevant proportion of profits or losses for the period of the investee company is recognized under the specific item 240 “Profits (losses) from equity investments" of the Consolidated Income Statement.

Any distribution of dividends is taken to reduce the book value of the shareholding.

The pro quota change in the valuation reserves of the subsidiary is noted in item 140 “Valuation reserves” of the liabilities section of the Consolidated Balance Sheet.

1. Exclusive equity interests in subsidiaries

Name of company	Head office	Type of relationship	Shareholding relationship Investor	Stake %	Voting rights %
A. Companies					
A.1 Line by line consolidation					
1 BANCA SELLA HOLDING S.p.A.	Biella	1			
2 BANCA SELLA S.p.A.	Biella	1	A.1 1	100,000%	100,000%
3 BANCA SELLA NORDEST BOVIO CALDERARI S.p.A.	Trento	1	A.1 1	56,752%	56,752%
4 BANCA SELLA SUD ARDITI GALATI S.p.A	Lecce	1	A.1 1	60,141%	60,141%
			A.1 2	7,536%	7,536%
			A.1 17	1,520%	1,520%
5 BANCA PATRIMONI SELLA & C. S.p.A.	Turin	1	A.1 1	68,416%	68,416%
			A.1 3	3,098%	3,098%
6 SELLA BANK AG	Switzerland	1	A.1 23	90,000%	90,000%
7 MIRET S.A.	Luxembourg	1	A.1 23	76,333%	76,333%
			A.1 1	23,667%	23,667%
8 BIELLA LEASING S.p.A.	Biella	1	A.1 1	76,986%	76,986%
9 CONSEL S.p.A.	Turin	1	A.1 1	51,978%	51,978%
10 SELLA GESTIONI SGR S.p.A.	Milan	1	A.1 1	75,452%	75,452%
			A.1 3	10,000%	10,000%
			A.1 5	0,898%	0,898%
11 SELLA CAPITAL MANAGEMENT SGR S.p.A. *in liquidation*	Milan	1	A.1 1	86,029%	86,029%
			A.1 3	10,000%	10,000%
			A.1 5	2,500%	2,500%
12 SELGEST SA	Luxembourg	1	A.1 1	99,600%	99,600%
			A.1 25	0,400%	0,400%
13 EASY NOLO S.p.A.	Biella	1	A.1 1	84,737%	84,737%
14 SELLA SERVIZI BANCARI S.C.p.A.	Biella	1	A.1 1	80,226%	80,226%
			A.1 2	14,958%	14,958%
			A.1 3	1,174%	1,174%
			A.1.4	2,179%	2,179%
			A.1.5	1,127%	1,127%
			A.1.10	0,195%	0,195%
			A.1.17	0,124%	0,124%
			A.1.19	0,017%	0,017%
15 SELFID S.p.A.	Biella	1	A.1 1	88,000%	88,000%
16 SECURSEL S.r.l.	Biella	1	A.1 1	80,000%	80,000%
17 C.B.A. VITA S.p.A.	Milan	1	A.1 1	82,000%	82,000%
			A.1 3	5,000%	5,000%
			A.1 10	8,000%	8,000%
18 SELLA LIFE Ltd.	Ireland	1	A.1 17	100,000%	100,000%
19 BROSEL S.p.A.	Biella	1	A.1 1	61,500%	61,500%
			A.1 3	10,000%	10,000%
20 SELIR S.r.l.	Romania	1	A.1 23	99,902%	99,902%
21 SELLA SYNERGY INDIA P.Ltd.	India	1	A.1 23	99,999%	99,999%
22 IMMOBILIARE SELLA S.p.A.	Biella	1	A.1 1	100,000%	100,000%
23 SELLA HOLDING N.V.	The Nederlands	1	A.1 1	100,000%	100,000%
24 IMMOBILIARE LANIFICIO MAURIZIO SELLA S.p.A.	Biella	1	A.1 1	100,000%	100,000%
25 BANQUE BPP S.A.[1]	Luxembourg	1	A.1 23	76,345%	76,345%
			A.1 1	23,655%	23,655%
26 FAMILY ADVISORY SIM S.p.A.- SELLA & PARTNERS	Turin	1	A.1.5	80,000%	66,667%
27 MARS 2600 S.r.l.[2]	Treviso	4	A.1 1	10,000%	10,000%

(1) The company has been listed in the groups of assets/liabilities held for sale item.

(2) The company is the special purpose vehicle for the Group's securitization transactions.

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

The company Mars 2600 S.r.l. used as special vehicle for securitisation transactions of financial assets, was consolidated line by line, although without holding majority voting rights, as it fulfilled the conditions envisaged by the IAS/IFRS (SIC 12) principles in relation to "special purpose entities".

2. Other information

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

Name of company	Head office	Type of relationship	Shareholding relationship		Voting rights %
			Investor	Stake %	
B. Companies					
MARTIN MAUREL SELLA BANQUE PRIVEE S.A.M.	Principality of Monaco	Subj. to sig. influence	Sella Holding N.V.	45,0000%	45,0000%
IN CHIARO ASSICURAZIONI S.P.A.	Rome	Subj. to sig. influence	CBA Vita S.p.A.	49,0000%	49,0000%
AGATA S.P.A.	Ivrea	Subj. to sig. influence	Banca Sella Holding S.p.A.	40,0000%	40,0000%
RETAIL ITALIA S.R.L.	Milan	Subj. to sig. influence	Easy Nolo S.p.A.	39,9976%	39,9976%
S.C.P. VDP1	Principality of Monaco	Subj. to sig. influence	Banca Sella Holding S.p.A.	29,0000%	29,0000%
HI-MTF SIM S.P.A.	Milan	Subj. to sig. influence	Banca Sella Holding S.p.A.	20,0000%	20,0000%
ENERSEL S.P.A.	Biella	Subj. to sig. influence	Banca Sella Holding S.p.A.	18,2982%	18,2982%
BANCA MONTEPARMA S.P.A.(1)	Parma	Subj. to sig. influence	CBA Vita S.p.A.	3,0000%	3,0000%
BANCA MONTEPARMA S.P.A.(1)	Parma	Subj. to sig. influence	Banca Sella Holding S.p.A.	4,5969%	4,5969%

(1) *The equity investment in Banca Monte Parma has been listed in the assets held for sale item.*

Section 4 - Events subsequent to the balance sheet date

There are no subsequent events to be reported.

Section 5 - Other aspects

Comparative information

In accordance with the international accounting standard IAS 1 "Presentation of Financial Statements", in the annual report 2010 comparative information is disclosed in respect of the previous period. The classification of items is consistent with that of annual report 2009 with the exception of the two cases described following.

	Liabilities and shareholders' equity *(euro thousand)*	31/12/2009 Before adjustment	Adjustment	31/12/2009 Adjusted
20.	Due to customers	8.658.539	(453.109)	8.205.430
30.	Outstanding securities	1.991.882	453.109	2.444.991

The reclassification was applied in compliance with the instructions given by the Bank of Italy with communication of 21 February 2011 concerning clarifications on the "Financial Statement and supervisory notes". In this document, the Bank of Italy specifies that repurchase agreements with underlying own issue securities are comparable with a new listing on the securities market. As such, these transactions, previously noted under the item "Due to customers" not as repurchase agreements but rather as other payables, have been reclassified to the item entitled "Outstanding securities".

	Income statement *(euro thousand)*	31/12/2009 Before adjustment	Adjustment	31/12/2009 Adjusted
180.	Administrative expenses	(403.155)	1	(403.156)
	a) personnel expenses	(243.888)	4.176	(248.064)
	b) other administrative expenses	(159.267)	(4.175)	(155.092)
220.	Other operating expenses/income	37.970	(1)	37.971

The reclassification was applied in compliance with the instructions given by the Bank of Italy with communication of 21 February 2011 concerning clarifications on the "Financial Statement and supervisory notes". In this document, the Bank of Italy specifies that the following should be included in the item "Administrative expenses: personnel expenses":

- costs for insurance policies
- costs for meal vouchers
- costs for professional employee update courses
- costs for the board and lodgings of employees travelling
- costs for mileage refunds
- costs for check-ups carried out by employees.

As such, some expenses previously mainly included under item "180. b) other administrative expenses" have been reclassified to this item. More specifically, the reclassifications mainly relate to update courses and board and lodgings of travelling employees.

» A.2 MAIN ACCOUNTING ITEMS

1 – Financial assets held for trading

Classification criteria

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

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

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

Recognition criteria

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

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

Assessment criteria

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

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

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

Derecognition criteria

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

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

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

2 – Financial assets available for sale

Classification criteria

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

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

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

Recognition criteria

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

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

Assessment criteria

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

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

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

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

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

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

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

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

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

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

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

Derecognition criteria

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

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

3 – Financial assets held to maturity

Classification criteria

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

Recognition criteria

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

Assessment criteria

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

Derecognition criteria

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

4 – Loans and receivables

Classification criteria

Loans and receivables include loans to customers and banks, both disbursed directly and purchased from third parties, which envisage fixed or at least determinable payments, which are not quoted on an active market and which have not been classified at the start as available-for-sale financial assets. The loans and receivables item also includes commercial loans, repurchase agreements, loans deriving from financial leasing 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 valued at their historical cost and the costs/revenues attributable to them are recognized in the Income Statement. The same valuation technique is adopted for receivables with no defined maturity or valid until revoked.

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

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

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

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

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

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

Derecognition criteria

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

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

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

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

The valuation times are:

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

5 – Financial assets at fair value through profit or loss

Classification criteria

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

Recognition criteria

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

Assessment criteria

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

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

Derecognition criteria

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

6 – Hedging transactions

Classification criteria: types of hedging

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

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

IAS 39 describes the following types of hedges:

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

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

Recognition criteria

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

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

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

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

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

Assessment criteria

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

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

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

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

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

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

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

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

7 – Equity investments

Classification criteria

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

Recognition criteria

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

Assessment criteria

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

Derecognition criteria

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

8 – Tangible assets

Classification criteria

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

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

Derecognition criteria

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

9 – Intangible assets

Classification criteria

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

Recognition criteria

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

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

Assessment criteria

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

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

Derecognition criteria

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

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

Classification criteria

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

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

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

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

Assessment criteria

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

11 – Current and deferred taxation

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

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

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

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

12 – Provisions for risks and charges

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

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

Provisions are set aside for risks and chargest only when:

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

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

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

The congruity of these amounts is also reviewed regularly.

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

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

13 – Payables and outstanding securities

Classification criteria

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

Recognition criteria

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

Assessment criteria

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

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

Derecognition criteria

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

14 – Financial liabilities held for trading

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

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

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

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

15 – Financial liabilities at fair value through profit or loss

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

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

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

16 – Foreign currency transactions

Initial recognition

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

Following recognition

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

- monetary items are converted at the exchange rate on the balance sheet date;
- non-monetary items carried at their historical cost are translated at the exchange rate in force at the time of the operation; to translate the revenue and cost items an exchange rate that

approximates the exchange rates at the transaction dates is often used, for example an average exchange rate for the period;

- non-monetary items carried at fair value are translated at the exchange rates at the balance sheet date.

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

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

17 – Insurance assets and liabilities

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

The insurance risk is defined as a risk, different from the financial risk, that is transferred from the insured to the issuer of the insurance contract.

The financial risk is in turn defined as the risk of a possible future variation of one or more of the following variables: specific interest rates, prices of financial instruments, prices of goods, exchange rates, price or rate indices, credit ratings and any other variable, provided that, in the case of a nonfinancial variable, it is not specific to one of the contractual counterparties.

An insurance risk is significant if, and only if, the insured event can entail the payment by the insurer of additional significant compensation on the occurrence of any circumstance having economic substance (excluding, that is, events with no identifiable effect on the economic aspects of the transaction).

On the basis of the analysis carried out on the policies in the portfolio, all contracts of the nonlife and life business that have significant components of insurance risk fall within the scope of IFRS 4 (insurance contracts).

In accordance with the definition of insurance contract supplied by IFRS 4, contracts that present a non-significant insurance risk therefore fall within the scope of IAS 39 (Financial instruments: recognition and evaluation) and IAS 18 (Revenues).

Technical reserves – Non-life insurance

The premium reserve for losses was calculated following the principles of ISVAP Regulation No. 16 of 4 March 2008 and, to be precise, calculating analytically with the pro-rata temporis method the proportion of the gross premiums written accruing to the future period, deducting from the latter the related acquisition fees. The same method was also applied to determine the premium reserves charged to reinsurers.

For the aging reserve the 10% minimum rate was applied to premiums for the financial year as per the provision of Article 45 of ISVAP Regulation No. 16 of 4 March 2008.

The damage reserve is determined analytically through the valuation of all outstanding claims for damages at the end of the financial year and on the basis of technically prudent estimates which ensure that the amount reserved is sufficient to pay the outstanding claims. This damage reserve also includes provisions for late claims.

The share of the damage reserve charged to reinsurers reflects the recovery on the amounts reserved, as envisaged in the existing agreements.

Technical reserves – Life assurance

The mathematical reserves of life assurance policies, determined according to actuarial criteria, are in line with the provisions of Art. 36 of Lgs. Dec. 209/2005. They are sufficient to cover the commitments assumed towards the interested parties, as stated in the technical report prepared and signed by the actuary appointed by the company. In particular this calculation took into account the provisions of the rules on the subject of adjustment of the technical basis for annuity benefits, and of ISVAP Regulation No. 21 of 28 March 2008 on the establishment of additional reserves against foreseeable returns on the funds managed separately.

L.A.T. (Liability Adequacy Test)

In order to ascertain the congruity of the technical reserves it is envisaged that companies will carry out a sufficiency test on them, the so-called "Liability Adequacy Test", on the basis of the present values of future cash flows. If from this assessment it emerges that the book value of the insurance liabilities, net of the associated capitalized purchase costs and intangible assets, is insufficient, the difference must be recognized in the Income Statement.

Shadow accounting

Contracts with revaluation of the benefits linked to profits on a separate management are classified as insurance or investment contracts with discretionary participation features (DPF). The DPF component derives from the existence of unrealized capital gains and losses from valuation. IFRS 4 (par. 30) permits changes to the accounting standards, so that a capital gain or loss recognised but not realized on an asset reflects in measurements of the insurance liabilities, of the associated deferred purchase costs and of the related intangible assets, as if it were a realized component.

The adjustment that follows is recognized in shareholders' equity only if the same treatment is adopted for realized gains or losses.

On the contrary, latent capital gains or losses on assets recognized directly in the Income Statement (including adjustments for lasting impairment) entail a corresponding writedown of insurance liabilities recognized directly in the Income Statement.

The Shadow Accounting calculation is performed every year.

Other liabilities

This item includes, among other things, the management fees of CBA Vita contracts classified as investments, which are recognised as revenues, in accordance with IAS 18, when the service is rendered.

This implies that the service component is deferred and recognized in the Income Statement on a straight line basis over the entire term of the contract so as to offset the costs of providing the services borne by the company. The estimate of the term of the policy takes into account the propensity for liquidations on the part of policyholders, for well-tested products on which the Group has acquired experience, and of expectations assessed in the development stage, for new products. Recurrent components, such as fees received, commissions paid and portfolio management costs, are booked to the Income Statement of the period in which they are generated.

Aspects of the Income Statement related to the insurance business

As regards insurance contracts, in accordance with IFRS 4, the following are to be recognized in the Income Statement: premiums, which include amounts for the year deriving from the issuance of contracts, net of cancellations; changes in technical reserves, which represent the change in future commitments towards policyholders deriving from insurance contracts; fees for the accounting period payable to intermediaries; and the cost of damages, redemptions and expiries for the accounting period.

18 – Other information

Securitizations

In financial year 2000 the Company completed two securitizations with which Banca Sella S.p.A. and Biella Leasing S.p.A. sold, respectively, a portfolio of performing loans and the flows deriving from a portfolio of leasing contracts to the vehicle company Secursel S.r.l. For both the securitization transactions described above the company took advantage of the optional exemption provided for in IFRS 1, which permits it not to re-recognize financial assets/liabilities sold or derecognized before 1st January 2004.

On 31 October 2010, the securitisation completed with Secursel S.r.l. in 2000, was concluded. Banca Sella has reacquired the mortgages of the special purpose vehicle, which has refunded the securities that still existed, early.

During 2005, 2008 and 2009 Banca Sella completed a further sale of a portfolios of performing loans to the special purpose vehicle Mars 2600 S.r.l.

The loans involved in this latest securitization transaction were re-recognized in the Consolidated Financial Statements because it was not possible to derecognize them in accordance with the provisions of IAS 39 and with the interpretation provided by SIC 12.

Employee benefits

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

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

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

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

Recognition of revenues and costs

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

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

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

Own shares

Any own shares held are deducted from shareholders' equity.

Similarly, the initial cost of these shares and the gains or losses deriving from their subsequent sale are accounted for as changes in shareholders' equity.

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

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

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

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

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

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

Fair value measurement method

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

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

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

Financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The techniques adopted for evaluating AFS investments each time are:

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

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

Receivables: hedged fixed-rate loans

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

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

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

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

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

» A.3 INFORMATION ON FAIR VALUE

A.3.1. Transfers between portfolios

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

Type of financial instrument (1)	Previous portfolio (2)	New portfolio (3)	Book value at 31/12/2010 (4)	Fair Value at 31/12/2010 (5)	Income components in case of no transfer (before tax)		Annual income components (before tax)	
					Valuation (6)	Other (7)	Valuation (8)	Other (9)
Debt securities			**139.772**	**134.867**	**1.016**	**(411)**	**1.049**	**(200)**
	HFT	AFS	40.731	40.731	1.049	-	1.049	-
	HFT	Due from banks	15.212	14.881	107	-	-	(171)
	HFT	Due from customers	6.263	6.030	(140)	-	-	(36)
	AFS	Due from banks	15.244	15.587	-	(69)	-	4
	AFS	HTM	62.322	57.638	-	(342)	-	3
Total			**139.772**	**134.867**	**1.016**	**(411)**	**1.049**	**(200)**

Key:

HFT = Financial assets held for trading

AFS = Financial assets available for sale

HTM = Financial assets held to maturity

For the financial statements at 31st December 2008, some companies of the Group took advantage of the right to reclassify part of their securities portfolio.

Additionally, in the second half of 2010, CBA Vita reclassified some securities held for sale to those held to maturity, for an amount of € 60 million at nominal value, as permitted by ISVAP Regulation no. 37 of 15 March 2011, as the company has assessed its capacity to hold investments until the time of repayment, in line with the due dates of the policy portfolio.

If the Group had not used the possibility of reclassifying the aforementioned financial assets, the income statement (6) would have seen higher negative evaluation components for 1.016 thousand euro and other income (7) for 411 thousand euro, while in the shareholders' equity (8) there would have been negative components for 1.049 thousand euro and other income (9) for 200 thousand euro.

A.3.1.4 Effective interest rate and expected future cash flows from reclassified assets				
Company performing the reclassification	**Description**	**Isin**	**Rate**	**Expected cash flow**
Banca Sella S.p.A.	CCT 01/07/13 TV	IT0004101447	2,83%	18.556
Banca Sella S.p.A.	CCT 01/03/14 TV	IT0004224041	3,10%	19.023
Banca Sella Nordest Bovio Calderari S.p.A.	CCT 01/07/13 TV	IT0004101447	2,83%	11.165
Banca Sella Nordest Bovio Calderari S.p.A.	CCT 01/03/14 TV	IT0004224041	3,10%	5.342
Banca Sella Sud Arditi Galati S.p.A.	CCT 01/07/13 TV	IT0004101447	2,83%	345.741
Banca Sella Sud Arditi Galati S.p.A.	CCT 01/03/14 TV	IT0004224041	3,10%	5.342.366
C.B.A. Vita S.p.A.	MPS 4.875% 05/16	XS0255820804	4,89%	7.387
C.B.A. Vita S.p.A.	GS DOPPIA PROSP. II	XS0256281527	4,86%	500
C.B.A. Vita S.p.A.	BPU IM FLOAT 03/16	XS0248693854	5,06%	3.759
C.B.A. Vita S.p.A.	OBBL. UNICREDITO 05/	XS0226191798	6,39%	2.615
C.B.A. Vita S.p.A.	BANCA . INT. 2/12/15	XS0236477377	4,00%	2.380
C.B.A. Vita S.p.A.	MPS CMS 01.04.15	XS0215079202	4,76%	2.074
C.B.A. Vita S.p.A.	BTP 01/02/20 4.50% E	IT0003644769	4,66%	7.118
C.B.A. Vita S.p.A.	BTP 01/03/20 4.25%	IT0004536949	4,69%	26.454
C.B.A. Vita S.p.A.	BTP 01/09/19 4,25%	IT0004489610	4,60%	6.996
C.B.A. Vita S.p.A.	BTP 01/09/20 4%	IT0004594930	4,72%	42.240
C.B.A. Vita S.p.A.	BTP 3.75% 01.03.21	IT0004634132	4,81%	3.724

A.3.2 Hierarchy of fair value

A.3.2.1 Accaunting portfolios: fair value by level						
Financial assets/liabilities at fair value	**31/12/2010**			**31/12/2009**		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
1. Financial assets held for trading	764.404	156.125	4.683	1.363.338	162.739	3.979
2. Financial assets at fair value through profit or loss	338.293	454.401	972	379.772	288.298	-
3. Financial assets available for sale	1.134.327	23.379	15.782	677.699	9.497	22.024
4. Hedging derivatives	-	6.793	-	-	3.037	-
Total	**2.237.024**	**640.698**	**21.437**	**2.420.809**	**463.571**	**26.003**
1. Financial liabilities held for trading	4.678	29.786	-	32.917	13.342	-
2. Financial liabilities at fair value through profit or loss	338.032	288.634	972	401.103	83.838	-
3. Hedging derivatives	-	91.042	-	-	85.074	-
Total	**342.710**	**409.462**	**972**	**434.020**	**182.254**	**-**

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

Type of transaction/Amount	Financial assets			
	held for trading	at fair value through profit or loss	available for sale	hedging
1. Opening balance	**3.979**	**-**	**22.024**	**-**
2. Increases	**8.643**	**972**	**8.079**	**-**
2.1. Purchases	8.370	972	8.049	-
2.2. Profits allocated to:				
2.2.1. Income Statement	-	-	-	-
- of which capital gains	-	-	-	-
2.2.2. Shareholders' Equity	X	X	-	-
2.3. Transfers from other levels	-	-	-	-
2.4. Other increases	273	-	30	-
3. Decreases	**7.939**	**-**	**14.321**	**-**
3.1 Sales	7.886	-	391	-
3.2. Repayments	-	-	13.585	-
3.3. Losses allocated to:				
3.3.1. Income Statement	-	-	5	-
- of which capital losses	-	-	-	-
3.3.2. Shareholders' Equity	X	X	-	-
3.4. Transfers to other levels	-	-	-	-
3.5. Other decreases	53	-	340	-
4. Closing balance	**4.683**	**972**	**15.782**	**-**

A.3.2.3 Annual changes to financial liabilities carried at fair value (level 3)

Type of transaction/Amount	Financial liabilities		
	held for trading	at fair value through profit or loss	hedging
1. Opening balance	**-**	**-**	**-**
2. Increases	**-**	**972**	**-**
2.1. Issues	-	972	-
2.2. Losses allocated to:			
2.2.1. Income Statement	-	-	-
- of which capital losses	-	-	-
2.2.2. Shareholders' Equity	X	X	-
2.3. Transfers from other levels	-	-	-
2.4. Other increases	-	-	-
3. Decreases	**-**	**-**	**-**
3.1 Repayments	-	-	-
3.2. Repurchases	-	-	-
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	**-**	**972**	**-**

PART B INFORMATION ON THE CONSOLIDATED BALANCE SHEET

» ASSETS

Section 1 - Cash and available liquidity - Item 10

1.1 Cash and available liquidity: breakdown		
	31/12/2010	31/12/2009
a) Cash on hand	94.592	98.651
b) Demand deposits at central banks	10.770	23.672
Total	**105.362**	**122.323**

We note that the data is given net of cash in relation to Banque BPP for which transfer is envisaged for the first half of 2011 (consequently the company's assets have been included under the item "Non-current assets and groups of assets held for sale").

Section 2 - Financial assets held for trading – Item 20

2.1 Financial assets held for trading: breakdown by type

Item/Amount	31/12/2010			31/12/2009		
	L1	L2	L3	L1	L2	L3
A. Cash assets						
1. Debt securities	655.596	126.474	-	1.296.218	122.784	109
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	655.596	126.474	-	1.296.218	122.784	109
2. Equity securities	2.516	-	2	4.271	-	41
3. UCITS units	104.547	8.007	4.681	59.321	20.793	3.829
4. Loans and advances	-	-	-	-	-	-
4.1 Reverse repurchase agreements	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
Total A	**762.659**	**134.481**	**4.683**	**1.359.810**	**143.577**	**3.979**
B. Derivative instruments						
1. Financial derivatives:	1.745	21.644	-	3.528	19.162	-
1.1 for trading	1.745	21.578	-	3.528	17.115	-
1.2 linked to fair value option	-	-	-	-	-	-
1.3 others	-	66	-	-	2.047	-
2. Credit derivatives:	-	-	-	-	-	-
2.1 for trading	-	-	-	-	-	-
2.2 linked to fair value option	-	-	-	-	-	-
2.3 others	-	-	-	-	-	-
Total B	**1.745**	**21.644**	**-**	**3.528**	**19.162**	**-**
Total A+B	**764.404**	**156.125**	**4.683**	**1.363.338**	**162.739**	**3.979**

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

- Level 1 (L1): referred to the financial instrument quoted in an active market;

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

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

The following is a breakdown of the data of the previous table, divided up according to bank group and insurance companies.

2.1.1 attributable to the banking group						
Item/Amount	**31/12/2010**			**31/12/2009**		
	L1	**L2**	**L3**	**L1**	**L2**	**L3**
A. Cash assets						
1. Debt securities	653.615	126.474	-	1.296.218	121.109	109
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	653.615	126.474	-	1.296.218	121.109	109
2. Equity securities	2.339	-	2	4.056	-	41
3. UCITS units	14.509	8.007	4.681	259	20.691	3.829
4. Loans and advances	-	-	-	-	-	-
4.1 Reverse repurchase agreements	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
Total A	**670.463**	**134.481**	**4.683**	**1.300.533**	**141.800**	**3.979**
B. Derivative instruments						
1. Financial derivatives:	1.745	21.618	-	3.528	19.074	-
1.1 for trading	1.745	21.552	-	3.528	17.027	-
1.2 linked to fair value option	-	-	-	-	-	-
1.3 others	-	66	-	-	2.047	-
2. Credit derivatives:	-	-	-	-	-	-
2.1 for trading	-	-	-	-	-	-
2.2 linked to fair value option	-	-	-	-	-	-
2.3 others	-	-	-	-	-	-
Total B	**1.745**	**21.618**	**-**	**3.528**	**19.074**	**-**
Total A+B	**672.208**	**156.099**	**4.683**	**1.304.061**	**160.874**	**3.979**

The share of financial assets held for trading owned by the bank group refers above all to the parent company Banca Sella Holding (for 558,1 million euro) and to Banca Sella (for 153,1 million euro).
The decrease in securities held for trading as compared with last year is mainly due to the expiry and sale of government securities and bank bonds during 2010. As always, management tended towards a policy of prudence and the strategy entailing a diversification of investments was maintained, paying careful attention to the quality of the bond securities of bank, financial and corporate issuers held in the portfolio.

We note that the financial assets held for trading data is given net of derivative instruments in relation to Banque BPP for which transfer is envisaged for the first half of 2011 (consequently the company's assets have been included under the item "Non-current assets and groups of assets held for sale").

2.1.2 attributable to insurance companies						
Item/Amount	**31/12/2010**			**31/12/2009**		
	L1	**L2**	**L3**	**L1**	**L2**	**L3**
A. Cash assets						
1. Debt securities	1.981	-	-	-	1.675	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	1.981	-	-	-	1.675	-
2. Equity securities	177	-	-	215	-	-
3. UCITS units	90.038	-	-	59.062	102	-
4. Loans and advances	-	-	-	-	-	-
4.1 Reverse repurchase agreements	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
Total A	**92.196**	**-**	**-**	**59.277**	**1.777**	**-**
B. Derivative instruments						
1. Financial derivatives:	-	26	-	-	88	-
1.1 for trading	-	26	-	-	88	-
1.2 linked to fair value option	-	-	-	-	-	-
1.3 others	-	-	-	-	-	-
2. Credit derivatives:	-	-	-	-	-	-
2.1 for trading	-	-	-	-	-	-
2.2 linked to fair value option	-	-	-	-	-	-
2.3 others	-	-	-	-	-	-
Total B	**-**	**26**	**-**	**-**	**88**	**-**
Total A+B	**92.196**	**26**	**-**	**59.277**	**1.865**	**-**

The share of financial assets held for trading pertaining to insurance companies mainly refers to C.B.A. Vita (for 90,2 million euro), which increased use of the sector by 52% during the year. The increase on last year is connected with the significant increase in premiums, from which greater liquidity derives, which has been mainly invested in securities of the category financial assets held for trading and financial assets held for sale.

2.2 Financial assets held for trading: breakdown by borrowers/issuers		
Item/Amount	**31/12/2010**	**31/12/2009**
A. Cash assets		
1. Debt securities	**782.070**	**1.419.111**
a) Governments and Central Banks	273.535	733.691
b) Other public bodies	9	38
c) Banks	454.417	548.257
d) Other issuers	54.109	137.125
2. Equity securities	**2.518**	**4.312**
a) Banks	157	799
b) Other issuers:	2.361	3.513
- insurance companies	1.484	984
- financial companies	10	31
- non-financial companies	766	2.379
- others	101	119
3. UCITS units	**117.235**	**83.943**
4. Loans and advances	**-**	**-**
a) Governments and central banks	-	-
b) Other public bodies	-	-
c) Banks	-	-
d) Other subjects	-	-
Total A	**901.823**	**1.507.366**
B. Derivative instruments		
a) Banks		
- *fair value*	13.616	9.408
b) Customers		
- *fair value*	9.773	13.282
Total B	**23.389**	**22.690**
Total A+B	**925.212**	**1.530.056**

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

Financial assets held for trading: details on the item "UCITS units"	
Description	**31/12/2010**
Bond	82.350
Equity	10.258
Monetary	6.950
Balanced	-
Other	17.677
Total "UCITS units"	**117.235**

The following is a breakdown of the data of table 2.2, divided up according to bank group and insurance companies.

2.2.1 attributable to the banking group		
Item/Amount	**31/12/2010**	**31/12/2009**
A. Cash assets		
1. Debt securities	**780.089**	**1.417.436**
a) Governments and Central Banks	271.554	733.691
b) Other public bodies	9	38
c) Banks	454.417	546.582
d) Other issuers	54.109	137.125
2. Equity securities	**2.341**	**4.097**
a) Banks	145	779
b) Other issuers:	2.196	3.318
- insurance companies	1.420	908
- financial companies	10	31
- non-financial companies	766	2.379
- others	-	-
3. UCITS units	**27.197**	**24.779**
4. Loans and advances	**-**	**-**
a) Governments and central banks	-	-
b) Other public bodies	-	-
c) Banks	-	-
d) Other subjects	-	-
Total A	**809.627**	**1.446.312**
B. Derivative instruments		
a) Banks		
- fair value	13.590	9.320
b) Customers		
- fair value	9.773	13.282
Total B	**23.363**	**22.602**
Total A+B	**832.990**	**1.468.914**

2.2.2 attributable to insurance companies

Item/Amount	31/12/2010	31/12/2009
A. Cash assets		
1. Debt securities	**1.981**	**1.675**
a) Governments and Central Banks	1.981	-
b) Other public bodies	-	-
c) Banks	-	1.675
d) Other issuers	-	-
2. Equity securities	**177**	**215**
a) Banks	12	20
b) Other issuers:	165	195
- insurance companies	64	76
- financial companies	-	-
- non-financial companies	-	-
- others	101	119
3. UCITS units	**90.038**	**59.164**
4. Loans and advances	**-**	**-**
a) Governments and central banks	-	-
b) Other public bodies	-	-
c) Banks	-	-
d) Other subjects	-	-
Total A	**92.196**	**61.054**
B. Derivative instruments		
a) Banks		
- fair value	26	88
b) Customers		
- fair value	-	-
Total B	**26**	**88**
Total A+B	**92.222**	**61.142**

2.3 Cash financial assets held for trading: annual changes

	Debt securities	Equity securities	UCITS units	Loans and advances	Total
A. Opening balance	**1.419.111**	**4.312**	**83.943**	**-**	**1.507.366**
B. Increases	**68.223.215**	**2.677.796**	**1.138.880**	**-**	**72.039.891**
B.1 Purchases	68.188.503	2.675.756	1.138.454	-	72.002.713
B.2 Increases in fair value	782	22	425	-	1.229
B.3 Other changes	33.930	2.018	1	-	35.949
C. Decreases	**68.860.256**	**2.679.590**	**1.105.588**	**-**	**72.645.434**
C.1 Sales	67.990.010	2.673.934	1.105.040	-	71.768.984
C.2 Redemptions	839.218	-	-	-	839.218
C.3 Reductions in fair value	6.097	291	484	-	6.872
C.4 Transfers to other portfolios	-	-	-	-	-
C.5 Other changes	24.931	5.365	64	-	30.360
D. Closing balance	**782.070**	**2.518**	**117.235**	**-**	**901.823**

The following is a breakdown of the data of table 2.3, divided up according to bank group and insurance companies.

2.3.1 attributable to the banking group					
	Debt securities	**Equity securities**	**UCITS units**	**Loans and advances**	**Total**
A. Opening balance	**1.417.436**	**4.097**	**24.779**	**-**	**1.446.312**
B. Increases	**68.221.237**	**2.677.792**	**16.885**	**-**	**70.915.914**
B.1 Purchases	68.186.531	2.675.756	16.470	-	70.878.757
B.2 Increases in fair value	776	18	414	-	1.208
B.3 Other changes	33.930	2.018	1	-	35.949
C. Decreases	**68.858.584**	**2.679.548**	**14.467**	**-**	**71.552.599**
C.1 Sales	67.988.338	2.673.931	14.039	-	70.676.308
C.2 Redemptions	839.218	-	-	-	839.218
C.3 Reductions in fair value	6.097	252	364	-	6.713
C.4 Transfers to other portfolios	-	-	-	-	-
C.5 Other changes	24.931	5.365	64	-	30.360
D. Closing balance	**780.089**	**2.341**	**27.197**	**-**	**809.627**

2.3.2 attributable to insurance companies					
	Debt securities	**Equity securities**	**UCITS units**	**Loans and advances**	**Total**
A. Opening balance	**1.675**	**215**	**59.164**	**-**	**61.054**
B. Increases	**1.978**	**4**	**1.121.995**	**-**	**1.123.977**
B.1 Purchases	1.972	-	1.121.984	-	1.123.956
B.2 Increases in fair value	6	4	11	-	21
B.3 Other changes	-	-	-	-	-
C. Decreases	**1.672**	**42**	**1.091.121**	**-**	**1.092.835**
C.1 Sales	1.672	3	1.091.001	-	1.092.676
C.2 Redemptions	-	-	-	-	-
C.3 Reductions in fair value	-	39	120	-	159
C.4 Transfers to other portfolios	-	-	-	-	-
C.5 Other changes	-	-	-	-	-
D. Closing balance	**1.981**	**177**	**90.038**	**-**	**92.196**

Section 3 - Financial assets at fair value through profit or loss - Item 30

Financial assets at fair value through profit or loss are entirely attributable to the insurance companies. Starting from the financial year 2007, Financial asset at fair value through profit or loss include investments on behalf of policy-holders who have taken out unit and index-linked policies and investments arising from managed pension funds in the life assurance field.

3.1 Financial assets at fair value through profit or loss: breakdown by type

Item/Amount	31/12/2010			31/12/2009		
	L1	L2	L3	L1	L2	L3
1. Debt securities	189.289	224.142	-	218.282	262.050	-
1.1 Structured securities	-	-	-	-	23.939	-
1.2 Other debt securities	189.289	224.142	-	218.282	238.111	-
2. Equity securities	21.284	1.012	-	20.027	-	-
3. UCITS units	127.720	206.781	972	141.463	-	-
4. Loans and advances	-	22.466	-	-	26.248	-
4.1 Structured	-	-	-	-	-	-
4.2 Other	-	22.466	-	-	26.248	-
Total	**338.293**	**454.401**	**972**	**379.772**	**288.298**	**-**
Cost	**324.727**	**497.893**	**931**	**403.803**	**313.792**	**-**

The following chart displays the purpose of use of the "fair value option":

Financial assets at fair value through profit or loss: purpose of use of the "fair value option"

	31/12/2010			
	L1	L2	L3	Total
"Natural hedgings"	-	-	-	-
Structured financial instruments	-	-	-	-
Portfolios of financial assets managed internally on a fair value basis	338.293	454.401	972	793.666
Total	**338.293**	**454.401**	**972**	**793.666**

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

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

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

The increase in financial assets at fair value through profit or loss relates to the positive trend of the Sella Life premium deposits, up by 146,9% in 2010. This increase is partly re-connected to the signing of policies of customers adhering to the tax shield in force in the first few months of the year, but above all to a more intense collaboration with the Group distribution networks.

3.2 Financial assets at fair value through profit or loss: breakdown by borrowers/issuers

Item/Amount	31/12/2010	31/12/2009
1. Debt securities	**413.431**	**480.332**
a) Governments and central banks	62.790	121.190
b) Other public bodies	-	-
c) Banks	221.966	188.993
d) Other issuers	128.675	170.149
2. Equity securities	**22.296**	**20.027**
a) Banks	5.677	1.474
b) Other issuers:	16.619	18.553
- insurance companies	104	870
- financial companies	68	1.497
- non-financial companies	16.447	16.186
- others	-	-
3. UCITS units	**335.473**	**141.463**
4. Loans and advances	**22.466**	**26.248**
a) Governments and central banks	-	-
b) Other public bodies	-	-
c) Banks	22.466	26.248
d) Other issuers	-	-
Total	**793.666**	**668.070**

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

Financial assets at fair value through profit or loss: details on the item "UCITS units"

Description	31/12/2010
Bond	264.742
Equity	70.566
Monetary	-
Balanced	57
Other	108
Total "UCITS units"	**335.473**

3.3 Financial assets at fair value through profit or loss: annual changes					
	Debt securities	Equity securities	UCITS units	Loans and advances	Total
A. Opening balance	**480.332**	**20.027**	**141.463**	**26.248**	**668.070**
B. Increases	**273.342**	**59.951**	**429.936**	**54.128**	**817.357**
B.1 Purchases	261.387	58.919	408.854	53.994	783.154
B.2 Increases in fair value	11.955	1.032	21.082	134	34.203
B.3 Other changes	-	-	-	-	-
C. Decreases	**340.243**	**57.682**	**235.926**	**57.910**	**691.761**
C.1 Sales	330.454	57.051	232.238	57.869	677.612
C.2 Redemptions	-	-	-	-	-
C.3 Reductions in fair value	9.789	631	3.688	41	14.149
C.4 Other changes	-	-	-	-	-
D. Closing balance	**413.431**	**22.296**	**335.473**	**22.466**	**793.666**

Section 4 - Financial assets available for sale - Item 40

4.1 Financial assets available for sale: breakdown by type						
Item/Amount	**31/12/2010**			**31/12/2009**		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
1. Debt securities	1.123.248	23.379	42	660.787	9.497	13.643
1.1 Structured securities	-	10.930	-	18.714	2.459	-
1.2 Other debt securities	1.123.248	12.449	42	642.073	7.038	13.643
2. Equity securities	11.023	-	13.270	16.912	-	5.911
2.1 Carried at fair value	11.023	-	245	16.912	-	245
2.2 Carried at cost	-	-	13.025	-	-	5.666
3. UCITS units	56	-	-	-	-	-
4. Loans and advances	-	-	2.470	-	-	2.470
Total	**1.134.327**	**23.379**	**15.782**	**677.699**	**9.497**	**22.024**

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

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

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

The following is a breakdown of the data of the previous table, divided up according to bank group and insurance companies.

4.1.1 attributable to the banking group						
Item/Amount	31/12/2010			31/12/2009		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	593.187	2.009	42	270.108	1.012	13.643
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	593.187	2.009	42	270.108	1.012	13.643
2. Equity securities	11.023	-	13.270	16.912	-	5.911
2.1 Carried at fair value	11.023	-	245	16.912	-	245
2.2 Carried at cost	-	-	13.025	-	-	5.666
3. UCITS units	56	-	-	-	-	-
4. Loans and advances	-	-	2.470	-	-	2.470
Total	**604.266**	**2.009**	**15.782**	**287.020**	**1.012**	**22.024**

The share of financial assets available for sale owned by the bank group refers above all to the parent company Banca Sella Holding (for 207,2 million euro) and to Banca Sella (for 176,9 million euro). For both companies, the portfolio of securities held for sale increased significantly in 2010. Acquisitions during the year (mainly Italian government securities) were also made following resolution by the respective Boards of Directors, which, in line with the provision of the Bank of Italy of 18 May 2010, in relation to the calculation of the Regulatory Capital and treatment of revaluation reserves concerning government securities for the Euro area held in the portfolio “Available for Sale”, has allowed for greater use of the accounting category in question for the purpose of permanent investment.

Banca Patrimoni Sella & C., which contributes to the item for 151,4 million euros, instead decreased its portfolio of securities held for sale by 30%; a decrease connected to the trend of the Bank's direct deposits, which, after the peak seen in the last quarter of 2009, thanks to the so-called "Third tax amnesty", began to fall in the first half of the year due to the effect of the investment of sums received from customers in securities. This transformation of cash assets into investments on the part of customers led to disinvestment of part of the securities that the Turin bank had acquired over the course of 2009.

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

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

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

- London Stock Exchange Group (measurement method: market price): Banca Sella Holding and Banca Patrimoni Sella & C. adjusted the positive shareholders' equity reserve to the closing market price at 31 December 2010 for a total amount of 2,3 million euro;
- Intesa Sanpaolo S.p.A. (measurement method: market price): as the closing market price at 31 December 2010 was slightly lower than the security book value, Banca Sella Holding posted a negative shareholders' equity reserve for 137 thousand euro;
- Gruppo Mutui On Line (measurement method: market price): Banca Sella Holding adjusted the positive shareholders' equity reserve to the closing market price at 31 December 2010 for an amount of 626 thousand euro;
- Visa Inc. (measurement method: comparable transactions): the class C shares held by Banca Sella Holding were measured in a 1:1 ratio with class A shares, discounting them to take into consideration the lock-in clause preventing trading until 2011; the positive reserve recognised in the shareholders' equity was adjusted for 435 thousand euro.
- Exor (measurement method: market price): Banca Patrimoni Sella & C. adjusted the positive shareholders' equity reserve to the closing market price at 31 December 2010 for an amount of 223 thousand euro;

During 2010 the interests in London Stock Exchange Group, Visa and Exor were partly sold and the interests in Pro Mac and Key Client Cards & Solutions were entirely sold; on the whole, 4,1 million euro of gross capital gains were realised.

At year end, Banca Sella Holding signed an agreement with ICBPI (the Central Institute of Italian Popular Banks), which provided for the subscription by Banca Sella Holding of a share capital increase reserved to it by means of the conferral of the business unit acting as deposit bank. By virtue of this agreement, the Bank acquired a total share of 0,96% in the capital of ICBPI.

4.1.2 attributable to insurance companies

Item/Amount	31/12/2010			31/12/2009		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	530.061	21.370	-	390.679	8.485	-
1.1 Structured securities	-	10.930	-	18.714	2.459	-
1.2 Other debt securities	530.061	10.440	-	371.965	6.026	-
2. Equity securities	-	-	-	-	-	-
2.1 Carried at fair value	-	-	-	-	-	-
2.2 Carried at cost	-	-	-	-	-	-
3. UCITS units	-	-	-	-	-	-
4. Loans and advances	-	-	-	-	-	-
Total	**530.061**	**21.370**	**-**	**390.679**	**8.485**	**-**

The share of financial assets held for sale pertaining to insurance companies refers in full to C.B.A. Vita. The increase on last year is connected with the significant increase of premiums, from which greater liquidity derives, which has been mainly invested in securities of the category financial assets held for trading and financial assets held for sale.

We also note that in the second half of 2010, the company reclassified some securities held for sale to those held to maturity, for an amount of 60 million euro at nominal value, as permitted by ISVAP

Regulation no. 37 of 15 March 2011, as the company has assessed its capacity to hold investments until the time of repayment, in line with the due dates of the policy portfolio.

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

Item/Amount	31/12/2010	31/12/2009
1. Debt securities	**1.146.669**	**683.927**
a) Governments and central banks	1.010.369	469.768
b) Other public bodies	2.467	23.252
c) Banks	96.938	108.218
d) Other issuers	36.895	82.689
2. Equity securities	**24.293**	**22.823**
a) Banks	9.614	1.771
b) Other issuers:	14.679	21.052
- insurance companies	-	-
- financial companies	14.265	20.248
- non-financial companies	414	804
- others	-	-
3. UCITS units	**56**	**-**
4. Loans and advances	**2.470**	**2.470**
a) Governments and central banks	-	-
b) Other public bodies	-	-
c) Banks	-	-
d) Other subjects	2.470	2.470
Total	**1.173.488**	**709.220**

The following is a breakdown of the data of table 4.2, divided up according to bank group and insurance companies.

4.2.1 attributable to the banking group		
Item/Amount	**31/12/2010**	**31/12/2009**
1. Debt securities	**595.238**	**284.763**
a) Governments and central banks	564.408	260.771
b) Other public bodies	-	-
c) Banks	28.558	9.093
d) Other issuers	2.272	14.899
2. Equity securities	**24.293**	**22.823**
a) Banks	9.614	1.771
b) Other issuers:	14.679	21.052
- insurance companies	-	-
- financial companies	14.265	20.248
- non-financial companies	414	804
- others	-	-
3. UCITS units	**56**	**-**
4. Loans and advances	**2.470**	**2.470**
a) Governments and central banks	-	-
b) Other public bodies	-	-
c) Banks	-	-
d) Other subjects	2.470	2.470
Total	**622.057**	**310.056**

4.2.2 attributable to insurance companies		
Item/Amount	**31/12/2010**	**31/12/2009**
1. Debt securities	**551.431**	**399.164**
a) Governments and central banks	445.961	208.997
b) Other public bodies	2.467	23.252
c) Banks	68.380	99.125
d) Other issuers	34.623	67.790
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	**551.431**	**399.164**

4.4 Financial assets available for sale: annual changes	Debt securities	Equity securities	UCITS units	Loans and advances	Total
A. Opening balance	**683.927**	**22.823**	**-**	**2.470**	**709.220**
B. Increases	**1.395.060**	**9.365**	**61**	**-**	**1.404.486**
B.1 Purchases	1.389.806	8.795	61	-	1.398.662
B.2 Increases in fair value	87	335	-	-	422
B.3 Writebacks	-	-	-	-	-
- charged to the income statement	-	-	-	-	-
- charged to shareholders' equity	-	-	-	-	-
B.4 Transfers from other portfolios	-	-	-	-	-
B.5 Other changes	5.167	235	-	-	5.402
C. Decreases	**932.318**	**7.895**	**5**	**-**	**940.218**
C.1 Sales	736.766	7.074	-	-	743.840
C.2 Redemptions	87.465	-	-	-	87.465
C.3 Reductions in fair value	37.432	-	5	-	37.437
C.4 Impairment losses	-	294	-	-	294
- charged to the income statement	-	294	-	-	294
- charged to shareholders' equity	-	-	-	-	-
C.5 Transfers to other portfolios	62.322	-	-	-	62.322
C.6 Other changes	8.333	527	-	-	8.860
D. Closing balance	**1.146.669**	**24.293**	**56**	**2.470**	**1.173.488**

The following is a breakdown of the data of table 4.4, divided up according to bank group and insurance companies.

4.4.1 attributable to the banking group	Debt securities	Equity securities	UCITS units	Loans and advances	Total
A. Opening balance	**284.763**	**22.823**	**-**	**2.470**	**310.056**
B. Increases	**638.535**	**9.365**	**61**	**-**	**647.961**
B.1 Purchases	633.281	8.795	61	-	642.137
B.2 Increases in fair value	87	335	-	-	422
B.3 Writebacks	-	-	-	-	-
- charged to the income statement	-	-	-	-	-
- charged to shareholders' equity	-	-	-	-	-
B.4 Transfers from other portfolios	-	-	-	-	-
B.5 Other changes	5.167	235	-	-	5.402
C. Decreases	**328.060**	**7.895**	**5**	**-**	**335.960**
C.1 Sales	217.884	7.074	-	-	224.958
C.2 Redemptions	87.465	-	-	-	87.465
C.3 Reductions in fair value	14.378	-	5	-	14.383
C.4 Impairment losses	-	294	-	-	294
- charged to the income statement	-	294	-	-	294
- charged to shareholders' equity	-	-	-	-	-
C.5 Transfers to other portfolios	-	-	-	-	-
C.6 Other changes	8.333	527	-	-	8.860
D. Closing balance	**595.238**	**24.293**	**56**	**2.470**	**622.057**

4.4.2 attributable to insurance companies					
	Debt securities	Equity securities	UCITS units	Loans and advances	Total
A. Opening balance	**399.164**	**-**	**-**	**-**	**399.164**
B. Increases	**756.525**	**-**	**-**	**-**	**756.525**
B.1 Purchases	756.525	-	-	-	756.525
B.2 Increases in fair value	-	-	-	-	-
B.3 Writebacks	-	-	-	-	-
- charged to the income statement	-	-	-	-	-
- charged to shareholders' equity	-	-	-	-	-
B.4 Transfers from other portfolios	-	-	-	-	-
B.5 Other changes	-	-	-	-	-
C. Decreases	**604.258**	**-**	**-**	**-**	**604.258**
C.1 Sales	518.882	-	-	-	518.882
C.2 Redemptions	-	-	-	-	-
C.3 Reductions in fair value	23.054	-	-	-	23.054
C.4 Impairment losses	-	-	-	-	-
- charged to the income statement	-	-	-	-	-
- charged to shareholders' equity	-	-	-	-	-
C.5 Transfers to other portfolios	62.322	-	-	-	62.322
C.6 Other changes	-	-	-	-	-
D. Closing balance	**551.431**	**-**	**-**	**-**	**551.431**

Section 5 - Financial assets held to maturity - Item 50

5.1 Financial assets held to maturity: breakdown by type								
	Total 31/12/2010				Total 31/12/2009			
	Book value	*Fair value*			Book value	*Fair value*		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	328.258	317.524	-	-	220.932	224.823	-	-
- Structured	-	-	-	-	-	-	-	-
- Others	328.258	317.524	-	-	220.932	224.823	-	-
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.

The following is a breakdown of the data of the previous table, divided up according to bank group and insurance companies.

5.1.1 attributable to the banking group

	Total 31/12/2010				Total 31/12/2009			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	265.936	259.041	-	-	220.932	224.823	-	-
- Structured	-	-	-	-	-	-	-	-
- Others	265.936	259.041	-	-	220.932	224.823	-	-
2. Loans and advances	-	-	-	-	-	-	-	-

With reference to the share attributable to the banking group we note that the data is given net of financial assets held to maturity in relation to Banque BPP for which transfer is envisaged for the first half of 2011 (consequently the company's assets have been included under the item "Non-current assets and groups of assets held for sale").

5.1.2 attributable to insurance companies

	Total 31/12/2010				Total 31/12/2009			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	62.322	58.483	-	-	-	-	-	-
- Structured	-	-	-	-	-	-	-	-
- Others	62.322	58.483	-	-	-	-	-	-
2. Loans and advances	-	-	-	-	-	-	-	-

The share of financial assets held to maturity pertaining to insurance companies refers in full to C.B.A. Vita. During the second half of 2010, the company reclassified some securities held for sale to those held to maturity, for an amount of € 60 million at nominal value, as permitted by ISVAP Regulation no. 37 of 15 March 2011, as the company has assessed its capacity to hold investments until the time of repayment, in line with the due dates of the policy portfolio.

5.2 Financial assets held to maturity: borrowers/issuers		
Type of transaction / Amount	**31/12/2010**	**31/12/2009**
1. Debt securities	**328.258**	**220.932**
a) Governments and central banks	328.258	211.901
b) Other public bodies	-	-
c) Banks	-	9.031
d) Other issuers	-	-
2. Loans and advances	**-**	**-**
a) Governments and central banks	-	-
b) Other public bodies	-	-
c) Banks	-	-
d) Other subjects	-	-
Total	**328.258**	**220.932**
Total *fair value*	**317.524**	**224.823**

The following is a breakdown of the data of table 5.2, divided up according to bank group and insurance companies.

5.2.1 attributable to the banking group		
Type of transaction / Amount	**31/12/2010**	**31/12/2009**
1. Debt securities	**265.936**	**220.932**
a) Governments and central banks	265.936	211.901
b) Other public bodies	-	-
c) Banks	-	9.031
d) Other issuers	-	-
2. Loans and advances	**-**	**-**
a) Governments and central banks	-	-
b) Other public bodies	-	-
c) Banks	-	-
d) Other subjects	-	-
Total	**265.936**	**220.932**
Total *fair value*	**259.041**	**224.823**

5.2.2 attributable to insurance companies		
Type of transaction / Amount	**31/12/2010**	**31/12/2009**
1. Debt securities	**62.322**	**-**
a) Governments and central banks	62.322	-
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	**62.322**	**-**
Total *fair value*	**58.483**	**-**

5.4 Financial assets held to maturity: annual changes			
	Debt securities	**Loans and advances**	**Total**
A. Opening balance	**220.932**	**-**	**220.932**
B. Increases	**156.074**	**-**	**156.074**
B.1 Purchases	91.529	-	91.529
B.2 Writebacks	-	-	-
B.3 Transfers from other portfolios	62.322	-	62.322
B.4 Other changes	2.223	-	2.223
C. Decreases	**48.748**	**-**	**48.748**
C.1 Sales	-	-	-
C.2 Redemptions	26.599	-	26.599
C.3 Writedowns	-	-	-
C.4 Transfers to other portfolios	-	-	-
C.5 Other changes	22.149	-	22.149
D. Closing balance	**328.258**	**-**	**328.258**

The following is a breakdown of the data of table 5.4, divided up according to bank group and insurance companies.

5.4.1 attributable to the banking group			
	Debt securities	**Loans and advances**	**Total**
A. Opening balance	**220.932**	**-**	**220.932**
B. Increases	**93.752**	**-**	**93.752**
B.1 Purchases	91.529	-	91.529
B.2 Writebacks	-	-	-
B.3 Transfers from other portfolios	-	-	-
B.4 Other changes	2.223	-	2.223
C. Decreases	**48.748**	**-**	**48.748**
C.1 Sales	-	-	-
C.2 Redemptions	26.599	-	26.599
C.3 Writedowns	-	-	-
C.4 Transfers to other portfolios	-	-	-
C.5 Other changes	22.149	-	22.149
D. Closing balance	**265.936**	**-**	**265.936**

5.4.2 attributable to insurance companies			
	Debt securities	**Loans and advances**	**Total**
A. Opening balance	**-**	**-**	**-**
B. Increases	**62.322**	**-**	**62.322**
B.1 Purchases	-	-	-
B.2 Writebacks	-	-	-
B.3 Transfers from other portfolios	62.322	-	62.322
B.4 Other changes	-	-	-
C. Decreases	**-**	**-**	**-**
C.1 Sales	-	-	-
C.2 Redemptions	-	-	-
C.3 Writedowns	-	-	-
C.4 Transfers to other portfolios	-	-	-
C.5 Other changes	-	-	-
D. Closing balance	**62.322**	**-**	**62.322**

Section 6 - Due from banks - Item 60

6.1 Due from banks: breakdown by type

Type of transaction / Amount	31/12/2010	31/12/2009
A) Due from central banks	**63.105**	**381.787**
1. Term deposits	-	225.000
2. Statutory reserve	63.105	156.787
3. Reverse repurchase agreements	-	-
4. Others	-	-
B) Due from banks	**147.526**	**551.239**
1. Current accounts and demand deposits	55.771	104.072
2. Term deposits	28.591	356.451
3. Other loans and advances	31.312	45.514
3.1 reverse repurchase agreements	13.525	32.341
3.2 financial leasing	1.020	1.382
3.3 others	16.767	11.791
4. Debt securities	31.852	45.202
4.1 structured	9.327	14.971
4.2 others	22.525	30.231
Total (book value)	**210.631**	**933.026**
Total (fair value)	**210.406**	**933.639**

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

The following is a breakdown of the data of the previous table, divided up according to bank group and insurance companies.

6.1.1 attributable to the banking group		
Type of transaction / Amount	**31/12/2010**	**31/12/2009**
A) Due from central banks	**63.105**	**381.787**
1. Term deposits	-	225.000
2. Statutory reserve	63.105	156.787
3. Reverse repurchase agreements	-	-
4. Others	-	-
B) Due from banks	**130.815**	**523.287**
1. Current accounts and demand deposits	54.304	96.770
2. Term deposits	28.591	356.451
3. Other loans and advances	31.312	45.514
3.1 reverse repurchase agreements	13.525	32.341
3.2 financial leasing	1.020	1.382
3.3 others	16.767	11.791
4. Debt securities	16.608	24.552
4.1 structured	-	-
4.2 others	16.608	24.552
Total (book value)	**193.920**	**905.074**
Total (fair value)	**193.352**	**905.687**

The share of amounts due to banks pertaining to the bank group has decreased by 711,2 million euro as compared with last year (-78,6%). This trend is due to the fact that in 2010 the main banks of the Group pursued the liquidity portfolio management policy that had been started in 2009, when, as the macroeconomic situation continued on after the profound changes in the economic and financial context, which occurred in 2008, the considerable stock of liquidity held by the European Central Bank in order to deal with this context, was converted into bonds.
It therefore follows that there is a drop in this aggregate, due to the removal of certain loan operations, in particular through the Central Bank and the new interbank market for collateralised deposits (MIC).

We note that the data is given net of due from banks in relation to Banque BPP for which transfer is envisaged for the first half of 2011 (consequently the company's assets have been included under the item "Non-current assets and groups of assets held for sale").

6.1.2 attributable to insurance companies		
Type of transaction / Amount	**31/12/2010**	**31/12/2009**
A) Due from central banks	**-**	**-**
1. Term deposits	-	-
2. Statutory reserve	-	-
3. Reverse repurchase agreements	-	-
4. Others	-	-
B) Due from banks	**16.711**	**27.952**
1. Current accounts and demand deposits	1.467	7.302
2. Term deposits	-	-
3. Other loans and advances	-	-
3.1 reverse repurchase agreements	-	-
3.2 financial leasing	-	-
3.3 others	-	-
4. Debt securities	15.244	20.650
4.1 structured	9.327	14.971
4.2 others	5.917	5.679
Total (book value)	**16.711**	**27.952**
Total (fair value)	**17.054**	**27.952**

6.3 Due from Banks: financial leasing

Time-bands	Impaired loans	Minimum payments			Gross investment	
		Capital share		Interest share		
			of which residual value guaranteed			
Within 1 year	-	194	-	42	236	-
From 1 to 5 years	-	826	-	62	888	360
More than 5 years	-	-	-	-	-	-
Total	**-**	**1.020**	**-**	**104**	**1.124**	**360**

The data relating to the financial lease are entirely related to the bank group and, in particular, to the company Biella Leasing.

For a general description of significant leasing agreements of the lessor, please refer to that stated at the foot of table 7.4 Amounts due from customers: financial leasing of the Assets of the Balance Sheet.

Section 7 - Due from customers - Item 70

7.1 Due from customers: breakdown by type				
Type of transaction/Amount	31/12/2010		31/12/2009	
	Performing	Impaired	Performing	Impaired
1. Current accounts	1.074.551	88.459	1.019.894	78.926
2. Repurchase agreements	54.313	-	7.240	-
3. Mortgage loans	3.552.466	100.915	3.362.803	69.374
4. Credit cards, personal loans, salary-backed loans	1.164.995	54.215	1.105.922	41.924
5. Financial leasing	1.008.059	47.391	1.092.873	55.699
6. Factoring	-	-	-	-
7. Other operations	1.491.696	75.836	1.501.298	70.799
8. Debt securities	6.263	-	15.619	-
8.1 Structured	-	-	-	-
8.2 Others	6.263	-	15.619	-
Total (Book value)	**8.352.343**	**366.816**	**8.105.649**	**316.722**
Total (fair value)	**8.448.858**	**366.816**	**8.193.043**	**316.722**

The data concerning amounts due from customers pertain to the bank group, with the exception of 448 thousand euros, which refer to insurance companies, stated amongst other transactions.

During the year, the Banca Sella Group continued to support the economy and activity of families and small and medium-sized enterprises, in which it is deeply rooted. In a situation characterised by an as-yet difficult economic situation, the Group's primary objective was that of ensuring a balanced growth of loans, prudent but attentive to customer demands, and particularly those of SMEs, of small businesses and private individuals.

During the preparation of the 2010 half-year financial statements, positions which had characteristics of past-due loans included in impaired assets, were subject to review to verify that the attribution of past-due loan status was correct. From the in-depth analysis of the individual positions, certain cases were found that did not meet the required characteristics for inclusion in that category. Consequently, within the impaired receivables relating to 31 December 2009, the amount of past due loans was reduced by approximately 26,7 million euro in favour of performing positions.

The calculation of fair value for the explanatory notes has been reviewed upon drafting these financial statements, consequently to allow for a homogenous comparison, the 2009 figure has also been corrected.

We note that the data is given net of due from customers in relation to Banque BPP for which transfer is envisaged for the first half of 2011 (consequently the company's assets have been included under the item "Non-current assets and groups of assets held for sale").

7.2 Due from customers: breakdown by borrowers/issuers

Type of transaction/Amount	31/12/2010		31/12/2009	
	Performing	Impaired	Performing	Impaired
1. Debt securities issued by:	**6.263**	**-**	**15.619**	**-**
a) Governments	-	-	-	-
b) Other public bodies	-	-	-	-
d) Other issuers	6.263	-	15.619	-
- non-financial companies	586	-	-	-
- financial companies	5.677	-	15.619	-
- insurance companies	-	-	-	-
- others	-	-	-	-
2. Loans and advances to:	**8.346.080**	**366.816**	**8.090.030**	**316.722**
a) Governments	98	-	226	-
b) Other public bodies	18.240	35	14.843	58
c) Other subjects	8.327.742	366.781	8.074.961	316.664
- non-financial companies	4.565.852	225.174	4.549.472	190.638
- financial companies	254.602	3.299	164.820	3.060
- insurance companies	725	-	318	4
- others	3.506.563	138.308	3.360.351	122.962
Total	**8.352.343**	**366.816**	**8.105.649**	**316.722**

The portion attributable to insurance companies (448 euro thousands) refers to loans and advances to other subjects.

7.4 Due from customers: financial leasing

Time-bands	Impaired loans	Minimum payments			Gross investment	
		Capital share		Interest share		
			of which residual value guaranteed			
Within 1 year	13.893	229.104	-	46.674	275.778	9.965
From 1 to 5 years	24.843	496.342	-	94.760	591.102	47.799
More than 5 years	8.655	282.613	-	70.789	353.402	55.268
Total	**47.391**	**1.008.059**	**-**	**212.223**	**1.220.282**	**113.032**

The data concerning financial leasing pertain in full to the bank group, more precisely to the companies Consel and Biella Leasing.

The following is a general description of the lessor's significant lease agreements.

The type of Biella Leasing lease agreements falls under the type of financial lease: with this contract, the user asks the grantor to purchase, or order the development of, a good by a manufacturer or supplier, with the aim of using it in exchange for payment of the regular instalments established by the contract and developed in a financial plan with fixed instalment repayment. The contract generally establishes, in addition to the value of the goods, the amount of the lease instalments, the term, any deposit required and, at the end of the lease, the faculty by the user to become owner of the goods used, through a redemption option. In order to make the redemption option a natural continuation of the lease, the lease agreement type financial plan is structured in such a way as to make the exercise of this option advantageous to the customer, thereby minimising the risk and expense of managing a warehouse of unopted goods.

Financial lease agreements stipulated by Consel in 2010 are for 36% at fixed rates and for the remainder at variable rates. The customer type is mainly professionals, small and medium enterprises and only marginally constituted by private individuals. In 2010, Consel funded 21,9 million euro with an average value financed of 26 thousand euro. The goods financed come under the plated lease segment. Potential instalments are the part of the instalments subject to conditions dependent on factors other than the financial value of the time, such as the mergers indexed to parameters such as the fluctuation of interest rates.

Section 8 - Hedging derivatives - Item 80

Hedging derivatives are entirely attributable to the banking group.

8.1 Hedging derivatives: breakdown by hedging type and by levels

	FV 31/12/2010			VN 31/12/2010	FV 31/12/2009			VN 31/12/2009
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	**-**	**6.793**	**-**	**503.634**	**-**	**3.037**	**-**	**234.541**
1) Fair value	-	6.793	-	503.634	-	3.037	-	234.541
2) Cash flow	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flow	-	-	-	-	-	-	-	-
Total	**-**	**6.793**	**-**	**503.634**	**-**	**3.037**	**-**	**234.541**

Key:
FV = fair value
VN = notional value

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

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

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

8.2 Hedging derivatives: breakdown by hedged portfolios and type of hedging (book value)

Transaction/Type of hedging	Fair value						Cash flows		Foreign investments
	Micro					Macro	Micro	Macro	
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	More than one risk				
1. Financial assets available for sale	-	-	-	-	-	X	-	X	X
2. Receivables	-	-	-	X	-	X	-	X	X
3. Financial assets held to maturity	X	-	-	X	-	X	-	X	X
4. Portfolio	-	-	-	-	-	6.306	-	-	X
5. Other operations	X	X	X	X	X	X	X	X	-
Total assets	**-**	**-**	**-**	**-**	**-**	**6.306**	**-**	**-**	**-**
1. Financial liabilities	487	-	-	X	-	X	-	X	X
2. Portfolio	-	-	-	-	-	-	-	-	X
Total liabilities	**487**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**X**
1. Pending transactions	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	-	X	-	-

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

The item is entirely attributable to the banking group.

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

Change in value of hedged assets / Group components	31/12/2010	31/12/2009
Positive change	**81.738**	**76.792**
1.1 of specific portfolios:	81.738	76.792
a) loans and recievables	81.738	76.792
b) financial assets available for sale	-	-
1.2 overall	-	-
Negative change	**-**	**-**
1.1 of specific portfolios:	-	-
a) loans and recievables	-	-
b) financial assets available for sale	-	-
1.2 overall	-	-
Total	**81.738**	**76.792**

Within the group a model based on macro fair value hedge is used for hedging the interest rate risk of fixed-rate loans. As a result, the item recognizes change in loan portfolio fair value.

9.2 Assets subject to macro-hedging of interest rate risk

	31/12/2010	31/12/2009
Hedged assets		
1. Loans and receivables	1.850.026	2.018.837
2. Financial assets available for sale	-	-
3. Portfolio	-	-
Total	**1.850.026**	**2.018.837**

The calculation of fair value for the explanatory notes has been reviewed upon drafting these financial statements, consequently to allow for a homogenous comparison, the 2009 figure has also been corrected.

Section 10 - Equity investments - Item 100

10.1 Equity investments in jointly controlled companies (accounted with equity method) and in companies subject to significant influence: information on shareholdings

Name	Head office	Type of relationship	Shareholding relationship		Voting rights %
			Investor company	Stake %	
B. Companies					
MARTIN MAUREL SELLA BANQUE PRIVEE S.A.M.	Principality of Monaco	sub. to sig. influence	Sella Holding N.V.	45,0000%	
IN CHIARO ASSICURAZIONI S.P.A.	Rome	sub. to sig. influence	CBA Vita S.p.A.	49,0000%	
AGATA S.P.A.	Ivrea	sub. to sig. influence	Banca Sella Holding S.p.A.	40,0000%	
RETAIL ITALIA S.R.L.	Milan	sub. to sig. influence	Easy Nolo S.p.A.	39,9976%	
S.C.P. VDP1	Principality of Monaco	sub. to sig. influence	Banca Sella Holding S.p.A.	29,0000%	
HI-MTF SIM S.P.A.	Milan	sub. to sig. influence	Banca Sella Holding S.p.A.	20,0000%	
ENERSEL S.P.A.	Biella	sub. to sig. influence	Banca Sella Holding S.p.A.	18,2982%	

The percentage of votes available is not stated as for all companies it is the same as the percentage investment held.

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

Name	Total assets	Total revenue	Profit (Losses)	Shareholders' equity	Consolidated book value	*Fair value*
A. Companies accounted for with equity method						
A.2 subject to significant influence						
MARTIN MAUREL SELLA BANQUE PRIVEE S.A.M.	137.563	7.692	1.024	15.746	7.086	-
IN CHIARO ASSICURAZIONI S.P.A.	27.514	6.444	(1.472)	7.995	3.979	-
AGATA S.P.A.	791	15	(534)	629	240	-
RETAIL ITALIA S.R.L.	942	88	(69)	(4)	-	-
S.C.P. VDP1	5.399	174	(3)	1.961	569	-
HI-MTF SIM S.P.A.	5.005	2.764	547	4.514	903	-
ENERSEL S.P.A.	1.481	15	(122)	1.206	220	-
Total					**12.997**	-

The fair value column does not represent any value as the companies subject to significant influence do not include listed companies.

10.3 Equity investments: annual changes	Banking group	Insurance companies	Other companies	Total 31/12/2010	Total 31/12/2009
A. Opening balance	**16.334**	**9.797**	**-**	**26.131**	**31.667**
B. Increases	**813**	**-**	**-**	**813**	**1.286**
B.1 Purchases	243	-	-	243	652
B.2 Writebacks	-	-	-	-	-
B.3 Revaluations	570	-	-	570	-
B.4 Other changes	-	-	-	-	634
C. Decreases	**8.129**	**5.818**	**-**	**13.947**	**6.822**
C.1 Sales	-	-	-	-	4.453
C.2 Writedowns	-	-	-	-	-
C.4 Other changes	8.129	5.818	-	13.947	2.369
D. Closing balance	**9.018**	**3.979**	**-**	**12.997**	**26.131**
E. Total revaluations	**3.036**	**-**	**-**	**-**	**-**
F. Total adjustments	**-**	**-**	**-**	**-**	**-**

The item relating to decreases includes the effects of the classification of the equity investment held in Banca Monte Parma for a total value of 8,1 million euro, of which 4,9 million euro referring to the equity investment held by Banca Sella Holding and 3,2 to the equity investment held by CBA Vita, to assets held for sale.

Section 11 - Reinsurers' share of technical reserves - Item 110

11.1 Reinsurers' share of technical reserves: breakdown	Total 31/12/2010	Total 31/12/2009
A. Non-life insurance	**578**	**636**
A.1 premium reserves	200	292
A.2 claims reserves	86	119
A.3 other reserves	292	225
B. Life assurance	**4.057**	**4.128**
B.1 Actuarial reserves	3.393	3.737
B.2 outstanding claims reserves	469	279
B.3 other reserves	195	112
C. Technical reserves where the investment risk is borne by the policyholders	**-**	**-**
C.1 reserves relating to investment fund and index-linked contracts	-	-
C.2 reserves deriving from the administration of pension funds	-	-
D. Total reinsurers' share of technical reserves	**4.635**	**4.764**

11.2 Variation of Item 110 "Reinsurers' share of technical reserves"	
	Total 31/12/2010
Opening balance	**4.764**
A. Non-life insurance	**(58)**
A.1 premium reserves	(92)
A.2 claims reserves	(33)
A.3 other reserves	67
B. Life assurance	**(71)**
B.1 Actuarial reserves	(344)
B.2 outstanding claims reserves	190
B.3 other reserves	83
C. Technical reserves where the investment risk is borne by the policyholders	**-**
C.1 reserves relating to investment fund and index-linked contracts	-
C.2 reserves deriving from the administration of pension funds	-
D. Total reinsurers' share of technical reserves	**4.635**

Section 12 - Tangible assets - Item 120

12.1 Tangible assets: breakdown of assets carried at cost		
Item/Amount	Total 31/12/2010	Total 31/12/2009
A. Assets used for business purposes		
1.1 owned	**199.193**	**183.043**
a) land	38.335	31.511
b) buildings	129.056	115.703
c) furniture	3.192	3.063
d) electronic equipment	8.013	11.572
e) other	20.597	21.194
1.2 acquired through financial leasing	**-**	**18**
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic equipment	-	18
e) others	-	-
Total A	**199.193**	**183.061**
B. Assets held for investment		
2.1 owned	**10.835**	**2.719**
a) land	4.362	1.050
b) buildings	6.473	1.669
2.2 acquired through financial leasing	**-**	**-**
a) land	-	-
b) buildings	-	-
Total B	**10.835**	**2.719**
Total (A+B)	**210.028**	**185.780**

The data relating to tangible assets pertain to the bank group, with the exception of 63 thousand euro, which refer to the insurance companies, stated amongst Owned assets for business purposes.

On 28 September 2010, the new central premises of the Banca Sella Group were opened in Piazza Gaudenzio Sella in Biella, after forty-four years spent from the building of the premises of 2 Via Italia. This is a seven-floor building plus three basement floors, for a total of approximately thirteen thousand square metres and four thousand square metres of external green areas, with seven hundred work stations, a restaurant and the company nursery school, two hundred car parking places and seventy bicycles posts. The new premises are inspired by modern eco-sustainability criteria and the reduction of environmental impacts thanks to photovoltaic plants, the use of groundwater and rainwater for bathrooms, the modern thermal inertia and insulation systems and the systems for the automatic adjustment of lighting in order to guarantee the quality of the working life, reducing energy wastage. The new premises, the fourth in 125 years of history, feature large external windows and ample internal open plan offices in order to encourage the rapid, efficient interaction of offices.

It is also noted that during the year, Banca Patrimoni Sella & C. acquired the property complex situated at 20 Via Lagrange – Turin, named “Palazzo Bricherasio”. The acquisition of the property has the aim of transferring the commercial offices of the Bank and other internal offices, including the two branches currently located in Turin in Piazza CLN and Piazza Carlo Emanuele II, into a single property. This transaction not only has a major impact in image terms (above all in the city of Turin), but also rationalises costs, eliminating some lease agreements. Once the necessary administrative authorisations have been obtained, the building may in the future also house the Bank, which, until then, shall remain in the nearby Piazza CLN.
It is specified that some rooms located on the ground floor of the building acquired have been leased to commercial businesses (stores).

We note that the data is given net of tangible assets in relation to Banque BPP for which transfer is envisaged for the first half of 2011 (consequently the company’s assets have been included under the item “Non-current assets and groups of assets held for sale”).

12.3 Tangible assets used for business purposes: annual changes	Land	Buildings	Furniture	Electronic equipment	Others	Total
A. Gross opening balance	**31.511**	**148.439**	**23.222**	**128.880**	**70.571**	**402.623**
A.1 Total net impairments		32.736	20.159	117.290	49.377	219.562
A.2 Net opening balance	**31.511**	**115.703**	**3.063**	**11.590**	**21.194**	**183.061**
B. Increases	**7.175**	**19.378**	**1.092**	**9.780**	**6.677**	**44.102**
B.1 Purchases	5.397	17.336	1.074	4.044	5.947	33.798
- of which: business combinations	-	-	-	-	-	-
B.2 Capitalised improvement expenses	-	-	-	-	-	-
B.3 Writebacks	-	-	-	-	-	-
B.4 Increases in fair value charged to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive exchange differences	1.409	2.008	1	32	38	3.488
B.6 Transfers from properties held for investment	-	-	-	-	-	-
B.7 Other changes	369	34	17	5.704	692	6.816
C. Decreases	**351**	**6.025**	**963**	**13.357**	**7.274**	**27.970**
C.1 Sales	73	516	39	5.824	945	7.397
- of which: business combinations	-	-	1	-	-	1
C.2 Depreciation	-	4.051	885	7.211	6.026	18.173
C.3 Impairment losses charged to:	-	-	-	-	16	16
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	16	16
C.4 Reductions in fair value charged to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange differences	-	3	-	2	-	5
C.6 Transfers to:	278	284	4	265	-	831
a) property, plant and equipment held for investment	278	284	-	-	-	562
b) assets held for sale	-	-	4	265	-	269
C.7 Other changes	-	1.171	35	55	287	1.548
D. Net closing balance	**38.335**	**129.056**	**3.192**	**8.013**	**20.597**	**199.193**
D.1 Total net impairments		(35.673)	(20.271)	(121.205)	(49.900)	(227.049)
D.2 Gross closing balance	**38.335**	**164.729**	**23.463**	**129.218**	**70.497**	**426.242**
E. Carried at cost	-	-	-	-	-	-

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

12.4 Tangible assets held for investment purpose: annual changes		
	Total	
	Land	Buildings
A. Gross opening balance	**1.050**	**3.542**
A.1 Total net impairments		1.873
A.2 Net opening balance	**1.050**	**1.669**
B. Increases	**3.312**	**4.942**
B.1 Purchases	3.034	4.658
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	278	284
C. Decreases	**-**	**138**
C.1 Sales	-	-
C.2 Depreciation	-	138
C.3 Reductions in fair value	-	-
C.4 Impairment losses	-	-
C.5 Negative exchange differences	-	-
C.6 Transfers from other asset portfolios	-	-
b) non-current assets held for sale	-	-
C.7 Other changes	-	-
D. Net closing balance	**4.362**	**6.473**
D.1 Total net impairments		3.512
D.2 Gross closing balance	**4.362**	**9.985**
E. Carried at fair value	-	-

Tangible assets held for investment purpose are entirely attributable to the banking group.

Section 13 - Intangible assets - Item 130

13.1 Intangible assets: breakdown by type of asset				
Item / Amount	Total 31/12/2010		Total 31/12/2009	
	Limited term	Unlimited term	Limited term	Unlimited term
A.1 Goodwill	**X**	**48.169**	**X**	**63.934**
A.1.1 attributable to the group	X	47.225	X	62.969
A.1.2 attributable to minority interests	X	944	X	965
A.2 Other intangible assets:	**38.350**	**1**	**40.727**	**-**
A.2.1 Assets carried at cost	38.350	1	40.727	-
a) Intangible assets generated internally	1.981	-	-	-
b) Other assets	36.369	1	40.727	-
A.2.2 Assets carried at fair value	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**38.350**	**48.170**	**40.727**	**63.934**

For more information on how goodwill and other intangible assets are recorded, please refer to Part A – Accounting Policies of these Explanatory Notes.

13.1.1 attributable to the banking group

Item/Amount	Total 31/12/2010		Total 31/12/2009	
	Limited term	Unlimited term	Limited term	Unlimited term
A.1 Goodwill	**X**	**47.979**	**X**	**57.728**
A.1.1 attributable to the group	X	47.051	X	56.779
A.1.2 attributable to minority interests	X	928	X	949
A.2 Other intangible assets:	**37.765**	**1**	**40.266**	**-**
A.2.1 Assets carried at cost	37.765	1	40.266	-
a) Intangible assets generated internally	1.981	-	-	-
b) Other assets	35.784	1	40.266	-
A.2.2 Assets carried at fair value	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**37.765**	**47.980**	**40.266**	**57.728**

With reference to the share attributable to banking group we note that the data is given net of intangible assets in relation to Banque BPP for which transfer is envisaged for the first half of 2011 (consequently the company's assets have been included under the item "Non-current assets and groups of assets held for sale").

13.1.2 attributable to insurance companies

Item/Amount	Total 31/12/2010		Total 31/12/2009	
	Limited term	Unlimited term	Limited term	Unlimited term
A.1 Goodwill	**X**	**190**	**X**	**6.206**
A.1.1 attributable to the group	X	174	X	6.190
A.1.2 attributable to minority interests	X	16	X	16
A.2 Other intangible assets:	**585**	**-**	**461**	**-**
A.2.1 Assets carried at cost	585	-	461	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	585	-	461	-
A.2.2 Assets carried at fair value	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**585**	**190**	**461**	**6.206**

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

In accordance with the prescriptions of IAS 36, goodwill must be subjected annually to impairment tests to verify the existence of objective evidence proving that the book value of these assets is not entirely recoverable.

To this end the goodwill must first be allocated to the cash-flow generating unit (CGU) to which it relates.

The following therefore specifies the entities subject to impairment testing and the related goodwill allocated:

Entities subject to impairment testing and related goodwill allocated *(figures in thousands of euro)*

Company	CGU	Goodwill allocated	
		Current year before writedowns	Previous year
Banca Sella Nordest Bovio Calderari	CGU A1	7.022	7.022
Banca Sella Sud Arditi Galati	CGU A2	15.535	15.535
Banca Patrimoni Sella & C.	CGU A3	1.379	1.379
Sella Bank AG	CGU A4	1.352	1.352
Biella Leasing	CGU A5	1.782	1.782
Consel	CGU A6	690	690
Sella Gestioni	CGU A7	7.236	7.236
Sella Capital Management	CGU A8	32	32
Selfid	CGU A9	448	448
CBA Vita	CGU A10	3.998	3.998
Brosel	CGU A11	32	32
Sella Synergy India	CGU A12	134	134
Immobiliare Lanificio Maurizio Sella	CGU A13	56	56
Banca Monte Parma(1)			15.235
HI MTF	CGU B1	115	115
Agata	CGU B2	364	364
Branches of BSNE (Cadore)(2)	CGU C1	3.233	3.233
Branches of BS Milano Via Gonzaga(3)	CGU C2	542	542
Branches of BSSAG (former Cram)(4)	CGU C3	1.881	1.881
Branches of BSSAG S. Michele e Fasano(5)	CGU C4	1.099	1.099
Branches of BSSAG (former BCC Camastra e Naro)(6)	CGU C5	1.770	1.770
TOTAL		**48.700**	**63.935**

(1) Following reclassification of the investment in Banca Monte Parma amongst the groups of assets held for sale, also goodwill allocated to Banca Monte Parma has been allocated to the same item.
(2) The entity subject to impairment test is the group of branches purchased by the Unicredito Group in 2000.
(3) The entity subject to impairment test is the branch of Milan, Via Gonzaga, purchased by Banco di Chiavari e della Riviera in 1999.
(4) The entity subject to impairment test is the group of branches purchased by ex CRA Monreale in 1997.
(5) The entity subject to impairment test is the group of branches purchased by Credito Cooperativo of Ostuni in 2000.
(6) The entity subject to impairment test is the group of branches purchased by ex BCC Unione di Camastra e Naro in 2001.

The accounting standards of reference state that the impairment test must be carried out comparing the book value of the CGU with its recoverable value. If this value is found to be less than the book value, a value adjustment must be recognized. The recoverable value of the CGU is the greater of its fair value net of selling costs and its value in use.
As regards the impairment test process at 31 December 2010, in accordance with the provisions of the "Impairment test policy on goodwill and equity investments in Group Companies" approved by the Board of Directors of Banca Sella Holding on 22 December 2009, the companies that recorded positive operating results and report a valuation at Equity that was higher than the carrying value, were not subjected to other valuations.
Below is a list of the CGU that were more deeply analysed and, on the side, the recoverable value calculation method used and the results of the impairment test:

Impairment test: *CGU subject to more in-depth analysis*			
CGU	**Recoverable value**	**Method of calculation used**	**Result of impairment test**
CGU A1	*Fair value*	Multiples of comparable transactions	The impairment test detected no loss in value
CGU A2	*Fair value*	Multiples of comparable transactions	The impairment test detected no loss in value
CGU A3	*Fair value*	Multiples of comparable transactions	The impairment test detected no loss in value
CGU A7	*Fair value*	Multiples of comparable transactions	The impairment test detected no loss in value
CGU A8	*No longer operative*		The goodwill amounting to 32 thousand euros is entirely written down
CGU A9	Value in use	Discounting of future financial flows	The impairment test detected no loss in value
CGU A10	*Fair value*	Actuarial method	The impairment test detected no loss in value
CGU A12	*No longer operative*		The goodwill amounting to 134 thousand euros is entirely written down
CGU B1	Considered at start up		
CGU B2	Fair value	Shareholders' Equity	The goodwill amounting to 364 thousand euros is entirely written down
CGU C1	Value in use	Dividend discount model (excess capital)	The impairment test detected no loss in value
CGU C2	Value in use	Dividend discount model (excess capital)	The impairment test detected no loss in value
CGU C3	Value in use	Dividend discount model (excess capital)	The impairment test detected no loss in value
CGU C4	Value in use	Dividend discount model (excess capital)	The impairment test detected no loss in value
CGU C5	Value in use	Dividend discount model (excess capital)	The impairment test detected no loss in value

Methods used

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

- **the Transaction Multiples Method**: is based on the estimate of multiples implicit in the prices of a sample of comparable entity transactions and the subsequent application of these multiples to the fundamental indicators of the CGU measured on the closing date; these multiples have been properly adjusted to take into consideration possible high-low yields relative to the company at issue.
- **Actuarial method**: it is applied to insurance companies; the assessment is obtained by summing up shareholders' equity, the in-force value (embedded value) and the new business value (appraisal value). The shareholders' equity is represented by the Company's net assets, deriving from the last accounting statement available, adjusted to the market value of underlying assets, if necessary. The in-force value is the present value of future cash flows on net profits which are expected to arise from policies in force at the valuation date, considering the cost of the solvency capital requirement. The value of new business is the present value of future cash flows on net

profits which are expected to arise from newly issued policies, considering the cost of the solvency capital requirement.

- **Equity Method**: this involves considering the proportion of shareholders' equity (share capital, reserves, profit for the period) held.
- **Adjusted Equity Method**: this involves considering the proportion of shareholders' equity held adjusted as to:
    - the value attributed to specific intangibles connected with the relation with customers; this value is determined by referring to the main CGU aggregates (total deposits, managed deposits, loans) and applying the multiples presumed from the market with reference to comparable transactions; the value obtained is then properly adjusted to take into account the company's high/low yields on the market itself (income adjustment);
    - possible capital gains, i.e. differences between the present values of assets and liabilities calculated with the relevant criteria and the corresponding carrying values.

The **Value in use** is defined as the present value of future cash flows expected to derive from an asset. The models used for determining the value in use are:

- DDM (dividend discount model), to discount back distributable income flows after meeting the prescribed minimum capital requirement (excess capital): it was applied to entities subject to prudential Supervisory regulations;
- discounting of income flows: it was applied in all other cases.

The estimate of value in use incorporates the following elements:

- estimate of future financial flows expected to arise from the continuing use of the asset and its final disposal: we referred to the most recent budget/plans relative to the CGU approved by the company's Administrative bodies. Apart from the period covered by said plans, the projections of financial flows are estimated by using, for the following years, a steady "g" rate aligned with the expected long-term inflation rate (2%);
- discount rate (Ke): it was calculated according to the Capital Asset Pricing Model (CAPM). The formula used is: Ke = Rf + Beta * (RM- Rf) where:
    - Rf is the free risk rate determined by using the 10-year yield of German government bonds (the only bonds in the present European framework comparable to risk-free rates) at December 2010, equal to 2,963%;
    - (Rm – Rf) is the market risk premium. It is given by the difference between the yield of a diversified portfolio made up of all risky investments available in the market and the yield of a risk-free security. The value used amounts to 6%;
    - Beta is the specific risk of the investment. Beta expresses the correlation between the yield of one risky investment and the yield of the market portfolio.
- capital requirement for the estimate of distributable cash flows (when the excess capital method was used): it was defined following the provisions of Supervisory regulations.

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

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

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

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

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

CGU: elements used to calculate recoverable value			
CGU	**Basic assumptions**	**Method of determination**	**Notes**
CGU A1	Shareholders' Equity	Book data at 31.12.10 (adjusted for goodwill as recognised in the assets)	- The valuation was prepared with the assistance of an independent advisory company. - Multiples were determined with reference to a sample of comparable transactions that took place in Italy in the last 25 months (6 transactions). - Multiples were adjusted applying a discount to include the return deficit of Banca Sella Nordest Bovio Claderari over the banks in the sample.
	Net banking and insurance income	Book value at 31.12.10	
	Total deposits	Management data at 31.12.10	
	Intermediated volumes	Book value at 31.12.10	
CGU A2	Shareholders' Equity	Book data at 31.12.10 (adjusted for goodwill as recognised in the assets)	- Multiples were determined with reference to a sample of comparable transactions that took place in Italy in the last 25 months (6 transactions).
	Net banking and insurance income	Book value at 31.12.10	
	Total deposits	Management data at 31.12.10	
CGU A3	Shareholders' Equity	Book value at 31.12.10	- Multiples were determined with reference to a sample of comparable transactions that took place in the last 3 years (4 transactions).
	Total deposits	Management data at 31.12.10	
CGU A7	Shareholders' Equity	Book value at 31.12.10	- Multiples were determined with reference to a sample of comparable transactions that took place in the last 2 years (5 transactions).
	Asset Under Management	Book value at 31.12.10	
CGU A9	Economic and balance sheet variables	2011 budget and forecasts for 2012 and 2013 approved by the company's Board of Directors	- The forecast data provides for profitability basically in line with that recorded for 2010. - The discount rate used is 8,88%.
	Discount rate	Calculated according to the Capital Asset Pricing Model (CAPM).	
	Profitability beyond the forecast period	Constant annual growth rate at 2%	

Continuation of table above			
CGU	**Basic assumptions**	**Method of determination**	**Notes**
CGU A10	Shareholders' Equity	Book value at 31.12.10	- As regards separate management yields, expected management yields were calculated at 31.12.10; for the new production, as well as for the yield of assets hedging the margin, we assumed a constant yield of 3,5%. - The discount rate used for discounting cash flows was assumed at 8,5%. - With regard to future management expenses we assumed that expense reserves currently entered are sufficient to hedge portfolio costs. For the new business we assumed an annual policy cost based on the costs detected in the last two years.
	Value of existing portfolio	Life portfolio as of 31.12.10	
	Value of future policies	The value of new production has been calculated considering a time span of 10 years (from 2011 to 2020)	
CGU B2	Shareholders' Equity	Book value at 31.12.10	- The impairment test determined the writedown of the whole goodwill, equal to 364 thousand euro.
CGU C1 CGU C2 CGU C3 CGU C4 CGU C5	Economic and balance sheet variables	Last three-year plan (2011-2013) approved by the Board of Directors of the company	- The forward-looking statements take into account a gradual recovery of the profitability of the banking retail business to which CGUs belong, basically deriving from: • an improvement in the interest margin and income from services thanks to the increase forecast for volumes and the substantial holding out of the spread; • the mitigation of the impact of losses on loans following the forecast greater stability of the economic scenario and the improved monitoring of credit quality; • the moderate increase in direct operating costs. - The discount rate used is 8,88%.
	Discount rate	Calculated according to the Capital Asset Pricing Model (CAPM).	
	Profitability beyond the forecast period	Constant annual growth rate at 2%	

Sensitivity analysis

Since the value in use is determined by using estimates and assumptions that may contain some level of uncertainty, sensitivity analyses to verify the sensitivity of the results obtained to changes in the parameters and in the underlying hypotheses were carried out, as required by the IFRS.

In particular, the impact on the value in use of an increase in discounting rates and a decrease in the growth rate for terminal value purposes was verified.

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

Sensitivity analysis				
CGU	**Change in discount rate**		**Change in profit growth rate**	
	Change considered	**% sensitivity of the value in use**	**Change considered**	**% sensitivity of the value in use**
CGU A9	+/- 25 b. p.	3,7%	+/- 25 b. p.	3,2%
CGU C1	+/- 25 b. p.	3,3%	+/- 25 b. p.	3,0%
CGU C2	+/- 25 b. p.	3,8%	+/- 25 b. p.	3,4%
CGU C3	+/- 25 b. p.	3,6%	+/- 25 b. p.	3,2%
CGU C4	+/- 25 b. p.	3,3%	+/- 25 b. p.	2,9%
CGU C5	+/- 25 b. p.	3,7%	+/- 25 b. p.	3,3%

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

Sensitivity analysis		
CGU	**Discount rate**	**"G" rate**
CGU A9	13,0%	-3,7%
CGU C1	11,3%	-0,7%
CGU C2	N.S. (> 25%)	N.S. (<-25%)
CGU C3	N.S. (> 25%)	N.S. (<-25%)
CGU C4	N.S. (> 25%)	N.S. (<-25%)
CGU C5	13,1%	-3,1%

13.2 Intangible assets: annual changes

	Goodwill	Other intangible assets: generated internally		Other intangible assets: others		Total
		Limited term	Unlimited term	Limited term	Unlimited term	
A. Gross opening balance	**114.798**	**-**	**-**	**146.706**	**-**	**261.504**
A.1 Total net reductions in value	50.864	-	-	105.979	-	156.843
A.2 Net opening balance	**63.934**	**-**	**-**	**40.727**	**-**	**104.661**
B. Increases	**-**	**2.129**	**-**	**11.014**	**1**	**13.144**
B.1 Purchases	-	2.129	-	10.936	1	13.066
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	-	-	-	68	-	68
B.6 Other changes	-	-	-	10	-	10
C. Decreases	**15.765**	**148**	**-**	**15.372**	**-**	**31.285**
C.1 Sales	-	-	-	99	-	99
C.2 Writedowns	530	148	-	15.122	-	15.800
- amortization	X	148	-	15.122	-	15.270
- writedowns	530	-	-	-	-	530
- shareholders' equity	X	-	-	-	-	-
- income statement	530	-	-	-	-	530
C.3 Reductions in fair value	-	-	-	-	-	-
- to shareholders' equity	-	-	-	-	-	-
- to income statement	-	-	-	-	-	-
C.4 Transfers to non-current assets held for sale	15.235	-	-	47	-	15.282
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	104	-	104
D. Net closing balance	**48.169**	**1.981**	**-**	**36.369**	**1**	**86.520**
D.1 Total net adjustments	50.078	148	-	121.101	-	172.643
E. Gross closing balance	**98.247**	**2.129**	**-**	**157.470**	**1**	**259.163**
F. Carried at cost	-	-	-	-	-	-

Under item C.4 "Transfers of non-current assets held for sale", the amount of 15.235 thousand euro refers to the transfer of the item of goodwill in relation to Banca Monte Parma and the remaining 47 thousand euro refer to software owned by Banque BPP. For more information on the classification of the investment in Banca Monte Parma as assets held for sale and in Banque BPP as a group of assets held for sale, please refer to Section 15 of the Assets on the Balance Sheet.

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

The following is a breakdown of the data of the previous table, divided up according to bank group and insurance companies.

13.2.1 attributable to the banking group						
	Goodwill	Other intangible assets: generated internally		Other intangible assets: others		Total
		Limited term	Unlimited term	Limited term	Unlimited term	
A. Gross opening balance	**108.082**	**-**	**-**	**142.493**	**-**	**250.575**
A.1 Total net reductions in value	50.354	-	-	102.227	-	152.581
A.2 Net opening balance	**57.728**	**-**	**-**	**40.266**	**-**	**97.994**
B. Increases	**-**	**2.129**	**-**	**10.655**	**1**	**12.785**
B.1 Purchases	-	2.129	-	10.577	1	12.707
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	-	-	-	68	-	68
B.6 Other changes	-	-	-	10	-	10
C. Decreases	**9.749**	**148**	**-**	**15.137**	**-**	**25.034**
C.1 Sales	-	-	-	99	-	99
C.2 Writedowns	530	148	-	14.887	-	15.565
- amortization	X	148	-	14.887	-	15.035
- writedowns	530	-	-	-	-	530
- shareholders' equity	X	-	-	-	-	-
- income statement	530	-	-	-	-	530
C.3 Reductions in fair value	-	-	-	-	-	-
- to shareholders' equity	-	-	-	-	-	-
- to income statement	-	-	-	-	-	-
C.4 Transfers to non-current assets held for sale	9.219	-	-	47	-	9.266
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	104	-	104
D. Net closing balance	**47.979**	**1.981**	**-**	**35.784**	**1**	**85.745**
D.1 Total net adjustments	50.078	148	-	118.760	-	168.146
E. Gross closing balance	**98.057**	**2.129**	**-**	**154.544**	**1**	**168.146**
F. Carried at cost	-	-	-	-	-	-

13.2.2 attributable to insurance companies						
	Goodwill	Other intangible assets: generated internally		Other intangible assets: others		Total
		Limited term	Unlimited term	Limited term	Unlimited term	
A. Gross opening balance	**6.716**	**-**	**-**	**4.213**	**-**	**10.929**
A.1 Total net reductions in value	510	-	-	3.752	-	4.262
A.2 Net opening balance	**6.206**	**-**	**-**	**461**	**-**	**6.667**
B. Increases	**-**	**-**	**-**	**359**	**-**	**359**
B.1 Purchases	-	-	-	359	-	359
B.2 Increases in internal intangible assets	X	-	-	-	-	-
B.3 Writebacks	X	-	-	-	-	-
B.4 Increases in fair value	X	-	-	-	-	-
- to shareholders' equity	X	-	-	-	-	-
- to income statement	X	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	**6.016**	**-**	**-**	**235**	**-**	**6.251**
C.1 Sales	-	-	-	-	-	-
C.2 Writedowns	-	-	-	235	-	235
- amortization	X	-	-	235	-	235
- 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	6.016	-	-	-	-	6.016
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Net closing balance	**190**	**-**	**-**	**585**	**-**	**775**
D.1 Total net adjustments	-	-	-	3.989	-	3.989
E. Gross closing balance	**190**	**-**	**-**	**4.574**	**-**	**4.764**
F. Carried at cost	-	-	-	-	-	-

Section 14 - Tax assets and liabilities - Item 140 of assets and item 80 of liabilities

Current tax assets: breakdown		
	Total 31/12/2010	**Total 31/12/2009**
Prepaid taxes	58.623	83.752
Credits for withholdings	13.014	1.633
Assets from inclusion in tax consolidation	6.731	2.635
Tax credits	23.317	11.893
Total	**101.685**	**99.913**

Current tax liabilities: breakdown		
	Total 31/12/2010	**Total 31/12/2009**
Provisions for direct taxes	44.117	52.564
Provisions for indirect taxes	3.378	3.136
Total	**47.495**	**55.700**

We highlight the existence of a dispute involving Banca Sella Holding with the Inland Revenue as regards the application of stamp duties to the day book. The amount of this dispute, including sanctions, interests and collection fees, amounts to about 5,8 million euro. Considering resolution no. 371/E of 2008 issued by Agenzia delle Entrate (internal revenue service) and considering the reliable opinions of a leading Tax firm and Trade association, this potential fiscal is unlikely to occur. We note that in November 2010, the regional Tax Commission of Turin issued a favourable sentence to another bank on a similar dispute. Finally, the explanations provided by the internal revenue with resolution no. 161/E of 2007 may considerably reduce the amount of the potential/possible debt deriving from the dispute.

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

We note that the data is given net of tax assets in relation to Banque BPP for which transfer is envisaged for the first half of 2011 (consequently the company's assets have been included under the item "Non-current assets and groups of assets held for sale").

14.1 - Deferred tax assets: breakdown	Ires	Irap	Others	31/12/2010	31/12/2009
Losses on loans and receivables	59.819	244	-	60.063	47.773
Provisions for sundry risks and liabilities	6.549	37	-	6.586	8.509
Depreciation and valuation of buildings	3.501	93	1	3.595	3.465
Sundry administrative expenses	802	3	-	805	898
Writedowns of equity investments	-	-	-	-	-
Personnel expenses	145	-	32	177	284
Collective valuations of sureties issued	705	-	-	705	733
Securised recievables	-	-	-	-	-
Share deriving from tax losses that can be carried forward to subsequent periods	-	-	-	-	-
Measurement of available-for-sale financial assets	-	61	-	61	-
Other assets	3.555	1.146	-	4.701	5.107
Total deferred tax assets (charged to income statement)	**75.076**	**1.584**	**33**	**76.693**	**66.769**
Depreciation and valuation of buildings	3.155	267	-	3.422	3.440
Measurement of available-for-sale financial assets	9.388	685	-	10.073	148
Others	-	-	-	-	-
Total deferred tax assets (charged to shareholders' equity)	**12.543**	**952**	**-**	**13.495**	**3.588**

KEY

IRES = Corporation tax

IRAP= Regional business tax

The following is a breakdown of the data of table 14.1, divided up according to bank group and insurance companies.

14.1.1 attributable to the banking group	Ires	Irap	Others	31/12/2010	31/12/2009
Losses on loans and receivables	59.818	244	-	60.062	47.772
Provisions for sundry risks and liabilities	6.537	37	-	6.574	8.508
Depreciation and valuation of buildings	3.497	93	1	3.591	3.459
Sundry administrative expenses	795	3	-	798	891
Writedowns of equity investments	-	-	-	-	-
Personnel expenses	98	-	32	130	246
Collective valuations of sureties issued	705	-	-	705	733
Securised recievables	-	-	-	-	-
Share deriving from tax losses that can be carried forward to subsequent periods	-	-	-	-	-
Measurement of available-for-sale financial assets	-	61	-	61	-
Other assets	3.066	1.144	-	4.210	4.477
Total deferred tax assets (charged to income statement)	**74.516**	**1.582**	**33**	**76.131**	**66.086**
Depreciation and valuation of buildings	3.155	267	-	3.422	3.440
Measurement of available-for-sale financial assets	3.894	685	-	4.579	103
Others	-	-	-	-	-
Total deferred tax assets (charged to shareholders' equity)	**7.049**	**952**	**-**	**8.001**	**3.543**

KEY

IRES = Corporation tax

IRAP= Regional business tax

14.1.2 attributable to insurance companies					
	Ires	**Irap**	**Others**	**31/12/2010**	**31/12/2009**
Losses on loans and receivables	1	-	-	1	1
Provisions for sundry risks and liabilities	12	-	-	12	1
Depreciation and valuation of buildings	4	-	-	4	6
Sundry administrative expenses	7	-	-	7	7
Writedowns of equity investments	-	-	-	-	-
Personnel expenses	47	-	-	47	38
Collective valuations of sureties issued	-	-	-	-	-
Securised recievables	-	-	-	-	-
Share deriving from tax losses that can be carried forward to subsequent periods	-	-	-	-	-
Measurement of available-for-sale financial assets	-	-	-	-	-
Other assets	489	2	-	491	630
Total deferred tax assets (charged to income statement)	**560**	**2**	**-**	**562**	**683**
Depreciation and valuation of buildings	-	-	-	-	-
Measurement of available-for-sale financial assets	5.494	-	-	5.494	45
Others	-	-	-	-	-
Total deferred tax assets (charged to shareholders' equity)	**5.494**	**-**	**-**	**5.494**	**45**

KEY

IRES = Corporation tax

IRAP= Regional business tax

14.2 - Deferred tax liabilities: breakdown	Ires	Irap	Others	31/12/2010	31/12/2009
Gains on sale of available-for-sale financial assets	5.243	296	-	5.539	1.025
Different calculation of depreciation of tangible assets	449	80	1.813	2.342	615
Different calculation of amortization of intangible assets	66	12	-	78	100
Contributions for training costs	-	-	-	-	111
Discounting to the present of provisions for sundry risks and charges	19	-	-	19	40
Mars mortgage loans	-	-	-	-	-
Discounting to the present of severance indemnities	-	-	-	-	-
Capital gain on sale of company division	53	9	-	62	403
Writedowns of receivables	-	-	-	-	30
Other liabilities	1.052	16	-	1.068	2.341
Total deferred taxes (charged to income statement)	**6.882**	**413**	**1.813**	**9.108**	**4.665**
Measurement of available-for-sale financial assets	50	177	-	227	585
Valuation of tangible assets	-	-	-	-	-
Capital gain on sale of company division	-	-	-	-	195
Depreciation and valuation of buildings	768	122	-	890	891
Other liabilities	97	-	-	97	37
Total deferred taxes (charged to shareholders' equity)	**915**	**299**	**-**	**1.214**	**1.708**

KEY

IRES = Corporation tax

IRAP= Regional business tax

The following is a breakdown of the data of table 14.2, divided up according to bank group and insurance companies.

14.2.1 attributable to the banking group					
	Ires	**Irap**	**Others**	**31/12/2010**	**31/12/2009**
Gains on sale of available-for-sale financial assets	112	296	-	408	120
Different calculation of depreciation of tangible assets	449	80	1.813	2.342	615
Different calculation of amortization of intangible assets	66	12	-	78	100
Contributions for training costs	-	-	-	-	111
Discounting to the present of provisions for sundry risks and charges	19	-	-	19	40
Mars mortgage loans	-	-	-	-	-
Discounting to the present of severance indemnities	-	-	-	-	-
Capital gain on sale of company division	53	9	-	62	403
Writedowns of receivables	-	-	-	-	30
Other liabilities	1.052	16	-	1.068	2.341
Total deferred taxes (charged to income statement)	**1.751**	**413**	**1.813**	**3.977**	**3.760**
Measurement of available-for-sale financial assets	50	177	-	227	585
Valuation of tangible assets	-	-	-	-	-
Capital gain on sale of company division	-	-	-	-	195
Depreciation and valuation of buildings	768	122	-	890	891
Other liabilities	-	-	-	-	37
Total deferred taxes (charged to shareholders' equity)	**818**	**299**	**-**	**1.117**	**1.708**

KEY

IRES = Corporation tax

IRAP= Regional business tax

14.2.2 attributable to insurance companies					
	Ires	**Irap**	**Others**	**31/12/2010**	**31/12/2009**
Gains on sale of available-for-sale financial assets	5.131	-	-	5.131	905
Different calculation of depreciation of tangible assets	-	-	-	-	-
Different calculation of amortization of intangible assets	-	-	-	-	-
Contributions for training costs	-	-	-	-	-
Discounting to the present of provisions for sundry risks and charges	-	-	-	-	-
Mars mortgage loans	-	-	-	-	-
Discounting to the present of severance indemnities	-	-	-	-	-
Capital gain on sale of company division	-	-	-	-	-
Writedowns of receivables	-	-	-	-	-
Other liabilities	-	-	-	-	-
Total deferred taxes (charged to income statement)	**5.131**	**-**	**-**	**5.131**	**905**
Measurement of available-for-sale financial assets	-	-	-	-	-
Valuation of tangible assets	-	-	-	-	-
Capital gain on sale of company division	-	-	-	-	-
Depreciation and valuation of buildings	-	-	-	-	-
Other liabilities	97	-	-	97	-
Total deferred taxes (charged to shareholders' equity)	**97**	**-**	**-**	**97**	**-**

KEY

IRES = Corporation tax

IRAP= Regional business tax

14.3 Changes in deferred tax assets (charged to income statement)	31/12/2010	31/12/2009
1. Initial amount	**66.769**	**54.246**
2. Increases	**20.892**	**23.524**
2.1 Prepaid taxes recognised during the year	20.772	19.747
a) relating to previous years	1.534	103
b) due to changes in accounting policies	-	-
c) writebacks	4	58
d) others	19.234	19.586
2.2 New taxes or increases of tax rate	-	-
2.3 Other increases	120	3.777
3. Decreases	**10.968**	**11.001**
3.1 Prepaid taxes cancelled during the year	10.646	9.338
a) reversals	10.363	7.808
b) writedowns for unrecoverable items	20	3
c) changes in accounting policies	-	-
d) others	263	1.527
3.2 Reductions in tax rates	-	-
3.3 Other changes	322	1.663
4. Final amount	**76.693**	**66.769**

For the information required by Bank of Italy circular 262/2005, 1st update of 18 November 2009 in relation to the share part of prepaid tax assets deriving from tax losses that can be carried forward to subsequent periods, please refer to table 14.1 of this section of the balance sheet assets.

The following is a breakdown of the data of table 14.3, divided up according to bank group and insurance companies.

14.3.1 attributable to the banking group		
	31/12/2010	**31/12/2009**
1. Initial amount	**66.086**	**53.321**
2. Increases	**20.818**	**23.476**
2.1 Prepaid taxes recognised during the year	20.698	19.699
a) relating to previous years	1.534	103
b) due to changes in accounting policies	-	-
c) writebacks	4	58
d) others	19.160	19.538
2.2 New taxes or increases of tax rate	-	-
2.3 Other increases	120	3.777
- of which: business combinations	-	-
3. Decreases	**10.773**	**10.711**
3.1 Prepaid taxes cancelled during the year	10.452	9.298
a) reversals	10.325	7.768
b) writedowns for unrecoverable items	20	3
c) changes in accounting policies	-	-
d) others	107	1.527
3.2 Reductions in tax rates	-	-
3.3 Other changes	321	1.413
- of which: business combinations	-	-
4. Final amount	**76.131**	**66.086**

14.3.2 attributable to insurance companies		
	31/12/2010	**31/12/2009**
1. Initial amount	**683**	**925**
2. Increases	**74**	**48**
2.1 Prepaid taxes recognised during the year	74	48
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) writebacks	-	-
d) others	74	48
2.2 New taxes or increases of tax rate	-	-
2.3 Other increases	-	-
- of which: business combinations	-	-
3. Decreases	**195**	**290**
3.1 Prepaid taxes cancelled during the year	194	40
a) reversals	38	40
b) writedowns for unrecoverable items	-	-
c) changes in accounting policies	-	-
d) others	156	-
3.2 Reductions in tax rates	-	-
3.3 Other changes	1	250
- of which: business combinations	-	-
4. Final amount	**562**	**683**

14.4 Changes in deferred tax liabilities (charged to income statement)		
	31/12/2010	31/12/2009
1. Opening balance	**4.665**	**8.326**
2. Increases	**5.253**	**311**
2.1 Deferred taxes recognized during the year	4.959	203
a) relating to previous years	1	105
b) due to changes in accounting policies	-	-
c) others	4.958	98
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	294	108
3. Decreases	**810**	**3.972**
3.1 Deferred taxes cancelled during the year	665	2.190
a) reversals	665	2.153
b) due to changes in accounting policies	-	-
c) others	-	37
3.2 Reductions in tax rates	-	-
3.3 Other decreases	145	1.782
4. Final amount	**9.108**	**4.665**

The following is a breakdown of the data of table 14.4, divided up according to bank group and insurance companies.

14.4.1 attributable to the banking group		
	31/12/2010	31/12/2009
1. Opening balance	**3.760**	**6.330**
2. Increases	**1.027**	**311**
2.1 Deferred taxes recognized during the year	733	203
a) relating to previous years	1	105
b) due to changes in accounting policies	-	-
c) others	732	98
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	294	108
3. Decreases	**810**	**2.881**
3.1 Deferred taxes cancelled during the year	665	2.169
a) reversals	665	2.132
b) due to changes in accounting policies	-	-
c) others	-	37
3.2 Reductions in tax rates	-	-
3.3 Other decreases	145	712
4. Final amount	**3.977**	**3.760**

14.4.2 attributable to insurance companies		
	31/12/2010	**31/12/2009**
1. Opening balance	**905**	**1.996**
2. Increases	**4.226**	**-**
2.1 Deferred taxes recognized during the year	4.226	-
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) others	4.226	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**-**	**1.091**
3.1 Deferred taxes cancelled during the year	-	21
a) reversals	-	21
b) due to changes in accounting policies	-	-
c) others	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	1.070
4. Final amount	**5.131**	**905**

14.5 Changes in deferred tax assets (charged to shareholders' equity)		
	31/12/2010	**31/12/2009**
1. Opening balance	**3.588**	**5.082**
2. Increases	**9.907**	**388**
2.1 Prepaid taxes recognized during the year	9.907	388
a) relating to previous years	-	388
b) due to changes in accounting policies	-	-
c) others	9.907	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**-**	**1.882**
3.1 Prepaid taxes cancelled during the year	-	1.014
a) reversals	-	935
b) writedowns for unrecoverable items	-	-
c) due to changes in accounting policies	-	-
d) others	-	79
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	868
4. Final amount	**13.495**	**3.588**

The following is a breakdown of the data of table 14.5, divided up according to bank group and insurance companies.

14.5.1 attributable to the banking group		
	31/12/2010	**31/12/2009**
1. Opening balance	**3.543**	**4.499**
2. Increases	**4.458**	**388**
2.1 Prepaid taxes recognized during the year	4.458	388
a) relating to previous years	-	388
b) due to changes in accounting policies	-	-
c) others	4.458	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**-**	**1.344**
3.1 Prepaid taxes cancelled during the year	-	1.014
a) reversals	-	935
b) writedowns for unrecoverable items	-	-
c) due to changes in accounting policies	-	-
d) others	-	79
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	330
4. Final amount	**8.001**	**3.543**

14.5.2 attributable to insurance companies		
	31/12/2010	**31/12/2009**
1. Opening balance	**45**	**583**
2. Increases	**5.449**	**-**
2.1 Prepaid taxes recognized during the year	5.449	-
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) others	5.449	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**-**	**538**
3.1 Prepaid taxes cancelled during the year	-	-
a) reversals	-	-
b) writedowns for unrecoverable items	-	-
c) due to changes in accounting policies	-	-
d) others	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	538
4. Final amount	**5.494**	**45**

14.6 Changes in deferred tax liabilities (charged to shareholders' equity)		
	31/12/2010	31/12/2009
1. Opening balance	**1.708**	**1.827**
2. Increases	**152**	**604**
2.1 Deferred taxes recognized during the year	152	255
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) others	152	255
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	349
3. Decreases	**646**	**723**
3.1 Deferred taxes cancelled during the year	646	195
a) reversals	621	195
b) due to changes in accounting policies	-	-
c) others	25	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	528
4. Final amount	**1.214**	**1.708**

The following is a breakdown of the data of table 14.6, divided up according to bank group and insurance companies.

14.6.1 attributable to the banking group		
	31/12/2010	31/12/2009
1. Opening balance	**1.708**	**1.827**
2. Increases	**55**	**604**
2.1 Deferred taxes recognized during the year	55	255
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) others	55	255
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	349
3. Decreases	**646**	**723**
3.1 Deferred taxes cancelled during the year	646	195
a) reversals	621	195
b) due to changes in accounting policies	-	-
c) others	25	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	528
4. Final amount	**1.117**	**1.708**

14.6.2 attributable to insurance companies		
	31/12/2010	**31/12/2009**
1. Opening balance	**-**	**-**
2. Increases	**97**	**-**
2.1 Deferred taxes recognized during the year	97	-
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) others	97	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
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	**97**	**-**

Section 15 - Non-current assets and groups of assets held for sale and associated liabilities - Item 150 of assets and item 90 of liabilities

15.1 Non current assets and groups of assets held for sale: breakdown by type of asset		
	31/12/2010	**31/12/2009**
A. Single asset		
A.1 Financial assets	-	-
A.2 Equity investments	19.592	-
A.3 Tangible assets	-	-
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
Total A	**19.592**	**-**
B. Asset groups (discontinued operations)		
B.1 Financial assets held for trading	410	-
B.2 Financial assets at fair value through profit or loss	-	-
B.3 Financial assets available for sale	-	-
B.4 Financial assets held to maturity	21.062	-
B.5 Due from banks	13.585	-
B.6 Due from customers	24.113	-
B.7 Equity investments	-	-
B.8 Tangible assets	154	-
B.9 Intangible assets	47	-
B.10 Other assets	1.292	-
Total B	**60.663**	**-**
C. Liabilities associated with single assets held for sale		
C.1 Debts	-	-
C.2 Securities	-	-
C.3 Other liabilities	-	-
Total C	**-**	**-**
D. Liabilities associated with groups of assets held for sale		
D.1 Due to banks	27.675	-
D.2 Due to customers	126.390	-
D.3 Securities in issue	-	-
D.4 Financial liabilities held for trading	928	-
D.5 Financial liabilities at fair value through profit or loss	-	-
D.6 Funds	-	-
D.7 Other liabilities	1.860	-
Total D	**156.853**	**-**

The amount of 19,6 million euro included in item A. 2 Equity Investments includes the goodwill in relation to Banca Monte Parma.

Assets and liabilities referred to Banque BPP and the investment in Banca Monte Parma have been classified as “Non-current assets and groups of assets held for sale and associated liabilities” as, at the end of 2010, the criteria for their inclusion in this category as established by IFRS 5 had been met.
More specifically, paragraph 7 of IFRS 5 specifies that in order to be allocated to the item specified, the asset must be available for immediate sale in its current condition, subject to conditions applicable to

the standard use and custom for the sale of said assets. The sale must also be highly probable.
In relation to this latter aspect, the next paragraph of IFRS 5 indicates that for the sale to be highly probable, the following conditions must be met:

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

In this regulatory framework, with regards to Banque BPP, the company's assets and liabilities have been included amongst the groups of assets held for sale (and associated liabilities), as on 28 December 2010, the agreement was signed for the sale of the entire capital of the company by Banca Sella Holding and Sella Holding NV to a major European banking counterparty for an amount in line with the value of the company. The transaction was resolved by the Board of Directors of Banca Sella Holding on 21 December 2010 and by that of Sella Holding NV on 27 December 2010. It is part of the rationalisation and equity strengthening plan of the Banca Sella Group and shall be completed during the first half of 2011, subject to obtaining the usual authorisations from the supervisory authority.

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

Section 16 - Other assets - Item 160

16.1 Other assets: breakdown	31/12/2010	31/12/2009
Items receivable in transit	636	2.241
Forms in stock	1.516	1.612
Payment orders to sundry others being debited	65.016	62.251
Countervalues on securities and derivatives trading being settled	10.420	11.522
Matured coupons and securities being settled	-	162
Current account cheques drawn against third parties	44.945	46.666
Current account cheques drawn against the bank	14.126	21.332
Commission advances	201	190
Suitable taxes to be recovered from customers	6	8
Advance taxes paid to tax office for third parties	147	120
Guarantee deposit on own behalf	47	73
Fees, commissions and other income in the process of collection	19.535	27.826
Expenses for improvements to third-party property	6.436	8.296
Portfolio adjustments	8.824	812
Advances and accounts payable	4.876	5.623
Charges/invoices to be issued towards customers	8.161	6.636
Disputed items not deriving from lending transactions	8.260	7.091
Deferrals on administrative expenses and fees	4.390	4.612
Due from insured	28	89
Due from intermediaries	2.142	1.886
Due from reinsurance companies	335	375
Other tax recievables	12.830	10.067
Others	22.252	27.167
Total	**235.129**	**246.657**

The data concerning other assets pertain to the bank group, with the exception of 335 thousand euro, which refer to insurance companies.

We note that the data is given net of other assets in relation to Banque BPP for which transfer is envisaged for the first half of 2011 (consequently the company's assets have been included under the item "Non-current assets and groups of assets held for sale").

» LIABILITIES

Section 1 - Due to banks - Item 10

1.1 Due to banks: breakdown by type		
Type of transaction/Group components	**31/12/2010**	**31/12/2009**
1. Due to central banks	**-**	**40.101**
2. Due to banks	**293.991**	**226.202**
2.1 Current accounts and demand deposits	84.059	52.230
2.2 Term deposits	36.298	42.594
2.3. Loans and advances	173.212	130.988
2.3.1 financial leasing	-	251
2.3.2 others	173.212	130.737
2.4 Payables for own equity instrument repurchase commitments	-	-
2.5 Other payables	422	390
Total	**293.991**	**266.303**
Fair value	**293.991**	**266.303**

Due to banks are entirely attributable to the banking group.

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

We note that the data is given net of due to banks in relation to Banque BPP for which transfer is envisaged for the first half of 2011 (consequently the company's liabilities have been included under the item "Non-current liabilities and groups of liabilities held for sale").

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

Section 2 - Due to customers - Item 20

2.1 Due to customers: breakdown by type

Type of transaction/Group components	31/12/2010	31/12/2009
1. Current accounts and demand deposits	7.241.784	7.582.767
2. Term deposits	358.105	454.061
3. Loans and advances	49.220	58.886
3.1 repurchase agreement	38.893	56.878
3.2 others	10.327	2.008
4. Payables for own equity instrument repurchase commitments	-	-
5. Other payables	115.988	109.716
Total	**7.765.097**	**8.205.430**
Fair value	**7.765.097**	**8.205.430**

The data concerning amounts due to customers pertain to the bank group, with the exception of 4.839 thousand euro, which refer to insurance companies, stated amongst "other payables".

The decrease of the item current accounts and demand deposits which is partly due to the transfer of stocks of products proposed by the main banks of the Group network with different characteristics and is supported by the increase in indirect deposits.

The item Loans is affected by the decrease in repurchase agreements.

We note that the instructions given by the Bank of Italy with communication of 21 February 2011 concerning clarifications on the "Financial Statement and supervisory notes" specify that repurchase agreements with underlying own issue securities are comparable with a new listing on the securities market. As such, these transactions, previously noted under the item "Due to customers" not as repurchase agreements but rather as other payables, have been reclassified to the item entitled "Outstanding securities". Consequently the comparison period has also been adjusted for an amount of 453,1 million euro.

We note that the data is given net of due to customers in relation to Banque BPP for which transfer is envisaged for the first half of 2011 (consequently the company's liabilities have been included under the item "Non-current liabilities and groups of liabilities held for sale").

2.3 Detail of item 20 "Due to customers": structured debts

	Total 31/12/2010	Total 31/12/2009
- structured debts	12.538	20.833
Total	**12.538**	**20.833**

2.5 Financial leasing debts		
	Total 31/12/2010	Total 31/12/2009
- financial leasing debts	-	19
Total	**-**	**19**

Section 3 - Outstanding securities - Item 30

3.1 Outstanding securities: breakdown by type								
Type of security/Amount	Total 31/12/2010				Total 31/12/2009			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Quoted securities								
1. Bonds	2.108.183	495.876	1.601.509	-	2.317.809	500.374	1.829.932	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 others	2.108.183	495.876	1.601.509	-	2.317.809	500.374	1.829.932	-
2. Other securities	40.997	-	-	40.997	127.182	-	-	127.182
2.1 structured	-	-	-	-	-	-	-	-
2.2 others	40.997	-	-	40.997	127.182	-	-	127.182
Total	**2.149.180**	**495.876**	**1.601.509**	**40.997**	**2.444.991**	**500.374**	**1.829.932**	**127.182**

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

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

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

The data concerning outstanding securities pertain to the bank group, with the exception of 15.036 thousand euro of book value, which refer to insurance companies, stated amongst “bonds”.

The trend of the aggregate referred to outstanding securities is due to the decision not to renew certain bond securities that had expired during the year, and mainly placed with institutional investors

We note that the instructions given by the Bank of Italy with communication of 21 February 2011 concerning clarifications on the "Financial Statement and supervisory notes” specify that repurchase agreements with underlying own issue securities are comparable with a new listing on the securities market. As such, these transactions, previously noted under the item “Due to customers” not as repurchase agreements but rather as other payables, have been reclassified to the item entitled “Outstanding securities”. Consequently the comparison period has also been adjusted for an amount of 453,1 million euro.

3.2 Details of Item 30 “Outstanding securities”: subordinated securities		
	Total 31/12/2010	**Total 31/12/2009**
- subordinated securities	421.274	455.268
Total	**421.274**	**455.268**

The list of subordinate securities that can be calculated for regulatory purposes is presented in Part F – Information on equity of these Explanatory Notes.

3.3 Detail of item 30 "Outstanding securities": securities subject to micro-hedging		
	Total 31/12/2010	**Total 31/12/2009**
1. Securities subject to micro-hedging of fair value	**350.104**	**192.335**
a) interest rate risk	350.104	192.335
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	**350.104**	**192.335**

Section 4 - Financial liabilities held for trading - Item 40

4.1 Financial liabilities held for trading: breakdown by type

Type of transaction/Group components	31/12/2010					31/12/2009				
	VN	FV			FV*	VN	FV			FV*
		L1	L2	L3			L1	L2	L3	
A. Cash liabilities										
2. Due to customers	3.109	3.139	-	-	3.139	27.551	29.311	-	-	29.311
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Others	-	-	-	-	X	-	-	-	-	X
Total A	**3.109**	**3.139**	**-**	**-**	**3.139**	**27.551**	**29.311**	**-**	**-**	**29.311**
B. Derivative instruments										
1. Financial derivatives	X	1.539	29.786	-	X	X	3.606	13.342	-	X
1.1 Held for trading	X	1.539	29.715	-	X	X	3.606	12.714	-	X
1.2 Linked to fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Others	X	-	71	-	X	X	-	628	-	X
2. Credit derivatives	X	-	-	-	X	X	-	-	-	X
2.1 Held for trading	X	-	-	-	X	X	-	-	-	X
2.2 Linked to fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Others	X	-	-	-	X	X	-	-	-	X
Total B	**X**	**1.539**	**29.786**	**-**	**X**	**X**	**3.606**	**13.342**	**-**	**X**
Total A+B	**X**	**4.678**	**29.786**	**-**	**X**	**X**	**32.917**	**13.342**	**-**	**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

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 liabilities held for trading are entirely attributable to the banking group.

We note that the data is given net of financial liabilities held for trading in relation to Banque BPP for which transfer is envisaged for the first half of 2011 (consequently the company's liabilities have been included under the item "Non-current liabilities and groups of liabilities held for sale").

Section 5 - Financial liabilities at fair value throguh profit or loss - Item 50

Financial liabilities at fair value through profit or loss are entirely attributable to insurance companies. Starting from the financial year 2007 the Group availed itself of the possibility of stating at fair value financial liabilities relating to the deposit of unit and index-linked insurance contracts, which are measured at the fair value of the assets.

5.1 Financial liabilities at fair value through profit or loss: breackdown by type

Type of transaction/Amount	31/12/2010					31/12/2009				
	VN	FV			FV*	VN	FV			FV*
		L1	L2	L3			L1	L2	L3	
1. Due to banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Structured	-	-	-	-	X	-	-	-	-	X
1.2 Others	-	-	-	-	X	-	-	-	-	X
2. Due to customers	**627.638**	**338.032**	**288.634**	**972**	**-**	**484.941**	**401.103**	**83.838**	**-**	**-**
2.1 Structured	-	-	-	-	X	-	-	-	-	X
2.2 Others	627.638	338.032	288.634	972	X	484.941	401.103	83.838	-	X
3. Outstanding securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2 Others	-	-	-	-	X	-	-	-	-	X
Total	**627.638**	**338.032**	**288.634**	**972**	**-**	**484.941**	**401.103**	**83.838**	**-**	**-**

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

The increase in financial liabilities at fair value through profit or loss refers to Sella Life and is partly connected to the signing of policies by customers adhering to the tax shield in force in the first few months of the year but above all to an intensified collaboration with the Group distribution networks.

The following chart displays the purpose of use of the "fair value option":

Financial liabilities at fair value through profit or loss: purpose of use of the "fair value option"				
	31/12/2010			
	L1	L2	L3	Totale
"Natural hedgings"	-	-	-	-
Structured financial instruments	-	-	-	-
Portfolios of financial assets managed internally on a fair value basis	338.032	288.634	972	627.638
Total	**338.032**	**288.634**	**972**	**627.638**

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.

5.3 Financial liabilities at fair value through profit or loss: annual changes				
	Due to banks	Due to customers	Outstanding securities	Total
A. Opening balance	**-**	**484.941**	**-**	**484.941**
B. Increases	**-**	**228.920**	**-**	**228.920**
B.1 Issues	-	183.793	-	183.793
B.2 Sales	-	-	-	-
B.3 Fair value increases	-	30.969	-	30.969
B.4 Other changes	-	14.158	-	14.158
C. Decreases	**-**	**86.223**	**-**	**86.223**
C.1 Purchases	-	-	-	-
C.2 Repayments	-	31.723	-	31.723
C.3 Fair value decreases	-	5.347	-	5.347
C.4 Other changes	-	49.153	-	49.153
D. Closing balance	**-**	**627.638**	**-**	**627.638**

The increases and decreases recognized under “Other changes” were of the following kinds:

- the decreases comprise liquidations relating to index contracts classified as “investment” products;
- the increases comprise premiums relating to specific asset financing agreements classified as “investment” products.

Section 6 - Hedging derivatives - Item 60

6.1 Hedging derivatives: breakdown by type of hedging and by level	Fair value 31/12/2010			VN 31/12/2010	Fair value 31/12/2009			VN 31/12/2009
	L1	L2	L3		L1	L2	L3	
A. Financial derivatives	**-**	**91.042**	**-**	**1.347.754**	**-**	**85.074**	**-**	**1.447.743**
1) Fair value	-	91.042	-	1.347.754	-	85.074	-	1.447.743
2) Cash flow	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flow	-	-	-	-	-	-	-	-
Total	**-**	**91.042**	**-**	**1.347.754**	**-**	**85.074**	**-**	**1.447.743**

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.

Hedging derivatives are entirely attributable to the banking group.

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	-	-	-	-	-	90.991	-	-	X
5. Other operations	X	X	X	X	X	X	X	X	-
Total assets	**-**	**-**	**-**	**-**	**-**	**90.991**	**-**	**-**	**-**
1. Financial liabilities	51	-	-	X	-	X	-	X	X
2. Portfolio	-	-	-	-	-	-	-	-	X
Total liabilities	**51**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**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	31/12/2010	31/12/2009
Items payable in transit	1.433	1.009
Taxes payable for third parties	22.572	21.635
Adjustments for non-cash portfolio items	18.085	91.634
Countervalues on securities and derivatives trading being settled	10.165	8.849
Cash available to customers	5.952	32.404
Bank transfers and other payments due	99.014	74.360
Accounts payable and fees payable to sundry third parties	45.954	61.976
Personnel expenses	29.162	32.638
Payables for guarantees and commitments	2.550	2.615
Fees payable to statutory auditors and directors	4.134	1.091
Contributions payable to sundry agencies	10.489	9.682
Deferrals	1.948	1.838
Payments to cover recalled bills	36	-
Special law contributions to be paied to customers	-	399
Advances and due to customers	979	820
Debts deriving from direct insurance operations	4.903	1.248
Debts deriving from reinsurance operations	394	232
Commissions for premiums being collected	49	259
Deferred Income Reserve	1.030	1.839
Others	14.677	21.721
Total	**273.526**	**366.249**

The data concerning other liabilities pertain to the bank group, with the exception of 4.685 thousand euro, which refer to insurance companies.

We note that the data is given net of other liabilities in relation to Banque BPP for which transfer is envisaged for the first half of 2011 (consequently the company's liabilities have been included under the item "Non-current liabilities and groups of liabilities held for sale").

Section 11 - Employee severance indemnities - Item 110

11.1 Employee severance indemnities: annual changes	31/12/2010	31/12/2009
A. Opening balance	**40.720**	**41.207**
B. Increases	**2.205**	**3.857**
B.1 Provision of the year	1.124	1.428
B.2 Other changes	1.081	2.429
C. Decreases	**4.848**	**4.344**
C.1 Liquidations paid	3.763	1.839
C.2 Other changes	1.085	2.505
D. Closing balance	**38.077**	**40.720**

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

Demographic assumptions:

- mortality/disability: in addition to the historical series observed, the 2006 ISTAT tables were adopted, divided by age and gender;
- retirement, resignations/dismissals, expiry of contracts: these causes for exclusion were deduced from the observation of corporate data. The assumed probability of leaving the company is 7,4% per year. For staff with non-permanent contracts, the time period was brought to the expiration of the contract (as no contractual terms guaranteed the continuation of the employment relationship) and no early dismissal was assumed before the expiration of the contract. Actuarial assumptions considered a maximum retirement age of 60 years for women and 65 for men;
- severance indemnity advances: in order to take into account the effects that these advances may have on the timing of the severance pay and the discounting of the company's debt, the probability for the disbursement of a part of accrued amounts was calculated. The annual advance frequency, deduced by observing corporate data, was 3,18%, while the severance indemnity percentage requested as advance was assumed at 70%, that is the maximum percentage provided by governing regulations;
- supplementary social security: those who have always entirely paid their severance indemnity fund to supplementary social security relieve the Company from paying severance indemnities and, therefore, were not evaluated. As regards other employees, the evaluation was carried out considering the choices made by employees at 31 December 2010 (at 30 November 2010 for the company Brosel S.p.A.) communicated by the companies.

Economic/financial assumptions

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

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

- inflation: we used the inflationary scenario indicated in the 2010-2013 Economic and Financial Planning Document which envisages planned inflation of 1,5%;

- wage rises: the case was considered taking into account two components: the first is of meritocratic and contractual nature, the second relates to inflation. With reference to the first component, we adopted a zero increase rate. As regards the second component, we considered inflation levels mentioned above.
  We remember that assumption concerning wage trends has been adopted only by those companies of the Group that are not due to deposit employee severance indemnities in the Treasury Fund managed by Inps, as only for those companies the employee severance indemnity actuarial assessment still considers shares of future annual employee severance indemnities matured by employees (and not paid to pension funds).
- discount rates: as requested by IAS 19 the rate adopted was determined with reference to the market yield of leading company bonds at the measurement date. In this connection, the Euroswap rate curve was used (source: Bloomberg) with reference to the closing date of the balance.

The data concerning employee severance indemnities pertain to the bank group, with the exception of 801 thousand euro, which refer to insurance companies.

Section 12 - Provisions for risks and charges - Item 120

12.1 Provisions for risks and charges: breakdown

Item/Component	31/12/2010	31/12/2009
1. Company pension funds	-	-
2. Other provisions for risks and liabilities	44.250	53.585
2.1 Legal disputes and customers complaint	15.673	18.359
2.2 Operational risks	23.114	26.448
2.3 Personnel charges	856	4.722
2.4 Supplementary customer allowanceand goodwill compensation for termination of agency relationship	2.296	1.828
2.5 Others	2.311	2.228
Total	**44.250**	**53.585**

The item “Legal disputes” consists mainly of estimates of liabilities likely for bankruptcy revocatory actions, lawsuits against the company and customers claims.

“Provisions for operational risks” include the amounts set aside for disputes relating to Miret S.A. (until last financial year Sella Bank Luxembourg S.A.) for employee disloyalty. For more information on the fund and its use, please refer to that stated in the chapter devoted to Miret in the Report on Operations.

The payment times of the liabilities relating to lawsuits and customer claims can be estimated as a time period of approximately 18/24 months, while for revocatory actions oscillates between about 30 and 40 months in relation to the geographical area of reference.

We highlight the existence of a dispute involving Banca Sella Holding with the Inland Revenue as regards the application of stamp duties to the day book. The amount of this dispute, including sanctions, interests and collection fees, amounts to about 5,8 million euro. Considering resolution no.

371/E of 2008 issued by Agenzia delle Entrate (internal revenue service) and considering the reliable opinions of a leading Tax firm and Trade association, this potential tax liability is unlikely to occur. We note that in November 2010, the regional Tax Commission of Turin issued a favourable sentence to another bank on a similar dispute. Finally, the explanations provided by the internal revenue with resolution no. 161/E of 2007 may considerably reduce the amount of the potential/possible debt deriving from the dispute.

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

Finally, it is noted that during 2010, the Tax Authorities transformed the findings contained in a report made in 2008 to notice of findings with regards to the subsidiary Banca Sella Sud Arditi Galati, concerning an alleged non-deductibility of value adjustments on loans relating to 2005. The value of the dispute, in relation to which an appeal has been presented, amounts to approximately 382 thousand euro in IRES terms plus interest and sanctions for approximately 433 thousand euro. No provisions have been made as it is reasonable to assume that the onset of this potential tax liability is possible, but not probable, as there are valid defensive arguments against these findings.

The data concerning provisions for risks and charges pertain to the bank group, with the exception of 146 thousand euro, which refer to insurance companies, stated amongst other provisions for risks and charges.

12.2 Provisions for risks and charges: annual changes

	Pension funds	Legal disputes and customer complaints	Operational risks	Personnel charges	Supplementary customer allowance and goodwill compensation for termination of agency relationship	Others
A. Opening balance	**-**	**18.359**	**26.448**	**4.722**	**1.828**	**2.228**
B. Increases	**-**	**5.314**	**2.196**	**523**	**625**	**1.228**
B.1 Provisions for the year	-	4.143	1.130	511	618	1.189
B.2 Changes due to passing of time	-	245	472	8	-	33
B.3 Changes due to fluctuations in discount rate	-	44	581	-	-	-
B.4 Other changes	-	882	13	4	7	6
- business combinations (+)	-	-	-	-	-	-
- exchange difference (+)	-	18	-	4	-	6
- other changes (+)	-	864	13	-	7	-
C. Decreases	**-**	**8.000**	**5.530**	**4.389**	**157**	**1.145**
C.1 Utilization in the period	-	4.986	5.053	4.360	23	643
C.2 Changes due to fluctuations in discount rate	-	19	7	-	95	-
C.3 Other changes	-	2.995	470	29	39	502
- business combinations (+)	-	-	-	-	-	-
- exchange difference (-)	-	-	-	-	-	-
- other changes (-)	-	2.995	470	29	39	502
D. Closing balance	**-**	**15.673**	**23.114**	**856**	**2.296**	**2.311**

Section 13 - Technical reserves - Item 130

13.1 Technical reserves: breakdown	Direct work	Indirect work	Total 31/12/2010	Total 31/12/2009
A. Non-life	**1.197**	**-**	**1.197**	**1.399**
A.1 Premium reserves	500	-	500	681
A.2 Claims reserves	221	-	221	311
A.3 Other reserves	476	-	476	407
B. Life business	**804.549**	**-**	**804.549**	**522.790**
B.1 Actuarial reserves	788.582	-	788.582	506.760
B.2 Outstanding claims reserves	8.442	-	8.442	3.589
B.3 Other reserves	7.525	-	7.525	12.441
C. Technical reserves where the investment risk is borne by the policyholders	**136.390**	**-**	**136.390**	**151.634**
C. 1 Reserves relating to investment fund and index-linked contracts	136.390	-	136.390	151.634
C.2 Reserves deriving from the administration of pension funds	-	-	-	-
D. Total technical reserves	**942.136**	**-**	**942.136**	**675.823**

13.2 Technical reserves: annual variations	Total 31/12/2009	Change	Total 31/12/2010
A. Non-life	**1.399**	**(202)**	**1.197**
A.1 Premium reserves	681	(181)	500
Premium portion reserve	681	(181)	500
Current risks reserve	-	-	-
A.2 Claims reserves	311	(90)	221
Compensations and direct expenses reserve	-	-	-
Settlment costs reserve	-	-	-
Incurred and unreported losses reserve	311	(90)	221
A.3 Other reserves	407	69	476
B. Life business	**522.790**	**281.759**	**804.549**
B.1 Actuarial reserves	506.760	281.822	788.582
B.2 Outstanding claims reserves	3.589	4.853	8.442
B.3 Other reserves	12.441	(4.916)	7.525
C. Technical reserves where the investment risk is borne by the policyholders	**151.634**	**(15.244)**	**136.390**
C. 1 Reserves relating to investment fund and index-linked contracts	151.634	(15.244)	136.390
C.2 Reserves deriving from the administration of pension funds	-	-	-
D. Total technical reserves	**675.823**	**266.313**	**942.136**

Section 15 - Consolidated capital - Items 140, 160, 170, 180, 190, 200 and 220

The following chart displays the breakdown of Gruppo Banca Sella's capital.

Consolidated capital: breakdown	31/12/2010	31/12/2009
Share capital	100.500	100.500
Share premiums	49.414	49.414
Reserves	403.298	374.192
Valuation reserves	(9.672)	10.225
Profit/(loss) for the year	19.019	26.838
Total	**562.559**	**561.169**

15.1 "Capital" and "Treasury shares": breakdown

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

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

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

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

15.4 Profit reserves: other information

	31/12/2010	31/12/2009
Legal reserve	28.759	28.759
Statutory reserves	70.077	60.848
Other	304.462	284.585
Total reserves	**403.298**	**374.192**

Section 16 - Capital pertaining to minority interests - Item 210

Table 16.1 is not carried, as it is on the financial statements, within the scope of equity pertaining to third parties, there are no capital instruments. Below is the breakdown of the equity pertaining to third parties:

Capital pertaining to minority interests: breakdown

	31/12/2010	31/12/2009
Share capital	53.031	52.853
Share premiums	47.144	48.607
Reserves	29.840	27.133
Valuation reserves	(1.944)	636
Profit/(loss) for the year pertaining to minority interest	1.043	2.244
Total	**129.114**	**131.473**

Other information

1. Guarantees issued and commitments

Transactions	Balance 31/12/2010	Balance 31/12/2009
1) Financial guarantees issued	**89.188**	**93.664**
a) banks	20.694	18.297
b) customers	68.494	75.367
2) Commercial guarantees issued	**263.245**	**261.457**
a) banks	101	123
b) customers	263.144	261.334
3) Irrevocable commitments to disburse funds	**670.619**	**475.124**
a) banks	64.827	76.194
i) certain to be drawn down	64.827	76.194
ii) not certain to be drawn down	-	-
b) customers	605.792	398.930
i) certain to be drawn down	54.248	26.133
ii) not certain to be drawn down	551.544	372.797
4) Commitments underlying credit derivatives: protection sales	**-**	**-**
5) Assets pledged for third party obligations	**34.972**	**46.095**
6) Other commitments	**83.754**	**86.858**
Total	**1.141.778**	**963.198**

2. Assets pledged against own liabilities and commitments

Portfolios	Balance 31/12/2010	Balance 31/12/2009
1. Financial assets held for trading	316.593	224.811
2. Financial assets carried at fair value	-	-
3. Financial assets available for sale	2.637	8.543
4. Financial assets held to maturity	52.617	55.224
5. Due from banks	12.927	3.475
6. Due from customers	1.989	1.503
7. Property, plant and equipment	-	-

The item Financial assets held for trading consists of securities used to guarantee:

- repurchase agreements;
- advances from the Bank of Italy;
- derivative transactions.

The item Financial assets available for sale consists of securities used to guarantee:

- repurchase agreements.

The item Financial assets held to maturity consists of securities used to guarantee:

- repurchase agreements;
- bank drafts at the Bank of Italy;
- advances from the Bank of Italy;
- derivative transactions.

The item Due to banks consists of securities used to guarantee:

- repurchase agreements.

The item Due to customers consists of securities used to guarantee:

- repurchase agreements.

Repurchase agreements

There are no specific clauses and conditions associated with this guarantee.

Issue of bank drafts

Banks authorised to issue bank drafts are required to lodge a deposit at the Bank of Italy. The minimum value of the deposit lodged is 20% of the amount of drafts in circulation. The Bank of Italy holds the deposits lodged and checks the congruity of the amount with respect to the minimum amount in relation to the circulation of bank drafts and the release of the financial instruments deposited.
Banks with misalignments in the amount of the deposit must take appropriate corrective measures, which, depending on the situation, will consist of rectifying the reports at the first favourable occasion or increasing the deposits, to be implemented within the 5 days following the notification. If they fail to increase the deposits or infringe the regulations on their amount or composition, then the banks may be fined from 516,46 euro to 25.822,84 euro, in accordance with Article 144, paragraph 1, of Legislative Decree 385/93.

Advances from the Bank of Italy

For advances granted by the Bank of Italy in order to finance, during the same business day, any temporal misalignments between payments and receipts, the Group banks are required to offer their assets as surety, which are registered in the specific guarantee securities deposit account opened at the Bank of Italy.
If the surety is not lodged within the deadline envisaged, and the misalignment continues, the Bank of Italy may terminate the contract. Such termination entails the immediate closure of the intraday advance account, and consequently an obligation to repay the debt in the said account and reimburse any advances granted.

Derivative transactions

The Banca Sella Group banks adhere to the guarantee system managed by the Clearing and Guarantee House, through the payment of margins. The final settlement of Contractual Positions on Derivative Financial Instruments may be carried out through differential liquidation in cash or “delivery” of the underlying asset, in accordance with the provisions of the relevant Contractual Schedule.
In the event of default or insolvency, the Clearing and Guarantee House proceeds to close the accounts of the party in default and calculates the charges incurred in this operation.

4. Breakdown of investments relating to unit-linked and index-linked policies

	Balance 31/12/2010	Balance 31/12/2009
I. Lands and buildings	-	-
II. Investments in group companies and subsidary companies	-	-
1. Shares and holdings	-	-
2. Bonds	-	-
3. Loans and advances	-	-
III. Stakes in mutual funds	-	-
IV. Other financial investments	771.240	641.822
1. Shares and holdings	345.538	156.224
2. Bonds and other fixed-income securities	413.431	466.955
3. Deposits with credit institutions	-	721
4. Miscellaneous financial investments	12.271	17.922
V. Other assets	-	-
VI. Cash	22.426	26.248
Total	**793.666**	**668.070**

5. Management and intermediation on third parties behalf

Type of service	Balance 31/12/2010	Balance 31/12/2009
1. Order execution on customers' behalf	***74.962.289***	***64.308.953***
a) Purchases	37.302.994	31.966.072
1. settled	37.175.643	31.773.262
2. not settled	127.351	192.810
b) Sales	37.659.295	32.342.881
1. settled	37.538.560	32.136.039
2. not settled	120.735	206.842
2. Portfolio management	***3.550.380***	***3.150.026***
a) Individual	3.358.941	2.905.295
b) Collective	191.439	244.731
3. Custody and administration of securities		
a) Third-party securities on deposit: connected with role of depositary bank (excluding asset management)	233.398	2.048.321
1. securities issued by companies included within consolidation	-	-
2. other securities	233.398	2.048.321
b) other third-party securities on deposit (excluding asset management): others	13.018.129	10.415.536
1. securities issued by companies included within consolidation	1.229.583	1.228.791
2. other securities	11.788.546	9.186.745
c) third-party securities deposited with third parties	17.680.241	15.074.315
c) own securities deposited with third parties	2.662.189	1.851.029
4. Other transactions *	***155.529.773***	***134.810.900***

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

- purchases: 79.155.721
- sales: 76.374.052

At 31st December 2009, the item "Custody and administration of securities - other third party securities on deposit - other securities," totalled 9.863.183 thousand euro, of which was separated, in the amount of 649.438 thousand euro, the part relative to insurance policies. At 30th June 2010, this component amounted to € 835.148 thousand.

PART C INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

Section 1 - Interest - Items 10 and 20

1.1 Interest and similar income: breakdown					
Item/Technical type	**Debt securities**	**Loans and advances**	**Other operations**	**Total 31/12/2010**	**Total 31/12/2009**
1. Financial assets held for trading	24.999	-	983	25.982	29.134
2. Financial assets at fair value through profit or loss	9.737	-	6.249	15.986	19.471
3. Financial assets available for sale	20.627	-	-	20.627	12.771
4. Financial assets held to maturity	9.524	-	-	9.524	6.073
5. Due from banks	1.329	4.577	-	5.906	17.306
6. Due from customers	-	356.336	321	356.657	397.679
7. Hedging derivatives	X	X	5.660	5.660	15.120
8. Other assets	X	X	285	285	488
Total	**66.216**	**360.913**	**13.498**	**440.627**	**498.042**

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

Interest and similar income accrued on impaired assets	
	31/12/2010
- accrued on non performing loans	406
- accrued on watchlist loans	5.614
- accrued on past due exposures	1.734

The following is a breakdown of the data of table 1.1, divided up according to bank group and insurance companies.

1.1.1 attributable to the banking group					
Item/Technical type	**Debt securities**	**Loans and advances**	**Other operations**	**Total 31/12/2010**	**Total 31/12/2009**
1. Financial assets held for trading	24.993	-	983	25.976	29.046
2. Financial assets at fair value through profit or loss	-	-	-	-	-
3. Financial assets available for sale	5.941	-	-	5.941	3.059
4. Financial assets held to maturity	8.953	-	-	8.953	6.073
5. Due from banks	646	4.567	-	5.213	16.247
6. Due from customers	-	356.336	321	356.657	397.679
7. Hedging derivatives	X	X	5.660	5.660	15.120
8. Other assets	X	X	285	285	488
Total	**40.533**	**360.903**	**7.249**	**408.685**	**467.712**

1.1.2 attributable to insurance companies					
Item/Technical type	**Debt securities**	**Loans and advances**	**Other operations**	**Total 31/12/2010**	**Total 31/12/2009**
1. Financial assets held for trading	6	-	-	6	88
2. Financial assets at fair value through profit or loss	9.737	-	6.249	15.986	19.471
3. Financial assets available for sale	14.686	-	-	14.686	9.712
4. Financial assets held to maturity	571	-	-	571	-
5. Due from banks	683	10	-	693	1.059
6. Due from customers	-	-	-	-	-
7. Hedging derivatives	X	X	-	-	-
8. Other assets	X	X	-	-	-
Total	**25.683**	**10**	**6.249**	**31.942**	**30.330**

1.3 Interest and similar income: other information

1.3.1 Interest income on financial assets in foreign currencies		
	Total 31/12/2010	**Total 31/12/2009**
- on assets in foreign currencies	4.833	6.159

1.3.2 Interest income on financial leasing operations		
	Total 31/12/2010	**Total 31/12/2009**
- on financial leasing operations	46.634	50.870

1.4 Interest and similar expense: breakdown

	Debts	Securities	Other operations	Total 31/12/2010	Total 31/12/2009
1. Due to central banks	-	X	-	-	131
2. Due to banks	3.219	X	-	3.219	4.118
3. Due to customers	34.894	X	-	34.894	68.792
4. Outstanding securities	X	31.372	-	31.372	51.913
5. Financial liabilities held for trading	-	-	933	933	1.868
6. Financial liabilities at fair value through profit or loss	139	-	-	139	870
7. Other liabilities and funds	X	X	646	646	149
8. Hedging derivatives	X	X	47.161	47.161	53.531
Total	**38.252**	**31.372**	**48.740**	**118.364**	**181.372**

The following is a breakdown of the data of table 1.4, divided up according to bank group and insurance companies.

1.4.1 attributable to the banking group

	Debts	Securities	Other operations	Total 31/12/2010	Total 31/12/2009
1. Due to central banks	-	X	-	-	131
2. Due to banks	3.219	X	-	3.219	4.117
3. Due to customers	34.894	X	-	34.894	67.674
4. Outstanding securities	X	31.336	-	31.336	51.913
5. Financial liabilities held for trading	-	-	933	933	1.868
6. Financial liabilities at fair value through profit or loss	-	-	-	-	-
7. Other liabilities and funds	X	X	50	50	149
8. Hedging derivatives	X	X	47.161	47.161	53.531
Total	**38.113**	**31.336**	**48.144**	**117.593**	**179.383**

1.4.2 attributable to insurance companies

	Debts	Securities	Other operations	Total 31/12/2010	Total 31/12/2009
1. Due to central banks	-	X	-	-	-
2. Due to banks	-	X	-	-	1
3. Due to customers	-	X	-	-	1.118
4. Outstanding securities	X	36	-	36	-
5. Financial liabilities held for trading	-	-	-	-	-
6. Financial liabilities at fair value through profit or loss	139	-	-	139	870
7. Other liabilities and funds	X	X	596	596	-
8. Hedging derivatives	X	X	-	-	-
Total	**139**	**36**	**596**	**771**	**1.989**

1.5 Interest and similar expense: differences on hedging transactions

Item/Segment	Total 31/12/2010	Total 31/12/2009
A. Positive differences on hedging transactions	5.660	15.120
B. Negative differences on hedging transactions	47.161	53.531
Balance (A-B)	**(41.501)**	**(38.411)**

Difference on hedging transactions are entirely attributable to the banking group.

1.6 Interest and similar expense: other information

1.6.1 Interest expense on financial liabilities in foreign currencies

	Total 31/12/2010	Total 31/12/2009
- on liabilities in foreign currencies	2.290	5.887

Section 2 - Fees - Items 40 and 50

2.1 Fee income: breakdown

Type of service/Amount	Total 31/12/2010	Total 31/12/2009
a) Sureties issued	3.277	3.281
b) Credit derivatives	-	-
c) Asset management, brokerage and advisory services:	120.685	112.630
1. Financial instruments trading	3.877	5.156
2. Currency trading	1.224	918
3. Portfolio management	45.730	43.156
3.1. individual	25.391	21.925
3.2. collective	20.339	21.231
4. Custody and administration of securities	2.475	2.230
5. Depositary bank	2.057	3.184
6. Placement of securities	13.335	6.910
7. Order reception and transmission activities	38.006	37.173
8. Consultancy activities	464	459
8.1 about investments matters	464	459
8.2 about financial structure matters	-	-
9. Distribution of third party services	13.517	13.444
9.1. Portfolio management	286	1.763
9.1.1. individual	285	1.763
9.1.2. collective	1	-
9.2. Insurance products	12.295	11.681
9.3. Other products	936	-
d) Collection and payment services	102.647	96.596
e) Servicing for securitization transactions	192	271
f) Services for factoring transactions	-	-
g) Tax collection services	-	-
h) Multilateral exchange systems management activities	-	-
i) Current accounts holding and management	24.768	23.675
j) Other services	56.415	47.529
Total	**307.984**	**283.982**

Further detail on the "other services" item is provided below:

Fee income: details on the item "Other services"	31/12/2010	31/12/2009
Credit and debit cards	7.577	6.813
Expense recovery on loans to customers	1.860	1.134
Fees and commissions on relations with credit institutions	125	72
Safe-deposit box lease	179	22
Recovery of postal, printing and similar expenses.	4.514	5.285
Fees on loans to customers	20.869	15.429
Others	21.291	18.774
Total "Other services"	**56.415**	**47.529**

The data concerning fee income pertain to the bank group, with the exception of 2.217 thousand euro, which refer to insurance companies, stated amongst collective portfolio management (1.313 thousand euro) and other services (904 thousand euro).

2.2 Fee expense: breakdown

Service/Amount	Total 31/12/2010	Total 31/12/2009
a) Sureties received	197	70
b) Credit derivatives	-	-
c) Asset management, brokerage and advisory services:	31.592	26.863
1. Financial instruments trading	5.105	5.244
2. Currency trading	3	2
3. Portfolio management	535	349
3.1. own	68	189
3.2. delegated to third parties	467	160
4. Custody and administration of securities	1.234	1.352
5. Placement of fnancial instruments	1.664	1.433
6. Door-to-door sale of securities, products and services	23.051	18.483
d) Collection and payment services	49.132	46.578
e) Other services	3.140	3.398
Total	**84.061**	**76.909**

Further detail on the "other services" item is provided below:

Fee expense: details on the item "Other services"

	31/12/2010	31/12/2009
Connections with banks	153	143
Brokerage activity	1.632	1.538
Others	1.355	1.717
Total "Other services"	**3.140**	**3.398**

The data concerning fee expenses pertain to the bank group, with the exception of 340 thousand euro, which refer to insurance companies, stated amongst own portfolio management (61 thousand euro) and delegated to third parties (266 thousand euro), and collection and payment services (13 thousand euro).

Section 3 - Dividends and similar income - Item 70

3.1 Dividends and similar income: breakdown				
Item/Income	Total 31/12/2010		Total 31/12/2009	
	Dividends	Income from UCITS units	Dividends	Income from UCITS units
A. Financial assets held for trading	1.558	88	874	3
B. Financial assets available for sale	947	-	600	-
C. Financial assets at fair value through profit or loss	-	-	-	-
D. Equity investments	-	X	486	X
Total	**2.505**	**88**	**1.960**	**3**

The following is a breakdown of the data of the previous table, divided up according to bank group and insurance companies.

3.1.1 attributable to the banking group				
Item/Income	Total 31/12/2010		Total 31/12/2009	
	Dividends	Income from UCITS units	Dividends	Income from UCITS units
A. Financial assets held for trading	1.558	-	865	3
B. Financial assets available for sale	947	-	600	-
C. Financial assets at fair value through profit or loss	-	-	-	-
D. Equity investments	-	X	486	X
Total	**2.505**	**-**	**1.951**	**3**

3.1.2 attributable to insurance companies				
Item/Income	Total 31/12/2010		Total 31/12/2009	
	Dividends	Income from UCITS units	Dividends	Income from UCITS units
A. Financial assets held for trading	-	88	9	-
B. Financial assets available for sale	-	-	-	-
C. Financial assets at fair value through profit or loss	-	-	-	-
D. Equity investments	-	X	-	X
Total	**-**	**88**	**9**	**-**

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

4.1 Net gains/(losses) on trading activities: breakdown					
Transaction/Income component	**Capital gains (A)**	**Trading profits (B)**	**Capital losses (C)**	**Trading losses (D)**	**Net gains/(losses) [(A+B)-(C+D)]**
1. Financial assets held for trading	**1.229**	**34.052**	**6.872**	**19.611**	**8.798**
1.1 Debt securities	782	28.991	6.097	10.544	13.132
1.2 Equity securities	22	2.017	291	5.358	(3.610)
1.3 UCITS units	425	2.605	484	3.709	(1.163)
1.4 Loans and advances	-	-	-	-	-
1.5 Others	-	439	-	-	439
2. Financial liabilities held for trading	**-**	**1**	**-**	**455**	**(454)**
2.1 Debt securities	-	-	-	-	-
2.2 Debts	-	1	-	455	(454)
2.3 Others	-	-	-	-	-
3. Other financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**(3.748)**
4. Derivative instruments	**181.225**	**117.791**	**140.903**	**156.012**	**10.891**
4.1 Financial derivatives:	181.225	117.791	140.903	156.012	10.891
- On debt securities and interest rates	181.091	61.001	140.721	104.824	(3.453)
- On equity securities and share indices	134	56.712	182	51.103	5.561
- On currencies and gold	X	X	X	X	8.790
- Others	-	78	-	85	(7)
4.2 Credit derivatives	-	-	-	-	-
TOTAL	**182.454**	**151.844**	**147.775**	**176.078**	**15.487**

The following is a breakdown of the data of the previous table, divided up according to bank group and insurance companies.

4.1.1 attributable to the banking group					
Transaction / Income component	**Capital gains (A)**	**Trading profits (B)**	**Capital losses (C)**	**Trading losses (D)**	**Net gains / (losses) [(A+B)-(C+D)]**
1. Financial assets held for trading	**1.208**	**31.482**	**6.713**	**15.945**	**10.032**
1.1 Debt securities	776	28.993	6.097	10.504	13.168
1.2 Equity securities	18	2.017	252	5.358	(3.575)
1.3 UCITS units	414	33	364	83	-
1.4 Loans and advances	-	-	-	-	-
1.5 Others	-	439	-	-	439
2. Financial liabilities held for trading	**-**	**1**	**-**	**455**	**(454)**
2.1 Debt securities	-	-	-	-	-
2.2 Debts	-	1	-	455	(454)
2.3 Others	-	-	-	-	-
3. Other financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**(3.748)**
4. Derivative instruments	**181.225**	**117.777**	**140.893**	**155.993**	**10.906**
4.1 Financial derivatives:	181.225	117.777	140.893	155.993	10.906
- On debt securities and interest rates	181.091	61.001	140.721	104.824	(3.453)
- On equity securities and share indices	134	56.698	172	51.084	5.576
- On currencies and gold	X	X	X	X	8.790
- Others	-	78	-	85	(7)
4.2 Credit derivatives	-	-	-	-	-
TOTAL	**182.433**	**149.260**	**147.606**	**172.393**	**16.736**

4.1.2 attributable to insurance companies					
Transaction / Income component	**Capital gains (A)**	**Trading profits (B)**	**Capital losses (C)**	**Trading losses (D)**	**Net gains / (losses) [(A+B)-(C+D)]**
1. Financial assets held for trading	**21**	**2.570**	**159**	**3.666**	**(1.234)**
1.1 Debt securities	6	(2)	-	40	(36)
1.2 Equity securities	4	-	39	-	(35)
1.3 UCITS units	11	2.572	120	3.626	(1.163)
1.4 Loans and advances	-	-	-	-	-
1.5 Others	-	-	-	-	-
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Debts	-	-	-	-	-
2.3 Others	-	-	-	-	-
3. Other financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**-**
4. Derivative instruments	**-**	**14**	**10**	**19**	**(15)**
4.1 Financial derivatives:	-	14	10	19	(15)
- On debt securities and interest rates	-	-	-	-	-
- On equity securities and share indices	-	14	10	19	(15)
- On currencies and gold	X	X	X	X	-
- Others	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
TOTAL	**21**	**2.584**	**169**	**3.685**	**(1.249)**

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

5.1 Net gains/(losses) on hedging activities: breakdown

Income component / Amount	Total 31/12/2010	Total 31/12/2009
A. Income from:		
A.1 Fair value hedging derivatives	82.509	35.665
A.2 Hedged financial assets (fair value)	11.793	8.031
A.3 Hedged financial liabilities (fair value)	794	39
A.4 Cash flow hedging derivatives	-	-
A.5 Assets and liabilities in foreign currencies	-	-
Total income from hedging activities (A)	**95.096**	**43.735**
B. Expenses for:		
B.1 Fair value hedging derivatives	86.561	40.007
B.2 Hedged financial assets (fair value)	6.845	3.767
B.3 Hedged financial liabilities (fair value)	1.429	1.024
B.4 Cash flow hedging derivatives	-	-
B.5 Assets and liabilities in foreign currencies	-	-
Total expenses for hedging activities (B)	**94.835**	**44.798**
C. Net gains/ (losses) on hedging activities (A-B)	**261**	**(1.063)**

Figures reported under the item “Net gains/losses on hedging activities” are entirely attributable to the banking group.

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

6.1 Gains/(Losses) on sale/repurchase: breakdown						
Item / Income component	Total 31/12/2010			Total 31/12/2009		
	Gains	Losses	Net gains/(losses)	Gains	Losses	Net gains/(losses)
Financial assets						
1. Due from banks	897	111	786	510	470	40
2. Due from customers	607	4.073	(3.466)	896	207	689
3. Financial assets available for sale	11.828	1.749	10.079	12.484	1.407	11.077
3.1 Debt securities	7.738	1.724	6.014	4.354	1.263	3.091
3.2 Equity securities	4.090	25	4.065	8.130	144	7.986
3.3 UCITS units	-	-	-	-	-	-
3.4 Loans and advances	-	-	-	-	-	-
4. Financial assets held to maturity	6	-	6	192	199	(7)
Total assets	**13.338**	**5.933**	**7.405**	**14.082**	**2.283**	**11.799**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	302	-	302	1.864	-	1.864
3. Outstanding securities	996	1.563	(567)	1.215	1.664	(449)
Total liabilities	**1.298**	**1.563**	**(265)**	**3.079**	**1.664**	**1.415**

The following is a breakdown of the data of the previous table, divided up according to bank group and insurance companies.

6.1.1 attributable to the banking group						
Item / Income component	Total 31/12/2010			Total 31/12/2009		
	Gains	Losses	Net gains/(losses)	Gains	Losses	Net gains/(losses)
Financial assets						
1. Due from banks	867	109	758	510	470	40
2. Due from customers	607	4.073	(3.466)	896	207	689
3. Financial assets available for sale	6.711	788	5.923	11.038	1.352	9.686
3.1 Debt securities	2.621	763	1.858	2.908	1.208	1.700
3.2 Equity securities	4.090	25	4.065	8.130	144	7.986
3.3 UCITS units	-	-	-	-	-	-
3.4 Loans and advances	-	-	-	-	-	-
4. Financial assets held to maturity	6	-	6	192	199	(7)
Total assets	**8.191**	**4.970**	**3.221**	**12.636**	**2.228**	**10.408**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	302	-	302	1.864	-	1.864
3. Outstanding securities	900	1.441	(541)	1.200	1.632	(432)
Total liabilities	**1.202**	**1.441**	**(239)**	**3.064**	**1.632**	**1.432**

6.1.2 attributable to insurance companies						
Item/Income component	**Total 31/12/2010**			**Total 31/12/2009**		
	Gains	**Losses**	**Net gains/(losses)**	**Gains**	**Losses**	**Net gains/(losses)**
Financial assets						
1. Due from banks	30	2	28	-	-	-
2. Due from customers	-	-	-	-	-	-
3. Financial assets available for sale	5.117	961	4.156	1.446	55	1.391
3.1 Debt securities	5.117	961	4.156	1.446	55	1.391
3.2 Equity securities	-	-	-	-	-	-
3.3 UCITS units	-	-	-	-	-	-
3.4 Loans and advances	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	-	-	-
Total assets	**5.147**	**963**	**4.184**	**1.446**	**55**	**1.391**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Outstanding securities	96	122	(26)	15	32	(17)
Total liabilities	**96**	**122**	**(26)**	**15**	**32**	**(17)**

Section 7 - Net gains/(losses) on financial assets and liabilities at fair value through profit or loss - Item 110

7.1 Net change in asset/liabilities at fair value through profit or loss: breakdown					
Transactions/Income component	**Capital gains (A)**	**Realized profit (B)**	**Capital losses (C)**	**Realized losses (D)**	**Net gains/(losses) [(A+B)-(C+D)]**
1. Financial assets	**34.203**	**16.474**	**14.149**	**10.116**	**26.412**
1.1 Debt securities	11.955	5.591	9.789	4.353	3.404
1.2 Share capital securities	1.032	472	631	248	625
1.3 UCITS units	21.082	9.782	3.688	5.186	21.990
1.4 Loans and advances	134	629	41	329	393
2. Financial liabilities	**5.441**	**8.253**	**30.969**	**15.729**	**(33.004)**
2.1 Debt securities	-	11	-	-	11
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	5.441	8.242	30.969	15.729	(33.015)
3. Financial assets and liabilities in foreign currency: exchange differences	**X**	**X**	**X**	**X**	**163**
4. Credit and financial derivatives	**-**	**-**	**-**	**-**	**-**
Total	**39.644**	**24.727**	**45.118**	**25.845**	**(6.429)**

Net change in assets and liabilities at fair value through profit or loss is entirely attributable to the banking group.

Section 8 - Net value adjustments for impairment - Item 130

8.1 Net value adjustments for impairment of loans: breakdown

Transaction/ Income component	Writedowns (1)			Writebacks (2)				Total 31/12/2010 (1)-(2)	Total 31/12/2009 (1)-(2)
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Others		From interest	Other writebacks	From interest	Other writebacks		
A. Due from banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Loans and advances	-	-	-	-	-	-	-	-	-
- Debt securities	-	-	-	-	-	-	-	-	-
B. Due from customers	**(26.344)**	**(105.025)**	**(817)**	**8.321**	**27.457**	**-**	**-**	**(96.408)**	**(83.771)**
- Loans and advances	(26.344)	(105.025)	(817)	8.321	27.457	-	-	(96.408)	(83.771)
- Debt securities	-	-	-	-	-	-	-	-	-
C. Total	**(26.344)**	**(105.025)**	**(817)**	**8.321**	**27.457**	**-**	**-**	**(96.408)**	**(83.771)**

Net value adjustments for impairment of loans are entirely attributable to the banking group.

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

Transaction / Income component	Writedowns (1)		Writebacks (2)		Total 31/12/2010 (1)-(2)	Total 31/12/2009 (1)-(2)
	Specific		Specific			
	Write-offs	Others	From interest	Other writebacks		
A. Debt securities	-	-	-	-	-	-
B. Equity securities	-	(294)	X	X	(294)	(1.833)
C. UCITS units	-	-	X	-	-	-
D. Loans and advances to banks	-	-	-	-	-	-
E. Loans and advances to customers	-	-	-	-	-	-
F. Total	**-**	**(294)**	**-**	**-**	**(294)**	**(1.833)**

Net value adjustments for impairment of financial assets available for sale are entirely attributable to the banking group. In particular, the financial year saw the impairment of investments in Cartalis (for an amount of 279 euro thousand) and SACE (for 15 euro thousand).

8.4 Net writedowns for impairment of other financial transactions: breakdown									
Transaction / Income component	Writedowns (1)			Writebacks (2)				Total 31/12/2010 (1)-(2)	Total 31/12/2009 (1)-(2)
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Others		From interest	Other writebacks	From interest	Other writebacks		
A. Sureties issued	-	-	-	-	27	-	33	60	(327)
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	-	-	-	-	-	-	-	-
D. Other transactions	(28)	(92)	(53)	4	71	-	-	(98)	(253)
Total	**(28)**	**(92)**	**(53)**	**4**	**98**	**-**	**33**	**(38)**	**(580)**

The data concerning net writedowns for impairment of other financial transactions pertain to the bank group, with the exception of a thousand euros, which refer to insurance companies, in relation to book value adjustments on other transactions.

Section 9 - Net premiums - Item 150

9.1 Net premiums: breakdown				
Premiums deriving from insurance activity	**Direct work**	**Indirect work**	**Total 31/12/2010**	**Total 31/12/2009**
A. Life assurance				
A.1 Gross premiums written (+)	443.802	-	443.802	235.936
A.2 Reinsurance premiums ceded (-)	(1.656)	X	(1.656)	(1.555)
A.3 Total	442.146	-	442.146	234.381
B. Non-life assurance				
B.1 Gross premiums written (+)	1.637	-	1.637	1.601
B.2 Reinsurance premiums ceded (-)	(655)	X	(655)	(633)
B.3 Change in the gross amount of the premium reserve (+/-)	180	-	180	137
B.4 Change in the reinsurers' share of premiums reserve (+/-)	(92)	-	(92)	(71)
B.5 Total	1.070	-	1.070	1.034
C. Total net premiums	**443.216**	**-**	**443.216**	**235.415**

Section 10 - Balance of other income/expenses from insurance operations - Item 160

10.1 Balance of other income/expenses from insurance operations: breakdown		
Item	**Total 31/12/2010**	**Total 31/12/2009**
1. Net change in technical reserves	(267.028)	(205.392)
2. Incurred losses paid during the year	(196.126)	(67.614)
3. Other income/expenses from insurance operations	1.072	1.094
Total	**(462.082)**	**(271.912)**

10.2 Composition of subheading: "Net change in technical reserve"

Net change in technical reserve	Total 31/12/2010	Total 31/12/2009
1. Life assurance		
A. Actuarial reserves	(282.400)	(194.232)
A.1 Gross annual amount	(282.055)	(194.004)
A.2 (-) Reinsurers' shares	(345)	(228)
B. Other technical reserves	76	967
B.1 Gross annual amount	177	1.032
B.2 (-) Reinsurers' shares	(101)	(65)
C. Technical reserves where the investment risk is borne by the policyholders	15.247	(12.085)
C.1 Gross annual amount	15.247	(12.085)
C.2 (-) Reinsurers' shares	-	-
Total "Life assurance reserves"	**(267.077)**	**(205.350)**
2. Non-life assurance		
Change in other non-life technical reserves other than loss reserves net of reinsurance assignments	49	(42)

10.3 Composition of subheading: "Losses incurred in the year"

Net change in technical reserve	Total 31/12/2010	Total 31/12/2009
Life assurance: expenses for losses, net of reinsurance assignments		
A. Amounts paid	(190.979)	(66.533)
A.1 Gross annual amount	(191.240)	(66.931)
A.2 (-) Reinsurers' shares	261	398
B. Change in the reserve for outstanding claims	(4.718)	(541)
B.1 Gross annual amount	(4.908)	(591)
B.2 (-) Reinsurers' shares	190	50
Total Life assurance losses	**(195.697)**	**(67.074)**
Non-life assurance: expenses for losses, net of recoveries and reinsurance assignments		
C. Amounts paid	(496)	(546)
C.1 Gross annual amount	(688)	(768)
C.2 (-) Reinsurers' shares	192	222
D. Change in recoveries net of reinsurers' shares	6	-
E. Changes in loss reserve	61	6
E.1 Gross annual amount	90	7
E.2 (-) Reinsurers' shares	(29)	(1)
Total Non-life assurance losses	**(429)**	**(540)**

10.4 Composition of subheading: "Other income/expenses from insurance operations"

	Total 31/12/2010	Total 31/12/2009
LIFE ASSURANCE		
Income	**1.259**	**1.083**
- Other technical income net of reinsurance assignments	363	34
- Income and unrealized capital gains on investments in favour of risk-bearing policyholders	-	-
- Change in fees and other acquisition expenses to be amortized	-	-
- Fees and shares of profits received from reinsurers	896	1.049
Expenses	**(380)**	**(156)**
- Other technical expenses net of reinsurance assignments	(231)	(54)
- Expenses and unrealized capital losses on investments in favour of risk-bearing policyholders	-	-
- Acquisiton fees	(43)	(24)
- Other acquisition expenses	(7)	-
- Collection fees	(99)	(78)
Total Life assurance	**879**	**927**
NON-LIFE ASSURANCE		
Income	**280**	**289**
- Other technical income net of reinsurance assignments	34	10
- Change in fees and other acquisition expenses to be amortized	-	-
- Fees and shares of profits received from reinsurers	246	279
Expenses	**(87)**	**(122)**
- Other technical expenses net of reinsurance assignments	(82)	(24)
- Acquisiton fees	-	(97)
- Other acquisition expenses	-	-
- Collection fees	(5)	(1)
Total Non-life assurance	**193**	**167**

Section 11 - Administrative expenses - Item 180

11.1 Personnel expenses: breakdown

Type of expense/Amount	Total 31/12/2010	Total 31/12/2009
1) Employees	230.471	239.702
a) Wages and Salaries	167.901	174.420
b) Social security contributions	40.975	43.407
c) Severance indemnities	3.491	3.500
d) Pension expenses	410	437
e) Provision for employees' severance indemnities	1.124	1.428
f) Provision for pension funds and similar:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) Payments into external supplementary pension funds:	9.410	8.964
- defined contribution	9.410	8.964
- defined benefit	-	-
h) Costs deriving from share-based payment agreements	-	-
i) Other employee benefits	7.160	7.546
2) Other working personnel	3.029	2.457
3) Directors andf statuory auditors	5.219	5.905
4) Non-working personnel	-	-
Total	**238.719**	**248.064**

In compliance with the indications provided by the Bank of Italy with communication of 21 February 2011, some expenses previously included amongst “Other administrative expenses” were reclassified to personnel costs, to the sub-item “Other employee benefits”. The period of comparison was adapted accordingly for an amount of 4,2 million euro.
For more details on the sub-item of allocation of these reclassifications, refer to table "11.4 Other employee benefits" of the Explanatory Notes, Section C - Income statement.

The following is a breakdown of the data of the previous table, divided up according to bank group and insurance companies.

11.1.1 attributable to the banking group		
Type of expense/Amount	**Total 31/12/2010**	**Total 31/12/2009**
1) Employees	227.107	235.836
a) Wages and Salaries	165.537	171.616
b) Social security contributions	40.408	42.747
c) Severance indemnities	3.488	3.495
d) Pension expenses	410	437
e) Provision for employees' severance indemnities	1.031	1.302
f) Provision for pension funds and similar:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) Payments into external supplementary pension funds:	9.273	8.841
- defined contribution	9.273	8.841
- defined benefit	-	-
h) Costs deriving from share-based payment agreements	-	-
i) Other employee benefits	6.960	7.398
2) Other working personnel	2.542	2.412
3) Directors andf statuory auditors	4.869	5.528
4) Non-working personnel	-	-
Total	**234.518**	**243.776**

11.1.2 attributable to insurance companies		
Type of expense/Amount	**Total 31/12/2010**	**Total 31/12/2009**
1) Employees	3.364	3.866
a) Wages and Salaries	2.364	2.804
b) Social security contributions	567	660
c) Severance indemnities	3	5
d) Pension expenses	-	-
e) Provision for employees' severance indemnities	93	126
f) Provision for pension funds and similar:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) Payments into external supplementary pension funds:	137	123
- defined contribution	137	123
- defined benefit	-	-
h) Costs deriving from share-based payment agreements	-	-
i) Other employee benefits	200	148
2) Other working personnel	487	45
3) Directors andf statuory auditors	350	377
4) Non-working personnel	-	-
Total	**4.201**	**4.288**

11.2 Average number of employees per category	Total 31/12/2010	Total 31/12/2009
Employees:	3.967	4.226
- Executives	78	75
- Middle management	932	976
- Remaining employees	2.957	3.176
Other personnel	33	44
Total	**4.000**	**4.271**

The following is a breakdown of the data of the previous table, divided up according to bank group and insurance companies.

11.2.1 attributable to the banking group	Total 31/12/2010	Total 31/12/2009
Employees:	3.925	4.184
- Executives	69	66
- Middle management	923	968
- Remaining employees	2.933	3.151
Other personnel	31	44
Total	**3.956**	**4.229**

11.2.2 attributable to insurance companies	Total 31/12/2010	Total 31/12/2009
Employees:	42	42
- Executives	9	9
- Middle management	9	8
- Remaining employees	24	25
Other personnel	2	-
Total	**44**	**42**

11.4 Other employee benefits	Total 31/12/2010	Total 31/12/2009
Costs relating to staff exits	335	161
Benefits for employees' children	214	201
Benefits in kind	442	438
Insurance policies stipulated in favour of employees	1.726	1.719
Professional employee update courses	1.108	1.408
Travel costs	2.102	2.128
Others	1.233	1.491
Total	**7.160**	**7.546**

In compliance with the indications provided by the Bank of Italy with communication of 21 February 2011, some expenses previously included amongst "Other administrative expenses" were reclassified to personnel costs, to the sub-item "Other employee benefits". The period of comparison was adapted accordingly for an amount of 4,2 million euro.

The following is a breakdown of the data of the other employee benefits item, divided up according to bank group and insurance companies.

11.4.1 attributable to the banking group

	Total 31/12/2010	Total 31/12/2009
Costs relating to staff exits	335	161
Benefits for employees' children	214	201
Benefits in kind	442	438
Insurance policies stipulated in favour of employees	1.716	1.709
Professional employee update courses	1.093	1.397
Travel costs	2.051	2.080
Others	1.109	1.412
Total	**6.960**	**7.398**

11.4.2 attributable to the insurance companies

	Total 31/12/2010	Total 31/12/2009
Costs relating to staff exits	-	-
Benefits for employees' children	-	-
Benefits in kind	-	-
Insurance policies stipulated in favour of employees	10	10
Professional employee update courses	15	11
Travel costs	51	48
Others	124	79
Total	**200**	**148**

11.5 Other administrative expenses: breakdown

Type of expense / Segments	Total 31/12/2010	Total 31/12/2009
Legal and notarial expenses	8.057	7.342
IT assistance and sundry advice	4.866	5.051
Other expenses for professional services	331	619
Printing and stationery	1.216	1.854
Leasing of electronic machines and software licences	1.811	1.999
Sundry rentals and expenses for services provided by third parties	20.417	21.249
Fees for data transmission	4.946	4.963
Purchase of sundry materials for data processing centre	108	275
Postal and telegraphic expenses	7.578	8.340
Telephone charges	2.571	3.028
Transport expenses	2.705	2.914
Cleaning of premises	1.831	1.820
Surveillance and escort of valuables	3.212	3.156
Electricity and heating	4.765	4.776
Rent of premises	20.101	21.378
Sundry insurance policies	2.629	2.790
Advertising and promotion	1.683	2.991
Entertainment expenses	615	532
Donations	227	151
Membership fees	1.997	2.120
Subscriptions and books	259	300
Gifts to staff	56	47
Personnel studies	7	2
Information and inspections	4.077	4.557
Travelling expenses	1.165	1.352
Expenses for interbank network service	524	814
Expenses for web site	4	32
Pension expenses for financial promoters	687	649
Other fees payable	3.880	3.481
Others	3.787	2.915
Maintenance and repair expenses	**11.971**	**14.324**
- Properties owned	317	356
- Properties rented	280	503
- Movables	3.334	3.660
- Hardware and software	8.040	9.805
Indirect taxes and duties	**30.836**	**29.271**
- Stamp duty	22.949	23.617
- Substitute tax Pres. Dec. 601/73	2.045	1.928
- Local property tax	646	577
- Other indirect taxes and duties	5.196	3.149
Total	**148.919**	**155.092**

In compliance with the indications provided by the Bank of Italy with communication of 21 February 2011, some expenses previously included amongst “Other administrative expenses” were reclassified to personnel costs, to the sub-item “Other employee benefits”. The period of comparison was adapted accordingly for an amount of 4,2 million euro.

For more details on the sub-item of allocation of these reclassifications, refer to table "11.4 Other employee benefits" of the Explanatory Notes, Section C - Income statement.

Below are details as required by art. 2427 of the Italian Civil Code, paragraph 16—bis in relation to fees paid to the independent auditing firm:

Breakdown of fees paid to the independent auditing firm	
	31/12/2010
Fees due for:	
- legal auditing of the accounts	1.445
- other auditing services	77
- tax consulting	18
- services other than auditing the accounts	96
Total	**1.636**

The following is a breakdown of the data of other administrative expenses, divided up according to bank group and insurance companies.

11.5.1 attributable to the banking group		
Type of expense /Segments	**Total 31/12/2010**	**Total 31/12/2009**
Legal and notarial expenses	7.753	6.932
IT assistance and sundry advice	4.731	4.924
Other expenses for professional services	192	210
Printing and stationery	1.191	1.832
Leasing of electronic machines and software licences	1.811	1.999
Sundry rentals and expenses for services provided by third parties	20.167	20.859
Fees for data transmission	4.909	4.909
Purchase of sundry materials for data processing centre	108	275
Postal and telegraphic expenses	7.521	8.215
Telephone charges	2.536	2.986
Transport expenses	2.692	2.901
Cleaning of premises	1.820	1.805
Surveillance and escort of valuables	3.212	3.156
Electricity and heating	4.757	4.765
Rent of premises	19.756	21.036
Sundry insurance policies	2.584	2.695
Advertising and promotion	1.562	2.806
Entertainment expenses	612	528
Donations	227	148
Membership fees	1.817	1.992
Subscriptions and books	257	298
Gifts to staff	56	47
Personnel studies	3	-
Information and inspections	4.077	4.557
Travelling expenses	1.165	1.352
Expenses for interbank network service	524	814
Expenses for web site	4	32
Pension expenses for financial promoters	687	649
Other fees payable	3.845	3.451
Others	3.475	2.595
Maintenance and repair expenses	**11.734**	**14.090**
- Properties owned	317	356
- Properties rented	280	503
- Movables	3.312	3.641
- Hardware and software	7.825	9.590
Indirect taxes and duties	**30.819**	**29.248**
- Stamp duty	22.947	23.616
- Substitute tax Pres. Dec. 601/73	2.045	1.928
- Local property tax	646	577
- Other indirect taxes and duties	5.181	3.127
Total	**146.604**	**152.106**

11.5.2 attributable to insurance companies		
Type of expense /Segments	**Total 31/12/2010**	**Total 31/12/2009**
Legal and notarial expenses	304	410
IT assistance and sundry advice	135	127
Other expenses for professional services	139	409
Printing and stationery	25	22
Sundry rentals and expenses for services provided by third parties	250	390
Fees for data transmission	37	54
Postal and telegraphic expenses	57	125
Telephone charges	35	42
Transport expenses	13	13
Cleaning of premises	11	15
Electricity and heating	8	11
Rent of premises	345	342
Sundry insurance policies	45	95
Advertising and promotion	121	185
Entertainment expenses	3	4
Donations	-	3
Membership fees	180	128
Subscriptions and books	2	2
Personnel studies	4	2
Other fees payable	35	30
Others	312	320
Maintenance and repair expenses	**237**	**234**
- Movables	22	19
- Hardware and software	215	215
Indirect taxes and duties	**17**	**23**
- Stamp duty	2	1
- Other indirect taxes and duties	15	22
Total	**2.315**	**2.986**

Section 12 - Net provisions for risks and charges - Item 190

12.1 Net provisions for risks and charges: breakdown

	Balances 31/12/2010	Balances 31/12/2009
Relating to risks of legal disputes and customer complaints	4.390	6.236
Relating to operational risk	2.083	1.104
Relating to staff expenses	509	4.651
Relating to other risks	1.736	1.299
Reattributions to Income Statement relating to risks of legal disputes and customer complaints	(2.716)	(4.800)
Reattributions to Income Statement relating to operational risk	(288)	(1.680)
Reattributions to Income Statement relating to staff expenses	(121)	(36)
Reattributions to Income Statement relating to other risks	(670)	(142)
Total	**4.923**	**6.632**

The data concerning net provisions for risks and charges pertain to the bank group, with the exception of 146 thousand euro, which refer to insurance companies, stated amongst provisions relating to operational risks (41 thousand euro) and relating to other risks (105 thousand euro).

Section 13 - Net value adjustments of tangible assets - Item 200

13.1 Net value adjustments of tangible assets: breakdown

Asset/Income components	Amortization (a)	Writedowns for impairment (b)	Writebacks (c)	Net adjustment (a+b-c)
A. Tangible assets				
A.1 Owned	18.268	16	-	18.284
- for business purposes	18.130	16	-	18.146
- for investment	138	-	-	138
A.2 Acquired in financial leasing	-	-	-	-
- for business purposes	-	-	-	-
- for investment	-	-	-	-
Total	**18.268**	**16**	**-**	**18.284**

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

The data concerning net value adjustments of tangible assets pertain to the bank group, with the exception of 74 thousand euro, which refer to insurance companies, stated amongst amortization of tangible assets owned for business purpose.

Section 14 - Net value adjustments of intangible assets - Item 210

14.1 Net value adjustments of intangible assets: breakdown				
Asset/ Income component	**Amortization (a)**	**Writedowns for impairment (b)**	**Writebacks (c)**	**Net adjustments (a+b-c)**
A. Intangible assets				
A.1 Owned	15.254	-	-	15.254
- Generated internally by the company	148	-	-	148
- Others	15.106	-	-	15.106
A.2 Acquired in financial leasing	-	-	-	-
Total	**15.254**	**-**	**-**	**15.254**

For the description of execution modes of impairment test on intangible assets and related income statement net value adjustments, please refer to that exposed in the present Explanatory notes, Part B - Assets, Section 13, Intangible assets.

The following is a breakdown of the data of the previous table, divided up according to bank group and insurance companies.

14.1.1 attributable to the banking group				
Asset/ Income component	**Amortization (a)**	**Writedowns for impairment (b)**	**Writebacks (c)**	**Net adjustments (a+b-c)**
A. Intangible assets				
A.1 Owned	15.019	-	-	15.019
- Generated internally by the company	148	-	-	148
- Others	14.871	-	-	14.871
A.2 Acquired in financial leasing	-	-	-	-
Total	**15.019**	**-**	**-**	**15.019**

14.1.2 attributable to insurance companies				
Asset/ Income component	**Amortization (a)**	**Writedowns for impairment (b)**	**Writebacks (c)**	**Net adjustments (a+b-c)**
A. Intangible assets				
A.1 Owned	235	-	-	235
- Generated internally by the company	-	-	-	-
- Others	235	-	-	235
A.2 Acquired in financial leasing	-	-	-	-
Total	**235**	**-**	**-**	**235**

Section 15 - Other operating expenses and income - Item 220

Other operating expenses and income	31/12/2010	31/12/2009
Total other operating expenses	22.398	18.814
Total other operating income	60.020	56.785
Other operating expenses and income	**37.622**	**37.971**

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

15.1 Other operating expenses: breakdown	Total 31/12/2010	Total 31/12/2009
Amortization of expenses for improvements on third party assets	2.767	2.717
Losses related to operational risks	5.148	3.980
Refunds of interest on collection and payment transactions	80	635
Financial leasing management expenses	825	896
Penalties payable for contract defaults	50	69
Expenses for service renderings advanced on behalf of customers	105	139
Insurance premiums advanced on behalf of customers	842	735
Costs advanced on behalf of customers	1.102	1.008
Service renderings related to credit recovery	1.026	773
Return to customers of Funds-UCITS incentives (Mifid)	914	400
Others	9.539	7.462
Total	**22.398**	**18.814**

The data concerning other operating expenses pertain to the bank group, with the exception of 20 thousand euro, which refer to insurance companies, stated amongst the item "Others".

15.2 Other operating income: breakdown

	Total 31/12/2010	Total 31/12/2009
Rents and instalments receivable	1.442	1.377
Charges to third parties and refunds received:	24.536	24.414
- taxes recovered	23.454	23.724
- insurance premiums and refunds	1.082	690
Expenses recovered and other revenues on current accounts and deposits	366	6
Income from software services	1.699	6.275
Recoveries of interest on collection and payment transactions	97	446
Income on insurance brokerage activities	2.710	2.854
Rents and income from financial leasing	890	1.848
POS fee income	2.408	1.500
Administrative services rendered to third parties	443	473
Penalties receivable for contract defaults	63	23
Expenses and services rendered in advance on behalf of customers	1.284	1.203
Expenses recovered for services rendered in relation to credit recovery	1.623	3.300
Other income	22.459	13.066
Total	**60.020**	**56.785**

The following is a breakdown of other operating income, divided up according to bank group and insurance companies.

15.2.1 attributable to the banking group

	Total 31/12/2010	Total 31/12/2009
Rents and instalments receivable	1.442	1.377
Charges to third parties and refunds received:	24.536	24.414
- taxes recovered	23.454	23.724
- insurance premiums and refunds	1.082	690
Expenses recovered and other revenues on current accounts and deposits	366	6
Income from software services	1.699	6.275
Recoveries of interest on collection and payment transactions	97	446
Rents and income from financial leasing	890	1.848
POS fee income	2.408	1.500
Administrative services rendered to third parties	443	473
Penalties receivable for contract defaults	63	23
Expenses and services rendered in advance on behalf of customers	1.284	1.203
Expenses recovered for services rendered in relation to credit recovery	1.623	3.300
Other income	22.373	12.967
Total	**57.224**	**53.832**

15.2.2 attributable to insurance companies		
	Total 31/12/2010	**Total 31/12/2009**
Income on insurance brokerage activities	2.710	2.854
Other income	86	99
Total	**2.796**	**2.953**

Section 16 - Gains/(Losses) on equity investments - Item 240

16.1 Gains/(losses) on equity investments: breakdown		
Income components/Sectors	**Total 31/12/2010**	**Total 31/12/2009**
1) Jointly-controlled companies		
A. Income	-	-
1. Revaluations	-	-
2. Gains on sales	-	-
3. Writebacks	-	-
4. Other incomes	-	-
B. Expenses	-	-
1. Devaluations	-	-
2. Impairment losses	-	-
3. Losses on sales	-	-
4. Other expenses	-	-
Net gains/(losses)	**-**	**-**
2) Companies subject to significant influence		
A. Income	570	483
1. Revaluations	570	475
2. Gains on sales	-	-
3. Writebacks	-	-
4. Other incomes	-	8
B. Expenses	763	1.947
1. Devaluations	763	1.444
2. Impairment losses	-	412
3. Losses on sales	-	91
4. Other expenses	-	-
Net gains/(losses)	**(193)**	**(1.464)**
Total	**(193)**	**(1.464)**

The following is a breakdown of the data of the previous table, divided up according to bank group and insurance companies.

16.1.1 attributable to the banking group		
Income components/Sectors	**Total 31/12/2010**	**Total 31/12/2009**
1) Jointly-controlled companies		
A. Income	-	-
1. Revaluations	-	-
2. Gains on sales	-	-
3. Writebacks	-	-
4. Other incomes	-	-
B. Expenses	-	-
1. Devaluations	-	-
2. Impairment losses	-	-
3. Losses on sales	-	-
4. Other expenses	-	-
Net gains/(losses)	**-**	**-**
2) Companies subject to significant influence		
A. Income	570	483
1. Revaluations	570	475
2. Gains on sales	-	-
3. Writebacks	-	-
4. Other incomes	-	8
B. Expenses	272	809
1. Devaluations	272	718
2. Impairment losses	-	-
3. Losses on sales	-	91
4. Other expenses	-	-
Net gains/(losses)	**298**	**(326)**
Total	**298**	**(326)**

16.1.2 attributable to insurance companies		
Income components/Sectors	**Total 31/12/2010**	**Total 31/12/2009**
1) Jointly-controlled companies		
A. Income	-	-
1. Revaluations	-	-
2. Gains on sales	-	-
3. Writebacks	-	-
4. Other incomes	-	-
B. Expenses	-	-
1. Devaluations	-	-
2. Impairment losses	-	-
3. Losses on sales	-	-
4. Other expenses	-	-
Net gains/(losses)	**-**	**-**
2) Companies subject to significant influence		
A. Income	-	-
1. Revaluations	-	-
2. Gains on sales	-	-
3. Writebacks	-	-
4. Other incomes	-	-
B. Expenses	491	1.138
1. Devaluations	491	726
2. Impairment losses	-	412
3. Losses on sales	-	-
4. Other expenses	-	-
Net gains/(losses)	**(491)**	**(1.138)**
Total	**(491)**	**(1.138)**

Section 18 - Impairment of goodwill - Item 260

18.1 Impairment of goodwill: breakdown		
	31/12/2010	**31/12/2009**
Impairment of goodwill	530	1.393
Total	**530**	**1.393**

The amount relating to 2010 includes the effects of the writedown of goodwill in relation to Sella Capital Management SGR S.p.A. in liquidation (for 32 thousand euro), Sella Synergy India P. Ltd. (for 134 thousand euro) and the participated company Agata (for 211 thousand euro).

The adjustment of 1.393 thousand euro in relation to 2009 referred to the effects of the writedown of the equity investments held by the companies of the Group in Banca Monte Parma S.p.A. (for 1.316 thousand euro) and in Retail Italia S.r.l. (for 77 thousand euro).

Please refer to the explanations given in Part A – Accounting policies of these Explanatory Notes, for more in-depth information on the means by which the loss of value of goodwill has been determined. For a description of the means by which impairment testing is carried out on goodwill, please instead refer to the explanations given in Part B - Assets, Section 13, Intangible assets.

Section 19 - Gains (losses) on sales of investments - Item 270

19.1 Gains/(losses) on sales of investments: breakdown		
Income component/Amount	**Total 31/12/2010**	**Total 31/12/2009**
A. Properties	485	-
- Gains on sales	485	-
- Losses on sales	-	-
B. Altre attività	(47)	64
- Gains on sales	21	87
- Losses on sales	68	23
Net gains/(losses)	**438**	**64**

Gains and losses on sales of investments are entirely attributable to the banking group.

Section 20 - Income taxes for the period on continuing operations - Item 290

20.1 Income taxes for the period on continuing operations: breakdown		
Component/Amount	**Total 31/12/2010**	**Total 31/12/2009**
1. Current taxes (-)	(40.380)	(51.176)
2. Change in current taxes of previous years (+/-)	932	4.889
3. Reduction of current taxes for the year (+)	1.934	2.074
4. Change in prepaid taxes (+/-)	9.822	12.628
5. Change in deferred taxes (+/-)	(4.131)	3.248
6. Taxes for the period (-) (-1+/-2+3+/-4+/-5)	(31.823)	(28.337)

The following is a breakdown of the data of the previous table, divided up according to bank group and insurance companies.

20.1.1 attributable to the banking group

Component/Amount	Total 31/12/2010	Total 31/12/2009
1. Current taxes (-)	(42.628)	(48.071)
2. Change in current taxes of previous years (+/-)	(931)	(4.873)
3. Reduction of current taxes for the year (+)	(1.934)	(2.074)
4. Change in prepaid taxes (+/-)	(9.943)	(12.870)
5. Change in deferred taxes (+/-)	(95)	(2.157)
6. Taxes for the period (-) (-1+/-2+3+/-4+/-5)	(29.725)	(26.097)

20.1.2 attributable to insurance companies

Component/Amount	Total 31/12/2010	Total 31/12/2009
1. Current taxes (-)	2.248	(3.105)
2. Change in current taxes of previous years (+/-)	(1)	(16)
3. Reduction of current taxes for the year (+)	-	-
4. Change in prepaid taxes (+/-)	121	242
5. Change in deferred taxes (+/-)	4.226	(1.091)
6. Taxes for the period (-) (-1+/-2+3+/-4+/-5)	(2.098)	(2.240)

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

Description	Taxable income	Rate	Income tax
Profit from continuing operations before taxes	60.882		
Nominal rate (*)		**32,32%**	**19.677**
Portion of dividends exempt from tax	(1.564)	-0,71%	(430)
Non-deductible interest expense (the so-called “Robin Hood tax”)	3.165	1,43%	870
Non-deductible devaluations of equity securities	1.017	0,46%	280
Untaxed capital gains on equity	(3.201)	-1,45%	(880)
Taxable portion of intragroup dividends	627	0,28%	172
Sundry non-deductible costs	4.345	1,96%	1.195
Losses for the year for which no prepaid taxes have been allocated	1.052	0,56%	340
Change to life reserves (LD 78/2010)	3.157	1,43%	868
Non-taxed capital gains on business conferrals	(5.842)	-3,10%	(1.888)
Lower taxes previous years		-3,13%	(1.905)
Other differences		0,12%	71
Adjusted rate		**30,17%**	**18.371**
Other differences - Irap taxable base	279.097	22,10%	13.452
Effective rate		**52,27%**	**31.823**

(*) *IRES rate + average IRAP rate of parent company*

Section 21 - Gains (losses) on assets held for sale after tax - Item 310

21.1 Gains (losses) on assets held for sale after tax: breakdown

Income components/Sectors	Totale 31/12/2010	Totale 31/12/2009
1. Income	3.069	-
2. Expenses	(12.066)	-
3. Result of valuations of asset group and associated liabilities	-	-
4. Gains (losses) on realization	-	-
5. Taxes and duties	-	-
Profit (loss)	**(8.997)**	**-**

The item Gains (losses) on groups of assets/liabilities held for sale after tax includes:

- income and expense for the year of Banque BPP, for an amount 0,6 million euros, of which assets and liabilities have been classified amongst the groups of assets/liabilities held for sale, given that at the end of the year, the sales agreement had already been signed and scheduled for the first half of 2011, of the entire share capital by Banca Sella Holding and Sella Holding NV;
- the effects of the write-down of the investment in Banca Monte Parma, for an amount of 8,4 million euros; this investment has been included in the category in question, as: the Board of Directors of Banca Sella Holding and C.B.A. Vita resolved its sale. It is also specified that the forecast sales price is in line and reasonable with respect to the current fair value, that it is highly probable that the transaction will be concluded during 2011 and that there are currently no foreseeable circumstances whereby the sales programme is likely to change.

We note that the decision to classify the investment in Banca Monte Parma as asset held for sale does not have any economic impact over and above the impairment already envisaged by the impairment test.
This investment has been measured on the basis of a comprehensive value of the company of 257,9 million euros, equal to the same value on which the offer received from the Fondazione Monte Parma by Intesa San Paolo was based for the purchase of 51% of the share capital of Banca Monte Parma.
This measurement has yielded a new unit price per share of 92,107 euros, which, multiplied by the percentages of competence of the Group (4,5969% of Banca Sella Holding and 3,00% of CBA Vita) and compared with the book value, results in an impairment loss on the Consolidated Financial Statements of approximately 8,4 million euros (5,1 for Banca Sella Holding and 3,3 C.B.A. Vita).

The following is a breakdown of the data of the previous table, divided up according to bank group and insurance companies.

21.1.1 attributable to the banking group		
Income components/ Sectors	**Totale 31/12/2010**	**Totale 31/12/2009**
1. Income	3.069	-
2. Expenses	(8.758)	-
3. Result of valuations of asset group and associated liabilities	-	-
4. Gains (losses) on realization	-	-
5. Taxes and duties	-	-
Profit (loss)	**(5.689)**	**-**

21.1.2 attributable to insurance companies		
Income components/ Sectors	**Totale 31/12/2010**	**Totale 31/12/2009**
1. Income	-	-
2. Expenses	(3.308)	-
3. Result of valuations of asset group and associated liabilities	-	-
4. Gains (losses) on realization	-	-
5. Taxes and duties	-	-
Profit (loss)	**(3.308)**	**-**

Section 22 - Profit (loss) for the year pertaining to minority interest - Item 330

22.1 and 22.2 Detail of item 330 "Profit (loss) for the year pertaining to minority interest"		
	Total 31/12/2010	**Total 31/12/2009**
Banca Sella Sud Arditi Galati S.p.A	438	1.309
Biella Leasing S.p.A.	1.456	1.231
Banca Patrimoni Sella & C. S.p.A.	999	275
Banca Sella Nordest Bovio Calderari S.p.A.	(3.358)	(2.708)
Consel S.p.A.	1.447	1.013
CBA Vita S.p.A.	(398)	300
Sella Gestioni SGR S.p.A.	55	275
Brosel S.p.A.	140	185
Sella Bank AG	167	295
Altre	97	69
Profit for the year pertaining to minority interest	**1.043**	**2.244**

Section 24 - Earning per share

IAS 33 requires the indication of both the basic earnings per share (basic EPS) and the diluted earnings per share (diluted EPS). Banca Sella Holding does not hold any instruments representing capital that could potentially dilute the basic earnings per share. As such, the diluted earnings per share correspond to the basic earnings per share.

Earnings per share	31/12/2010		31/12/2009	
	Ordinary	**Other**	**Ordinary**	**Other**
Profit for the period pertaining to the Parent Company (*thousands of euro*)	19.019	-	26.838	-
Average number of shares in circulation	201.000.000	-	201.000.000	-
Basic EPS (*units of euros*)	**0,09**	-	**0,13**	-

The basic EPS has been calculated by dividing the economic result that can be assigned to holders of ordinary shares of the Parent Company (numerator) by the weighted average of ordinary shares (denominator) in circulation during the year. With reference to the denominator of the indicator in question, it is noted that the weighted average of ordinary shares in circulation amounts to the number of ordinary shares in circulation as of 31 December 2010 (namely 201.000.000), insofar as:

- as of 1 January 2010, 201.000.000 ordinary shares in Banca Sella Holding were in circulation;
- during 2010, Banca Sella Holding did not issue any new ordinary or privileged shares;
- as of 31 December 2010, Banca Sella Holding did not hold any own shares in the portfolio.

PART D CONSOLIDATED COMPREHENSIVE INCOME

Detailed statement of consolidated comprehensive income				
	Items	Gross Amount	Income taxes	Net Amount
10.	**Net profit/(Loss) for the year**	**X**	**X**	**20.062**
	Other income net of tax			
20.	Financial assets available for sale:	(33.034)	10.062	(22.972)
	a) fair value changes	(30.931)	9.591	(21.340)
	b) reversal to income statement	(2.103)	471	(1.632)
	- impairment losses	-	-	-
	- gain/losses from disposal	(2.103)	471	(1.632)
	c) other changes	-	-	-
30.	Tangible assets	(117)	39	(78)
40.	Intangible assets	-	-	-
50.	Hedges on foreign investments:	-	-	-
	a) fair value changes	-	-	-
	b) reversal to income statement	-	-	-
	c) other changes	-	-	-
60.	Hedges on cash flows:	-	-	-
	a) fair value changes	-	-	-
	b) reversal to income statement	-	-	-
	c) other changes	-	-	-
70.	Foreign exchange differences:	-	-	-
	a) fair value changes	-	-	-
	b) reversal to income statement	-	-	-
	c) other changes	-	-	-
80.	Non-current assets held for sale:	-	-	-
	a) fair value changes	-	-	-
	b) reversal to income statement	-	-	-
	c) other changes	-	-	-
90.	Actuarial Gains (Losses) on defined benefit plans	-	-	-
100.	Share of valuation reserves connected with investments carried at equity:	(327)	-	(327)
	a) fair value changes	(327)	-	(327)
	b) reversal to income statement	-	-	-
	- impairment losses	-	-	-
	- gain/losses from disposal	-	-	-
	c) other changes	-	-	-
110.	**Total other income net of tax**	**(33.478)**	**10.101**	**(23.377)**
120.	**Comprehensive profit (Item 10+110)**	**X**	**X**	**(3.315)**
130	Consolidated comprehensive profit pertaining to minority ionterest	X	X	(1.625)
140	**Consolidated comprehensive profit pertaining to Parent Company**	**X**	**X**	**(1.690)**

Financial assets held for sale amounts refer to the impact of valuation reserves in relation to this portfolio. The negative trend of the item above all refers to the component relating to public debt securities, above all Italian, held specifically by C.B.A. Vita S.p.A. and the Italian banks of the Group.

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

For C.B.A. Vita the measurement at fair value has had a negative impact on equity, gross of taxes and deferred liabilities towards the insured parties, equal to 17 million euros.
Financial assets held for sale of C.B.A. Vita do not include any capital securities. As such, as already mentioned previously, the capital losses mainly refer to state securities, the vast majority of which are Italian. No impairment has been recorded as this trend has been caused by an increase in rates and expansion of the credit spreads described above, and it is therefore considered that capital losses are temporary in nature.

With regards to Italian banks, we note that within the Banca Patrimoni Sella & C. securities portfolio, there are Greek government securities, which are amongst those most affected by the macroeconomic dynamics described previously.
With regards to exposure towards Italy, on the other hand, also in relation to the Group's regulation, which establishes that at least 50% of the portfolio shall be invested in Italian government securities, the Italian banks of the Group have decided not to sell securities whose listing is temporarily compressed by market contexts.

PART E INFORMATION ON RISKS AND ASSOCIATED HEDGING POLICIES

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

» SECTION 1 - BANKING GROUP RISKS

1.1 Credit risk

QUALITATIVE INFORMATION

1. General aspects

The Banca Sella Group considers the measurement and management of credit risk to be of crucial importance. The 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 business needs with the need to ensure the maintenance of high quality for the lending business.

Specifically, credit risk control activities are the responsibility of the Risk Management and Audit (Credit Risk Management Unit) of Banca Sella Holding and Credit Quality Control Services of Sella Servizi Bancari. The former has the task of monitoring and quantifying the credit risk assumed by the Group companies, assessing its sustainability and, through the use of shared instruments, facilitating effective and proactive management. The latter is instead engaged in more traditional monitoring mainly oriented to an analysis of single risk positions and to a trend-type analysis of some variables considered significant in terms of controlling the 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 Group banks.

In the process of credit disbursement, applications must first be assessed by a specific decisionmaking structure in the branch. In support of the assessment process, for Retail and Small Business customers the bank developed an automatic acceptance scoring instrument.

In accordance with the limits of its autonomy, the branch may accept the application, reject it or, sometimes, modify it (for example requesting further guarantees or proposing a reduction in the amount applied for or a different type of loan or advance).

Depending on the amount and type of credit requested, applications for loans or advances are decided by different bodies within the structure of each Group bank, from the branches up to the

Board of Directors. With specific reference to mortgage loans, applications are initially assessed by a central office which analyses the documentation and the objective characteristics of the property to be financed, and the creditworthiness of the customer. This process culminates in the formulation of an opinion in support of the decision-making process.

If the procedure provides for the acquisition of guarantees in the form of pledges, sureties or mortgages, the process requires detailed examination of the documents acquired. The conclusion of this examination is necessary for the application process to be completed and for the guarantees themselves to be used for the weighting of capital absorption.

After disbursement, borrowing positions must be reviewed regularly in order to check maintenance of the creditworthiness and to evaluate any new needs of the customer. In support of this activity, at the beginning of each month an automatic procedure refers the dossiers to be reviewed to the relevant branches.

In order to monitor the trend of the account relations, the internal procedure was entirely reviewed to classify customers even more precisely according to the anomalies that may arise from their account relations. Four risk categories were defined and a detailed sheet with possible irregularities is available to all customers. Depending on the seriousness of the problem, a specific management process was defined so as to guarantee customer service and eliminate trend anomalies.

2.2 Systems of management, measurement and control

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

The Parent Company's 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, different management processes and analysis tools are used according to a segmentation of customers in keeping with the parameters laid down in the Basel 2 Standardized Approach, as confirmed in Bank of Italy Circular 263/2006. The customer segmentation makes it possible, among other things, to divide enterprises into four size classes, labelled in ascending order: small businesses, small and medium enterprises, corporate enterprises and large corporate enterprises.

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

The internal rating used in italian banks of Banca Sella Group is an automatic rating integrated into the company information system and is made up of the following components:

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

- Enterprise rating: a combination of the statutory accounting rating and the qualitative component deriving from compilation of a specific questionnaire by the account manager. Like the statutory accounting rating, the enterprise rating may be calculated for every borrower or potential borrower. In the case of a new customer, it represents the most detailed assessment possible of creditworthiness and is assimilable to an "acceptance rating" as it is based on quantitative and qualitative data that do not depend on performance variables. In view of the need to contain the volatility of the enterprise rating, the difference between this rating and the statutory accounting rating is opportunely limited to no more than one class.
- Overall rating: a combination of the enterprise rating and a behavioural component (data from the Central Credit Register and internal performance information). It is the most detailed assessment possible of the creditworthiness of a customer. Unlike the statutory accounting rating and the enterprise rating, it can only be calculated on companies which have been customers for at least three months.

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

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

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

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

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

The Group is also aware of the importance of all the risk factors that are connected with credit risk but not measured by the instruments provided in the First Pillar of Basel 2, such as the concentration risk (in its dual single-name and sectorial meaning) and residual risk (the risk that credit 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, of which precise thresholds have been set to limit the overall exposure in each business sector/geographical area and dimensional class. As far as residual risk is concerned, a special process has been adopted by the Parent Company with the purpose to check the acceptability of guarantees according to each specific and general requirement prescribed by the Supervisory Authority.

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

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

Additionally, as concerns control at an individual level, there is an anomalous loan manager service that supports branches in managing those customer relations marked by significant trend anomaly indexes.

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

More specifically, the service operates through:

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

The various monitoring purposes, the different areas to be observed and reporting timing are such as to require the adoption of different and complementary instruments, whose use and specific operation techniques are such as to avoid report overlaps.

Within the scope of its trend monitoring work, the Credit Quality Service employs the following information procedures:

- Credit Alarm procedure. The procedure is aimed at reporting individual trend anomalies that may concern customer accounts. This report concerns the anomaly, regardless of a risk class connected with the customer account assessed as a whole. Depending on the alarms, they may recur daily, weekly or monthly;

- Cadr procedure – Automatic risk classification. With the purpose to improve the management of the most irregular accounts by sharing actions between customer managers and credit quality staff, the Cadr procedure (whose calculation criteria are integrated with rating and scoring systems for determining insolvency probability) classifies loan portfolios according to the credit risk associated to customers. The Cadr procedure classifies each customer under one of four risk levels: different types of action are identified on the basis of the seriousness corresponding to the Cadr value. The value is updated monthly. During the second half of 2010, the process for the review of the Cadr calculation has been started up, along with the related underlying management process. This activity will be concluded by the end of the first quarter of 2011.;
- ISA – *Indice sintetico di anomalia* (Synthetic anomaly index,). Such index is aimed at identifying the customer accounts that present greater trend anomalies within the Cadr classes. Report addressees and frequency are the same as those mentioned for the Cadr procedure;
- *Tableau de bord*. This instrument monitors at a Group level individual trend variables, with the possibility to divide portfolio reports into different levels.

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

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

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

The team began operating in January 2011.

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 sureties normally acquired from counterparties are those typical of the banking business, primarily: personal guarantees and real guarantees on property and financial instruments. The bank does not have recourse neither to the use of clearing agreements related to balance-sheet and "off-balance-sheet" transactions nor to the purchase of credit derivatives.

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

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

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

- statistical revaluations (known as surveillance) of the value of properties mortgaged for all contracts for which Bank of Italy Circular 263/2006 permits recourse to this type of valuation. To this end the Group makes use of a database on property market trends divided by geographical area and type of property acquired from an external supplier;
- checks on the general and specific admissibility of all credit risk mitigation tools. To this end a special software procedure has been developed which, for each guarantee, certifies compliance with the general and specific admissibility requisites at each date of calculation of capital requirements.

With specific reference to personal guarantees, the specific admission requirements for guarantors are quite strict and, substantially, they exclusively recognize guarantees issued by sovereign states, public bodies, multilateral development banks, supervised brokers and companies with good credit rating for the purposes of capital requirement mitigation against credit risk. It is pointed out that the Group has continued, in 2010 too, to make use, where possible, of the guarantees issued by the Guarantee Fund for SMEs, which, thanks to the presence of the Italian State as counter-guarantor, allow for the mitigation of credit risk for prudential purposes. With the belief that the personal guarantees issued by entities that do not fall within the standard list may as well provide effective credit risk mitigation for management purposes, it shall be common practice to also accept natural persons or companies without external rating as guarantors, if necessary.

With specific reference to real guarantees, it is pointed out that as from the financial statements with reference to 31 December 2010, the Group, following on from the recent updates of prudential regulations, also benefitted from regulatory terms, from the presence of pledges concerning insurance policies issued by insurance companies without external ratings or concerning Collective Savings Investment Organisations for the sole part in which these invest in financial instruments admitted by the regulation.

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

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

- real guarantees on property: both mortgage loans and real-estate leasing transactions are mainly aimed at private customers or small-sized enterprises. This allows maintaining a high level of risk sharing;

- real guarantees on financial instruments and personal guarantees: despite the diversification of issuers and guarantors, we highlight that the Italian government is the issuer/guarantor towards whom the loan portfolio is most exposed.

2.4 Impaired financial assets

Sella Servizi Bancari S.C.p.A, which manages the work of recovery of disputed loans for the Banca Sella Group, works on an outsourcing basis for the following companies: Banca Sella S.p.A., Banca Sella Sud Arditi Galati S.p.A., Biella Leasing S.p.A., Banca Sella Holding S.p.A.. In 2010 the loan recovery management unit of Banca Sella Nordest Bovio Calderari S.p.A. was transferred, too.

Alongside its management functions, following the contractual terms for the task received, the service is responsible for:

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

The decision-making power in relation to the assessment of recoveries and waiver proposals for arrangements with customers is almost completely devolved to single managers within the range of the powers granted to the single CEOs of the various companies managed in outsourcing.

The scope of the Sella Servizi Bancari legal division exclusively involves the management and analytical assessment of non-performing and watchlist impaired loans with revocation of credit lines.

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

The forecast of recoverability of the credit takes account of:

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

At the first implementation of IASs, as regards analytical assessments and the definition of the effective interest rate – seeing the objective impossibility to retrieve original rates from impaired loan accounts as no electronic format was available – the Banca Sella Group decided to:

- use the nominal rate applied at 31 December 2004 in the bank records, relatively to the individual default account: depending on the case, such rate may correspond to the rate adopted at the default, the rate deducible at the injunction or the one agreed upon with the customer with a discharge plan; however, such rates have been reduced to the rate usury limit at 31 December 2004;

- adopt, for all accounts with a zero rate at 31 December 2004, the last rate applied to the account before the zeroing, if available; when this information is not available, the legal rate is adopted.

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

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

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

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

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

Portfolio/Quality	Banking group					Other companies		Total
	Non-performing exposures	Watchlist exposures	Restructured exposures	Past due exposures	Other assets	Impaired	Other	
1. Financial assets held for trading	-	-	-	-	803.452	-	2.007	805.459
2. Financial assets available for sale	-	-	2.470	-	595.238	-	551.431	1.149.139
3. Financial assets held to maturity	-	-	-	-	265.936	-	62.322	328.258
4. Due from banks	-	-	-	-	193.920	-	16.711	210.631
5. Due from customers	165.391	142.109	10.128	49.188	8.351.895	-	448	8.719.159
6. Financial assets at fair value through profit or loss	-	-	-	-	-	-	435.897	435.897
7. Financial assets held for sale	-	-	-	-	59.170	-	-	59.170
8. Hedging derivatives	-	-	-	-	6.793	-	-	6.793
Total 31/12/2010	**165.391**	**142.109**	**12.598**	**49.188**	**10.276.404**	**-**	**1.068.816**	**11.714.506**
Total 31/12/2009	**126.652**	**110.333**	**10.717**	**71.489**	**11.010.579**	**-**	**1.156.942**	**12.486.712**

During the preparation of the 2010 half-year financial statements, positions which had characteristics of past-due loans included in impaired assets, were subject to review to verify that the attribution of past-due loan status was correct. From the in-depth analysis of the individual positions, certain cases were found that did not meet the required characteristics for inclusion in that category. Consequently, within the impaired receivables relating to 31 December 2009, the amount of past due loans was reduced by approximately 26,7 million euro in favour of performing positions.

It is noted that in 2010, Consel developed a model in collaboration with KPMG for the determination of loss rates on non-performing loans (LGD observed). The analysis constitutes the basis for determining the level of balance sheet allocations on non-performing loans (DBT).
The method used has the following purpose:

- use of a marginal "recovery rate" model per year;
- sample of development inclusive of DBT (post-contractual benefit) proceedings and CM (arrears positions) proceedings closed (12.965 proceedings), in addition to proceedings with residual credit of less than 500 euro, as on these latter, it is considered that there are no further collection actions to be implemented; hence all proceedings closed regularly, closed for losses and closed for transfer, are basically taken in the sample;
- discounting rate equal to IAS contracted rate (used for individual proceedings).

Having then established that the LGD model shall consider the monetary amount of the loan held in the portfolio with a sample average according to amount class, the hypothesised division according to classes is as follows:

For DBT, classes are:
a) <= 2000 euro;
b) from 2000 euro to 5000 euro;
c) >= 5000 euro.

For CM, classes are:
a) <= 300 euro;
b) from 300 euro to 700 euro;
c) >= 700 euro.

The loss rate (LGD) is therefore defined according to year and class of amount.

Percentages of LDG are applied to the non-performing portfolio in place as of 31 December 2010, divided up according to the above-specified classes of amounts, according to year of seniority of the proceedings.
The determination of the LGD is also used under the scope of the forfeiture adjustments using the LGD applied to the 1st year and is calculated as the weighted average for volumes (entrance to DBT) of LGD of the first year of the DT and CM not differentiated according to class of amount.

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

Portfolio/quality	Impaired assets: Gross exposure	Impaired assets: Specific adjustments	Impaired assets: Net exposure	Performing assets: Gross exposure	Performing assets: Specific adjustments	Performing assets: Net exposure	Total (net exposure)
A. Banking group							
1. Financial assets held for trading	-	-	-	803.452	-	803.452	803.452
2. Financial assets available for sale	2.470	-	2.470	595.238	-	595.238	597.708
3. Financial assets held to maturity	-	-	-	265.936	-	265.936	265.936
4. Due from banks	-	-	-	193.920	-	193.920	193.920
5. Due from customers	738.296	371.480	366.816	8.399.070	47.175	8.351.895	8.718.711
6. Financial assets at fair value through profit or loss	-	-	-	-	-	-	-
7. Financial assets held for sale	-	-	-	59.170	-	59.170	59.170
8. Hedging derivatives	-	-	-	6.793	-	6.793	6.793
Total A	**740.766**	**371.480**	**369.286**	**10.323.579**	**47.175**	**10.276.404**	**10.645.690**
B. Other companies included in the consolidation							
1. Financial assets held for trading	-	-	-	2.007	-	2.007	2.007
2. Financial assets available for sale	-	-	-	551.431	-	551.431	551.431
3. Financial assets held to maturity	-	-	-	62.322	-	62.322	62.322
4. Due from banks	-	-	-	16.711	-	16.711	16.711
5. Due from customers	-	-	-	448	-	448	448
6. Financial assets at fair value through profit or loss	-	-	-	435.897	-	435.897	435.897
7. Financial assets held for sale	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-	-
Total B	**-**	**-**	**-**	**1.068.816**	**-**	**1.068.816**	**1.068.816**
Total 31/12/2010	**740.766**	**371.480**	**369.286**	**11.392.395**	**47.175**	**11.345.220**	**11.714.506**
Total 31/12/2009	**673.904**	**354.713**	**319.191**	**12.214.040**	**46.519**	**12.167.521**	**12.486.712**

In compliance with the indications supplied by the Bank of Italy, with communication dated 16 February 2011, below are details of the portfolios of performing loans, separated out according to loans that are renegotiated under the scope of collective agreements and other loans. For both categories, an analysis of seniority of past due positions is provided.

Positions concerned by collective agreements

Company	Total residual debt as of 31.12.10	of which past due: up to 3 months	of which past due: from 3 to 6 months	of which past due: from 6 months to 1 year	of which past due: more than 1 year
Banca Sella Sud Arditi Galati	5.971	22	75	5	-
Banca Sella Nordest Bovio Calderari	6.666	31	32	19	-
Banca Sella	32.615	303	225	272	-

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

Exposure type/amount	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. CASH EXPOSURES				
a) Non-performing exposures	-	-	X	-
b) Watchlist exposures	-	-	X	-
c) Restructured exposures	-	-	X	-
d) Past due exposures	-	-	X	-
e) Other assets	690.480	X	-	690.480
TOTAL A	**690.480**	**-**	**-**	**690.480**
B. OFF BALANCE SHEET EXPOSURE				
a) Impaired	-	-	X	-
b) Others	180.620	X	21	180.599
TOTAL B	**180.620**	**-**	**21**	**180.599**
TOTAL A+B	**871.100**	**-**	**21**	**871.079**

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

Exposure type/Value	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. CASH EXPOSURE				
a) Non-performing exposures	501.650	336.259	X	165.391
b) Watchlist exposures	174.186	32.077	X	142.109
c) Restructured exposures	13.714	1.116	X	12.598
d) Past due exposures	51.216	2.028	X	49.188
e) Other assets	9.602.632	X	47.175	9.555.457
TOTAL A	**10.343.398**	**371.480**	**47.175**	**9.924.743**
B. OFF BALANCE SHEET EXPOSURES				
a) Impaired	14.594	26	X	14.568
b) Others	979.682	X	2.505	977.177
TOTAL B	**994.276**	**26**	**2.505**	**991.745**
TOTAL (A+B)	**11.337.674**	**371.506**	**49.680**	**10.916.488**

A.1.7 Banking group - Cash credit exposures to customers: trend in gross impaired exposures				
Description/Category	Non-performing exposures	Watchlist exposures	Restructured exposures	Past due exposures
A. Initial gross exposure	**453.346**	**135.586**	**12.144**	**72.828**
- of which: exposures sold but not derecognized	602	442	-	411
B. Increases	**189.026**	**223.245**	**3.606**	**48.859**
B.1 Inflows from performing loans	19.548	186.880	-	41.851
B.2 Transfers from other categories of impaired exposures	138.873	28.582	2.925	2.515
B.3 Other increases	30.605	7.783	681	4.493
C. Decreases	**140.722**	**184.645**	**2.036**	**70.471**
C.1 Outflows to performing loans	2.284	22.594	75	34.235
C.2 Write-offs	106.834	118	-	5
C.3 Collections	30.366	15.632	1.391	3.374
C.4 Realizations through sales	702	-	-	-
C.5 Transfers to other categories of impaired exposures	444	140.386	521	31.544
C.6 Other decreases	92	5.915	49	1.313
D. Final gross exposure	**501.650**	**174.186**	**13.714**	**51.216**
- of which: exposures sold but not derecognized	-	-	-	-

A.1.8 Banking group - Cash credit exposures to customers: trend in total value adjustments				
Description/Category	Non-performing exposures	Watchlist exposures	Restructured exposures	Past due exposures
A. Initial total adjustments	**326.694**	**25.253**	**1.427**	**1.339**
- of which: exposures sold but not derecognized	160	2	-	-
B. Increases	**139.732**	**24.725**	**503**	**1.360**
B.1 Writedowns	120.092	24.302	316	1.277
B.2 Transfers from other categories of impaired exposures	13.477	402	187	70
B.3 Other increases	6.163	21	-	13
C. Decreases	**130.167**	**17.901**	**814**	**671**
C.1 Writebacks on valuation	14.234	3.326	480	316
C.2 Writebacks on collection	9.098	572	-	199
C.3 Write-offs	106.835	79	-	5
C.4 Transfers to other categories of impaired exposures	-	13.678	334	124
C.5 Other decreases	-	246	-	27
D. Final total adjustments	**336.259**	**32.077**	**1.116**	**2.028**
- of which: exposures sold but not derecognized	-	-	-	-

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

A.2.1 Banking group - Distribution of cash and off balance sheet exposures by external rating classes

Exposures	External Rating Classes						Unrated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Cash exposures	**833.332**	**139.084**	**19.586**	**6.130**	**40**	**-**	**9.670.938**	**10.669.110**
B. Derivatives	**-**	**40**	**1**	**13.890**	**3.007**	**303**	**13.325**	**30.566**
B.1 Financial derivatives	-	40	1	13.890	3.007	303	13.325	30.566
B.2 Credit derivatives	-	-	-	-	-	-	-	-
C. Guarantees issued	**-**	**-**	**-**	**-**	**-**	**-**	**352.433**	**352.433**
D. Commitments to disburse funds	**-**	**-**	**-**	**-**	**-**	**-**	**639.704**	**639.704**
Total	**833.332**	**139.124**	**19.587**	**20.020**	**3.047**	**303**	**10.676.400**	**11.691.813**

In view of the breakdown of the loans portfolio on a Group level, mainly consisting of amounts due from private customers and small-medium Italian enterprises not assessed by external ratings agencies, the distribution of loans for cash and "off balance sheet" according to external ratings classes would only appear to be significant for some banks of the Group.

The previous table shows the distribution of exposures by external rating classes assigned by Fitch of the customers of Banca Sella Group. With reference to the exposure to banks it should be noted that all counterparties with which relations are maintained have a rating higher than investment grade.

A.2.2 Banking group - 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	**19.018**	**150.945**	**366.789**	**677.259**	**560.192**	**601.056**	**488.626**	**1.998.158**	**17.368**	**5.789.697**	**10.669.109**
B. Derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**30.566**	**30.566**
B.1 Financial derivatives	-	-	-	-	-	-	-	-	-	30.566	30.566
B.2 Credit derivatives	-	-	-	-	-	-	-	-	-	-	-
C. Guarantees issued	**10.501**	**43.520**	**37.958**	**68.012**	**30.529**	**19.990**	**19.378**	**4.803**	**412**	**117.328**	**352.433**
D. Commitments to disburse funds	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**639.704**	**639.704**
Total	**29.520**	**194.465**	**404.747**	**745.271**	**590.722**	**621.046**	**508.005**	**2.002.961**	**17.781**	**6.577.295**	**11.691.812**

On the subject of internal ratings it is important to note that in all the Italian banks of the Group there is an internal model for the assignment of credit ratings to companies. The internal rating system includes, for terminological conformity with the scale adopted by external rating agencies, nine credit rating classes for in bonis customers, from AAA (the less risky) to C (the riskiest). At present, internal ratings are not used for calculating capital requirements.

The table above shows the distribution of exposures by rating classes of the business customer companies of Gruppo Banca Sella SpA. The "Unrated" column includes both exposures to companies with no internal rating and exposures to customers belonging to a different segment from the "companies" segment.

A.3 Distribution of guaranteed exposures by type of guarantee

A.3.1 Banking group - Guaranteed credit exposure to banks

		Real guarantees (1)			Personal guarantees (2)									
					Credit derivatives					Guaranteed loans				
						Other derivatives								
	Net exposure value	Real estate	Securities	Other real guarantees	CLN	Governments and central banks	Other public bodies	Banks	Other subjects	Governments and central banks	Other public bodies	Banks	Other subjects	Total (1)+(2)
1. Guaranteed cash exposure:														
1.1 Totally guaranteed	1.020	1.020	-	-	-	-	-	-	-	-	-	-	-	1.020
- of wich: impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 Partially guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of wich: impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Guaranteed "off balance sheet" exposure														
2.1 Totally guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of wich: impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Partially guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of wich: impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A.3.2 Banking group - Guaranteed credit exposure to customers

	Net exposure value	Real guarantees (1)			Personal guarantees (2)									Total (1)+(2)
					Credit derivatives					Guaranteed loans				
						Other derivatives								
		Real estate	Securities	Other real guarantees	CLN	Governments and central banks	Other public bodies	Banks	Other subjects	Governments and central banks	Other public bodies	Banks	Other subjects	
1. Guaranteed cash exposure:														
1.1 Totally guaranteed	4.905.856	3.223.089	115.665	237.769	-	-	-	-	-	-	656	9.186	1.276.681	4.863.046
- of wich: impaired	193.645	99.844	963	8.597	-	-	-	-	-	-	-	-	81.694	191.098
1.2 Partially guaranteed	352.072	24.899	21.518	236.030	-	-	-	-	-	-	-	440	16.227	299.114
- of wich: impaired	11.906	1.485	625	3.715	-	-	-	-	-	-	-	22	2.003	7.850
2. Guaranteed "off balance sheet" exposure														
2.1 Totally guaranteed	203.046	580	16.741	5.511	-	-	-	-	-	-	17	94	64.297	87.240
- of wich: impaired	9.263	4	412	47	-	-	-	-	-	-	-	-	898	1.361
2.2 Partially guaranteed	28.410	-	2.582	695	-	-	-	-	-	-	-	-	8.568	11.845
- of wich: impaired	86	-	-	14	-	-	-	-	-	-	-	-	23	37

B. CREDIT EXPOSURES DISTRIBUTION AND CONCENTRATION

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

Exposure / Counterparty	Governments and Central Banks			Other public bodies			Financial companies			Insurance companies			Non-financial companies			Other subjects		
	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments
A. Cash exposures																		
A.1 Non-performing exposures	-	-	X	28	70	X	3.176	2.805	X	-	-	X	89.656	166.552	X	72.531	166.832	X
A.2 Watchlist exposures	-	-	X	-	-	X	122	4	X	-	-	X	99.396	18.592	X	42.591	13.481	X
A.3 Restructured exposures	-	-	X	-	-	X	-	-	X	-	-	X	12.109	891	X	489	225	X
A.4 Past due exposures	-	-	X	-	-	X	-	-	X	-	-	X	26.739	1.063	X	22.449	965	X
A.5 Other exposures	1.123.058	X	-	18.247	X	19	292.015	X	103	1.376	X	-	4.574.545	X	31.431	3.546.216	X	15.622
Total A	**1.123.058**	**-**	**-**	**18.275**	**70**	**19**	**295.313**	**2.809**	**103**	**1.376**	**-**	**-**	**4.802.445**	**187.098**	**31.431**	**3.684.276**	**181.503**	**15.622**
B. "Off balance sheet" exposures																		
B.1 Non-performing exposures	-	-	X	-	-	X	-	-	X	-	-	X	686	6	X	33	-	X
B.2 Watchlist exposures	-	-	X	-	-	X	1	-	X	-	-	X	11.031	10	X	1.623	-	X
B.3 Other impaired assets	-	-	X	-	-	X	-	-	X	-	-	X	1.189	10	X	5	-	X
B.4 Other exposures	-	X	-	2.681	X	5	118.821	X	7	2.326	X	-	637.856	X	2.367	215.493	X	126
Total B	**-**	**-**	**-**	**2.681**	**-**	**5**	**118.822**	**-**	**7**	**2.326**	**-**	**-**	**650.762**	**26**	**2.367**	**217.154**	**-**	**126**
Total (A+B) 31/12/2010	**1.123.058**	**-**	**-**	**20.956**	**70**	**24**	**414.135**	**2.809**	**110**	**3.702**	**-**	**-**	**5.453.207**	**187.124**	**33.798**	**3.901.430**	**181.503**	**15.748**
Total (A+B) 31/12/2009	**1.202.143**	**-**	**-**	**16.657**	**23**	**1**	**364.430**	**2.691**	**18**	**41.697**	**8**	**-**	**5.350.480**	**178.182**	**33.277**	**3.704.706**	**173.842**	**15.750**

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

Exposure / Geographical area	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. Cash exposures										
A.1 Non-performing exposures	162.245	(333.922)	3.126	(2.129)	13	(124)	6	(12)	1	(72)
A.2 Watchlist exposures	142.083	(31.940)	8	(135)	9	(2)	9	-	-	-
A.3 Restructured exposures	12.598	(1.116)	-	-	-	-	-	-	-	-
A.4 Past due exposures	49.184	(2.028)	3	-	-	-	1	-	-	-
A.5 Other transactions	9.314.618	(46.824)	216.473	(238)	11.721	(25)	1.229	-	11.416	(88)
TOTAL A	**9.680.728**	**(415.830)**	**219.610**	**(2.502)**	**11.743**	**(151)**	**1.245**	**(12)**	**11.417**	**(160)**
B. Off balance sheet exposures										
B.1 Non-performing exposures	719	(6)	-	-	-	-	-	-	-	-
B.2 Watchlist exposures	12.655	(10)	-	-	-	-	-	-	-	-
B.3 Other impaired assets	1.194	(10)	-	-	-	-	-	-	-	-
B.4 Other exposures	952.655	(2.493)	20.518	(7)	1.564	(4)	20	-	2.420	(1)
TOTAL B	**967.223**	**(2.519)**	**20.518**	**(7)**	**1.564**	**(4)**	**20**	**-**	**2.420**	**(1)**
TOTAL (A+B) 31/12/2010	**10.647.951**	**(418.349)**	**240.128**	**(2.509)**	**13.307**	**(155)**	**1.265**	**(12)**	**13.837**	**(161)**
TOTAL (A+B) 31/12/2009	**10.594.491**	**(401.034)**	**78.472**	**(2.450)**	**5.501**	**(220)**	**145**	**(14)**	**1.504**	**(74)**

The following table provides details concerning espositions in Italy:

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

Exposure / Geographical area	NORTH WEST		NORTH EAST		CENTER		SOUTH AND ISLANDS	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. Cash exposures								
A.1 Non-performing exposures	75.752	(172.123)	29.749	(44.866)	16.018	(36.964)	40.726	(79.969)
A.2 Watchlist exposures	55.965	(12.942)	30.021	(6.727)	14.665	(3.624)	41.432	(8.647)
A.3 Restructured exposures	10.653	(1.085)	942	(9)	637	(20)	366	(2)
A.4 Past due exposures	15.271	(656)	13.745	(338)	6.936	(475)	13.232	(559)
A.5 Other transactions	4.101.555	(22.473)	1.345.951	(8.216)	2.188.503	(6.450)	1.678.609	(9.685)
TOTAL A	**4.259.196**	**(209.279)**	**1.420.408**	**(60.156)**	**2.226.759**	**(47.533)**	**1.774.365**	**(98.862)**
B. Off balance sheet exposures								
B.1 Non-performing exposures	505	(5)	190	(1)	18	-	6	-
B.2 Watchlist exposures	6.873	(5)	2.177	(1)	2.541	-	1.064	(4)
B.3 Other impaired assets	571	(5)	550	(5)	7	-	66	-
B.4 Other exposures	576.533	(1.496)	116.834	(288)	118.410	(409)	140.878	(300)
TOTAL B	**584.482**	**(1.511)**	**119.751**	**(295)**	**120.976**	**(409)**	**142.014**	**(304)**
TOTAL (A+B) 31/12/2010	**4.843.678**	**(210.790)**	**1.540.159**	**(60.451)**	**2.347.735**	**(47.942)**	**1.916.379**	**(99.166)**
TOTAL (A+B) 31/12/2009	**4.854.944**	**(217.498)**	**1.603.866**	**(48.976)**	**2.365.685**	**(42.124)**	**1.769.996**	**(92.436)**

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

Exposure / Geographical area	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. Cash exposures										
A.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
A.2 Watchlist exposures	-	-	-	-	-	-	-	-	-	-
A.3 Restructured exposures	-	-	-	-	-	-	-	-	-	-
A.4 Past due exposures	-	-	-	-	-	-	-	-	-	-
A.5 Other transactions	428.349	-	254.446	-	4.628	-	2.883	-	174	-
TOTAL A	**428.349**	**-**	**254.446**	**-**	**4.628**	**-**	**2.883**	**-**	**174**	**-**
B. Off balance sheet exposures										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Watchlist exposures	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	136.543	-	43.858	(21)	198	-	-	-	-	-
TOTAL B	**136.543**	**-**	**43.858**	**(21)**	**198**	**-**	**-**	**-**	**-**	**-**
TOTAL (A+B) 31/12/2010	**564.892**	**-**	**298.304**	**(21)**	**4.826**	**-**	**2.883**	**-**	**174**	**-**
TOTAL (A+B) 31/12/2009	**1.362.867**	**(1)**	**273.209**	**(54)**	**13.496**	**-**	**740**	**-**	**45**	**-**

The following table provides details concerning espositions in Italy:

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

Exposure / Geographical area	NORTH WEST		NORTH EAST		CENTER		SOUTH AND ISLANDS	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. Cash exposures								
A.1 Non-performing exposures	-	-	-	-	-	-	-	-
A.2 Watchlist exposures	-	-	-	-	-	-	-	-
A.3 Restructured exposures	-	-	-	-	-	-	-	-
A.4 Past due exposures	-	-	-	-	-	-	-	-
A.5 Other transactions	25.001	-	215.392	-	132.608	-	55.348	-
TOTAL A	**25.001**	**-**	**215.392**	**-**	**132.608**	**-**	**55.348**	**-**
B. Off balance sheet exposures								
B.1 Non-performing exposures	-	-	-	-	-	-	-	-
B.2 Watchlist exposures	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-
B.4 Other exposures	91.215	-	1.949	-	21.271	-	22.108	-
TOTAL B	**91.215**	**-**	**1.949**	**-**	**21.271**	**-**	**22.108**	**-**
TOTAL (A+B) 31/12/2010	**116.216**	**-**	**217.341**	**-**	**153.879**	**-**	**77.456**	**-**
TOTAL (A+B) 31/12/2009	**708.638**	**(1)**	**246.872**	**-**	**346.118**	**-**	**61.239**	**-**

B.4 Large risks

Amount	
- non weighted	1.200.613
- weighted	7.728
Number	2

C. SECURITIZATION TRANSACTIONS AND ASSET TRANSFERS

C.1 Securization transactions

QUALITATIVE INFORMATION

Beginning in financial year 2000 the Banca Sella Group carried out four securitization transactions of a traditional kind.

Two of these, concluded before 1 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 1 January 2006, by Banca Sella Holding S.p.A. on the "new" Banca Sella S.p.A.

On this matter, we note that on 31 October 2010, the securitisation transaction implemented with Secursel S.r.l. in 2000, was concluded. Banca Sella has reacquired the mortgages of the special purpose vehicle, which has refunded the securities that still existed, early.

On 4 April 2008 and 2 January 2009 Banca Sella S.p.A. completed two securitization transaction, again of performing mortgage loans.

The transactions were conducted in order to diversify the types of funding in order to improve the correlation of maturities between funding and lending and the prudential supervisory ratios.

The role of servicer in the four securitization transactions was always played by the originator (Banca Sella S.p.A.).

Banca Sella S.p.A., as originator of the transactions, subscribed the entire amount of the junior notes issued in relation to the various securitizations; the securities are still held by the bank. Moreover, as regards the 2008 and 2009 securitization, the Bank subscribed the entire amount of the securities issued. These securities are being used for repurchase agreements with the ECB.

The risk of the assets sold is still borne by Banca Sella S.p.A., which, consequently, monitor performance constantly, preparing also regular reports.

For the operations concluded in 2005 and 2008, the assets sold continue to be accounted for in the consolidated financial statements, because the sale did not substantially transfer the risk to third parties.

A brief account of the securitization transactions is provided below.

a) Banca Sella S.p.A. securitization of performing loans – 2005

The operation was completed in two stages: the agreement to purchase the loans was entered into by the special purpose vehicle Mars 2600 S.r.l. on 4 October 2005, while the securities financing the acquisition were issued on 20 October 2005.

The portfolio, which was transferred without recourse, consisted of performing residential mortgage loans granted by Banca Sella S p A to residents of Italy.

The transaction entailed the sale without recourse to the special purpose vehicle, of receivables guaranteed by mortgages for a total of 263,3 million euro, inclusive of the principal amount of the loans and the interest accrued up to the date of sale.

In exchange for these transactions Mars 2600 S.r.l. issued Class A notes amounting to 248,9 million euro, Class B notes amounting to 11 million euro, Class C notes amounting to 3,5 million euro and Class D notes amounting to 3,5 million euro.

The Class A, B and C notes are quoted on the Luxembourg stock exchange. Moody's agency gave an Aaa rating to the Class A notes; A1 to the Class B notes; and Baa2 to the Class C notes. As at 31 December 2010 class A-B-C notes earned interests for 1,2 million euro. The Class D are not quoted and were subscribed by Banca Sella S.p.A.: they earned interest in 2010 of 1,5 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 year the servicing fees collected by Banca Sella S.p.A. were 0,12 million euro.

When the securities were issued Mars 2600 S.r.l. entered into an interest-rate swap contract with Banca Sella, through B.N.P. Paribas and Banca Sella Holding, in order to hedge the interest rate risk inherent in the structure and due to the difference between the indexing parameter of the securities issued and the different indexing parameters of the portfolio acquired.

No guarantees or credit facilities are envisaged for this operation.

b) Banca Sella S.p.A. securitization of performing loans – 2008

The operation was completed in two stages: the purchase of the loans was completed by the special purpose vehicle Mars 2600 S.r.l. on 4 April 2008, while the securities were issued on 22 April 2008.

The portfolio, which was transferred without recourse, consisted of performing residential mortgage loans granted by Banca Sella S.p.A. to residents of Italy.

The transaction entailed the sale without recourse to the special purpose vehicle, of receivables guaranteed by mortgages for a total of 217,4 million euro, inclusive of the principal amount of the loans and the interest accrued up to the date of sale.

In exchange for these transactions Mars 2600 S.r.l. issued Class A notes amounting to 207,3 million euro, Class B notes amounting to 8,1 million euro, Class C notes amounting to 2,8 million euro and Class D notes amounting to 6,5 million euro.

The Class A, B and C notes are quoted on the Luxembourg stock exchange. Moody's agency gave an Aaa rating to the Class A notes; A2 to the Class B notes; and Baa2 to the Class C notes. The Class D notes are not quoted.

The total amount of the notes was subscribed by Banca Sella S.p.A.

At 31 December 2010 the Class A-B-C notes have earned interest of 2,5 million euro. The Class D notes earned interest of 0,7 million euro net of commission expense due for renegotiation indemnity that the bank has recognised an amount of 1,9 million euro to Mars 2600 S.r.l..

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 2010 the servicing fees collected by Banca Sella S.p.A. were 0,13 million euro.

When the securities were issued Mars 2600 S.r.l. entered into an interest-rate swap contract with Banca Sella, through B.N.P. Paribas and Banca Sella Holding, in order to hedge the interest rate risk inherent in the structure and due to the difference between the indexing parameter of the securities issued and the different indexing parameters of the portfolio acquired.

No guarantees or credit facilities are envisaged for this operation.

c) Banca Sella S.p.A. securitization of performing loans – financial year 2009

The operation was completed in two stages: the purchase of the loans was completed by the special purpose vehicle Mars 2600 S.r.l. on 8 January 2009, while the securities were issued on 29 January 2009.

The portfolio, which was transferred without recourse, consisted of performing residential mortgage loans granted by Banca Sella S p A to residents of Italy.

The transaction entailed the sale without recourse to the special purpose vehicle, of receivables guaranteed by mortgages for a total of 226,6 million euro, inclusive of the principal amount of the loans and the interest accrued up to the date of sale.

In exchange for these transactions Mars 2600 S.r.l. issued Class A notes amounting to 212,9 million euro, Class B notes amounting to 4,6 million euro, Class C notes amounting to 9,1 million euro and Class D notes amounting to 4,6 million euro.

The Class A, B and C notes are quoted on the Luxembourg stock exchange. The Moody's agency gave an Aaa rating to the Class A notes; A1 notes, to the Class B and Baa2 notes to the Class C notes. The Class D notes are not quoted.

The total amount of the notes was subscribed by Banca Sella S.p.A..

At 31 December 2010 the Class A-B-C notes earned interest of 4 million euro. Class D notes earned interests of 1,3 million euro in 2010 net of commission expense due for renegotiation indemnity that the bank has recognised an amount of 6,6 million euro to Mars 2600 S.r.l..

Banca Sella S.p.A. is responsible for collecting the receivables sold and for the cash desk and payment services under the terms of a servicing agreement which as consideration provides for a servicing fee, to be paid twice a year, equivalent to 0,45% quarterly of the amount of collections of the performing monetary receivables. At 31 December 2009 the servicing fees collected by Banca Sella S.p.A. were 0,2 million euro.

When the securities were issued Mars 2600 S.r.l. entered into an interest-rate swap contract with Banca Sella, through Banca Sella Holding S.p.A., in order to hedge the interest rate risk inherent in the structure and due to the difference between the indexing parameter of the securities issued and the different indexing parameters of the portfolio acquired.

No guarantees or credit facilities are envisaged for this operation

“THIRD PARTY” SECURIZATION OPERATION

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

- ABSs issued by Italian companies (Società di Cartolarizzazione Italiana Crediti ARL and Società Cartolarizzazione Crediti INPS) have been held in the Banca Sella Holding portfolio since 2004 and gradually decreased. The total countervalue is 0,471 million euro representing about 0,02% of the total portfolio (floating+fixed) of Banca Sella Holding;
- ABSs issued in securitisation of residential and non-residential loans and leasing credits carried out by European Banks (Spain, Great Britain). The total held at 31 December 2010 amounted to a countervalue of 2,868 million euro, thus representing a residual part of the whole portfolio, about 0,14%.

QUANTITATIVE INFORMATION

The 1st update of Circ. 262 of the Bank of Italy establishes that securitisation transactions in which the originator bank subscribes all liabilities issued at the time of issue, are not concerned by the noting; consequently, the tables below provide the securitisation data of Mars 2600 S.r.l. for 2005.

C.1.1 Banking group - Exposures deriving from securization transactions divided by quality of underlying assets

Quality of underlying assets/ Exposures	Cash exposures						Guarantees given						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. With own underlying assets																		
a) Impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) Others	16.639	16.639	4.010	4.010	3.500	3.500	-	-	-	-	-	-	-	-	-	-	-	-
b) With third party underlying assets																		
a) Impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) Others	3.339	3.339	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

The 1st update of Circ. 262 of the Bank of Italy also establishes that gross and net exposures to be specified in table "C.1.1 Banking Group – Exposure deriving from securitisation transactions divided by quality of underlying assets" correspond to the "risk withheld" measured, respectively, as an imbalance of assets transferred and the corresponding liabilities as of the date of the transfer and the date of reference of the financial statements.

Consequently, the "gross exposure" field includes the value of securities acquired by the Bank as of the transfer date, whilst in the "net exposure" field, the value of these is stated as of the date of the financial statements.

C.1.2 Banking group - Exposures deriving from main "own" securization operations divided by type of securized asset and type of exposures

Type of securized assets/Exposures	Cash exposures						Guarantees given						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks	Book value	Writedowns/ Writebacks
A. Subject to total derecognition																		
A.1 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	16.639	-	4.010	-	3.500	-	-	-	-	-	-	-	-	-	-	-	-	-

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

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

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

Exposure/ Portfolio	Financial assets held for trading	Financial assets at fair value through profit or loss	Financial assets available for sale	Financial assets held to maturity	Loans & receivables	Total 31/12/2010	Total 31/12/2009
1. Cash exposure							
- " Senior"	471	-	-	-	2.868	**3.339**	**8.762**
- " Mezzanine"	-	-	-	-	-	**-**	**6.542**
- " Junior"	-	-	-	-	-	**-**	**8.948**
2. Off balance sheet exposures							
- " Senior"	-	-	-	-	-	**-**	**-**
- " Mezzanine"	-	-	-	-	-	**-**	**-**
- " Junior"	-	-	-	-	-	**-**	**-**

C.1.5 Banking group - Total amount of securized assets underlying junior securities or other forms of credit support

Assets/ Amount	Traditional securizations	Synthetinc securizations
A. Own underlying assets		
A. 1 Subject to total derecognition		
1. Non performing exposures	-	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	571	-
2. Watchlist exposures	78	-
3. Restructured exposures	-	-
4. Past due exposures	-	-
5. Other assets	110.857	-
B. Third parties' underlying assets		
B.1 Non performing exposures	-	-
B.2 Watchlist exposures	-	-
B.3 Restructured exposures	-	-
B.4 Past due exposures	-	-
B.5 Other assets	-	-

C.1.6 Banking group - Interests in vehicle companies

Company name	Headquarter	Interest %
Vehicle company - Secursel Srl	Biella	80%
Vehicle company - Mars 2600 Srl	Treviso	10%

C.1.7 Banking group - Servicer activity - collection of securized receivables and redemption of securities issued by special purpose vehicles

Servicer	Vehicle company	Securized assets (end of period data)		Recievables collected during the year		Percentage redemptions (end of period data)					
						Senior		Mezzanine		Junior	
		Impaired	Performing	Impaired	Performing	Impaired assets	Performing assets	Impaired assets	Performing assets	Impaired assets	Performing assets
Banca Sella S.p.A.	**Secursel Srl**	-	-	35	25.386	-	-	-	-	-	-
Banca Sella S.p.A.	**Mars 2600 Srl**	649	110.857	3	25.861	-	-	-	-	-	-

C.2 Sale transactions

C.2.1 Banking group - Financial assets sold but not derecognized

Technical type/ Portfolio	Financial assets held for trading			Financial assets at fair value through profit or loss			Financial assets available for sale			Financial assets held to maturity			Due from banks			Due from customers			Total	
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	2010	2009
A. Cash assets																				
1. Debt securities	28.117	-	-	-	-	-	2.637	-	-	2.451	-	-	-	-	-	-	-	-	33.205	52.555
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	111.506	-	-	111.506	579.326
B. Derivative instruments	-	-	-	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	-	-
Total 31/12/2010	**28.117**	**-**	**-**	**-**	**-**	**-**	**2.637**	**-**	**-**	**2.451**	**-**	**-**	**-**	**-**	**-**	**111.506**	**-**	**-**	**144.711**	
of wich impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	649	-	-	649	
Total 31/12/2009	**36.394**	**-**	**-**	**-**	**-**	**-**	**1.853**	**-**	**-**	**14.308**	**-**	**-**	**-**	**-**	**-**	**579.326**	**-**	**-**		**631.881**
of wich impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.292	-	-		1.292

KEY

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

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

C= partially recognized financial assets (full value)

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

Liability/Asset portfolio	Financial assets held for trading	Financial assets at fair value through profit or losso	Financial assets available for sale	Financial assets held to maturity	Due from banks	Due from customers	Total
1. Due to customers							
a) against fully recognized assets	28.849	-	2.636	2.429	-	84.959	118.873
b) against partially recognized assets	-	-	-	-	-	-	-
2. Due to banks							
a) against fully recognized assets	-	-	-	-	-	-	-
b) against partially recognized assets	-	-	-	-	-	-	-
3. Outstanding securities							
a) against fully recognized assets	-	-	-	-	-	-	-
b) against partially recognized assets	-	-	-	-	-	-	-
Total 31/12/2010	**28.849**	**-**	**2.636**	**2.429**	**-**	**84.959**	**118.873**
Total 31/12/2009	**77.262**	**-**	**1.849**	**13.921**	**-**	**-**	**93.032**

1.2 Banking group - Market risk

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

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

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

1.2.1 INTEREST RATE RISK AND PRICE RISK – REGULATORY TRADING BOOK

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

QUALITATIVE INFORMATION

A. General aspects

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

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

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

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

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

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

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

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

For prudential purposes, in measuring the rate risk and price risk concerning the regulatory trading portfolio, the Banca Sella Group applies the "standardised" approach defined in Bank of Italy

Circular no. 263/2006. It follows that the equity used against the market risk consists of the sum of capital requirements to cover the individual risks that make up market risk on the basis of the so-called "building-block approach".

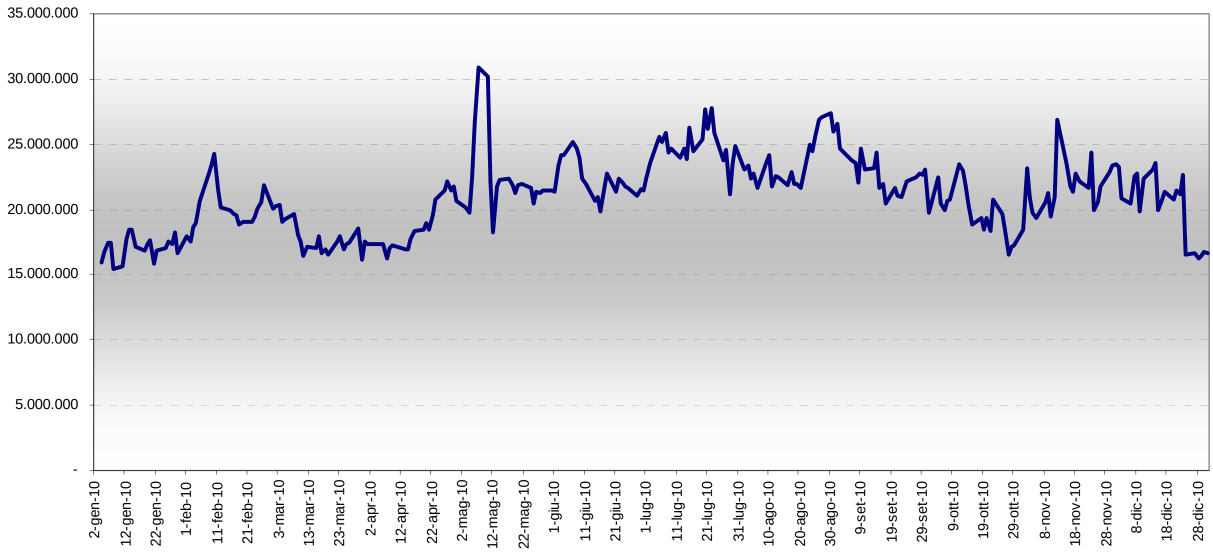
For management purposes, the trading book market risk is measured and monitored on the basis of the VaR (value at risk), which is basically assessed according to the historical simulation approach. VaR measures the maximum potential loss which, within a certain confidence interval, may occur if a certain portfolio is held with positions unchanged for a certain period of time. Historical simulation involves daily revaluation of position on the basis of the market price trends over an appropriate time interval. The empirical distribution of gains/losses that results is analyzed 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 Group trading book is equal to 0,6 years while sensitivity, estimated on a parallel movement of +100 basis points in the yield curve, is approximately 10,83 million euro (about 0,61% of the portfolio).

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

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



Risk Management also controls trading operations on own account.

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

VaR Decomposition - Banca Sella Holding at 31.12.10

Trading Book - Finance Area

Holding period 10 days, confidence range 99%

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

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

QUANTITATIVE INFORMATION

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

It is not regarded as necessary to fill in the Table as the overall exposure to shares and stock exchange indexes, equal to 0,45% (4,6 million euro) of the Banca Sella Holding regulatory trading books, is concentrated on domestic securities only.

1.2.2 INTEREST RATE AND PRICE RISKS – BANKING BOOK

QUALITATIVE INFORMATION

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

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

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

Interest rate risk is mainly generated by deposits and loans to customers, bank portfolio fixed-rate securities and interbank deposits (made and received), as well as derivative instruments created to mitigate exposure to the fair value rate risk generated by them. The Group's policy is to provide a high hedge to fixed-rate items, while strategic and management choices are aimed at minimising the volatility of the total economic value when the rate structure changes.

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

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

As from 31 December 2010, monitoring has been carried out in accordance with the provisions of the VI update of Circular 263/2006, maintaining the application of the internal model for only retail current account expenses. To calculate the internal capital, parallel shifts are hypothesised to the rate curve, respectively of +200 basis points (rise) and -100 basis points (lowering, compatible with the constraint of a non-negativity of rates).

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

Shift	Total Sensitivity	Regulatory capital(*)	Sensitivity %
+200 bps / -100 bps	46,2	972,43	4,75%

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

The price risk of the portfolio is attributable mainly to equity interests held by the Parent Company and Banca Patrimoni Sella & C. for long-term investment purposes. These positions are adopted following the provisions of the Board of Directors and managed by the Finance business area of the Parent company on the basis of the provisions of the Board of Directors itself.

B. Fair value hedging activity

Hedging transaction strategies are mainly aimed at mitigating the exposure to interest rate risk inherent in financial instruments, deriving predominantly from forms of disbursement of credit (general hedges, such as mortgage loans and consumer credit, and regular leasing instalments) or bond loans issued by the Banca Sella Group, held in the banking book (specific hedges).

Exposure to interest rate risk inherent in the disbursement of credit is hedged by derivative instruments such as amortizing interest rate swaps and cap options, on the basis of the amount of the loan portfolio disbursed and the average maturities of this portfolio. Other interest rate swaps were implemented when fixed-rate bonded loans are issued. Further hedging is put in place, with third parties, with the aim of mitigating the interest rate risk or the exchange rate risk of simple derivatives such as domestic currency swaps, currency options, overnight interest swaps traded by customers of the Group's banks.

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

C. Cash flow hedging activities

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

D. Foreign investment hedging activities

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

1.2.3 EXCHANGE RATE RISK

QUALITATIVE INFORMATION

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

Currency transactions mainly take place at the Finance business area of the Parent Company, in which the Treasury carries out lending and inter-bank funding operations in foreign currency, and manages the exchange risk connected with currency imbalances. Exchange rate risk is monitored through the application of the "standardized approach" defined by Bank of Italy Circular No. 263/2006, which during the year never showed an absorption greater the 2% of Shareholders' Equity.

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

B. Exchange rate risk hedging activities

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

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

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

Item	Currencies					
	US Dollar	Swiss Franc	British pound	Japanese Yen	Australian dollar	Other currencies
A. Financial assets	**43.997**	**58.364**	**8.554**	**14.029**	**7.451**	**16.706**
A.1 Debt securities	9	19.422	-	-	4	-
A.2 Equity securities	1.478	1	4.829	-	-	-
A.3 Loans and advances to banks	16.366	12.953	2.180	5.623	725	14.422
A.4 Loans and advances to customers	26.144	25.988	1.545	8.406	6.722	2.284
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**11.897**	**34.430**	**1.052**	**702**	**552**	**2.088**
C. Financial liabilities	**222.943**	**44.372**	**12.974**	**1.437**	**3.803**	**9.708**
C.1 Due to banks	14.070	16.757	1.764	1.013	-	837
C.2 Due to customers	208.873	27.615	11.210	424	3.803	8.871
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**16.497**	**2.251**	**4.170**	**2.769**	**896**	**6.077**
E. Financial derivatives	**178.600**	**13.803**	**4.906**	**(10.991)**	**(3.598)**	**384**
- Options	6	53	-	-	-	-
+ Long positions	36.382	4.656	902	2.608	255	-
+ Short positions	36.376	4.603	902	2.608	255	-
- Others	178.594	13.750	4.906	(10.991)	(3.598)	384
+ Long positions	343.439	21.537	22.882	5.163	3.138	18.590
+ Short positions	164.845	7.787	17.976	16.154	6.736	18.206
Total assets	**435.715**	**118.987**	**33.390**	**22.502**	**11.396**	**37.384**
Total liabilities	**440.661**	**59.013**	**36.022**	**22.968**	**11.690**	**33.991**
Imbalance (+/-)	**(4.946)**	**59.974**	**(2.632)**	**(466)**	**(294)**	**3.393**

1.2.4 DERIVATIVE INSTRUMENTS

The 1st amendment of 18 November 2009 to Circular 262/2005 issued by the Bank of Italy requires that the derivative tables do not include spot exchange rates and securities.

A. Financial derivatives

A.1 Regulatory trading book: notional end-of-period and average amounts

Ulderlying assets/Type of derivatives	Total 31/12/2010		Total 31/12/2009	
	Over the counter	Central counterparts	Over the counter	Central counterparts
1. Debt securities and interest rates	1.257.154	68.100	1.274.378	127.700
a) Options	511.470	-	333.511	-
b) Swap	745.684	-	940.867	-
c) Forward	-	-	-	-
d) Futures	-	68.100	-	127.700
e) Others	-	-	-	-
2. Equity securities and equity indices	-	88.829	-	135.922
a) Options	-	61.499	-	133.452
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	27.330	-	2.470
e) Others	-	-	-	-
3. Currencies and gold	751.317	2.283	321.012	-
a) Options	225.236	2.283	109.503	-
b) Swap	288.886	-	120.751	-
c) Forward	237.195	-	67.367	-
d) Futures	-	-	-	-
e) Others	-	-	23.391	-
4. Goods	-	-	-	-
5. Other underlying assets	-	-	-	-
Total	**2.008.471**	**159.212**	**1.595.390**	**263.622**
Average amounts	**1.801.929**	**211.417**	**1.695.177**	**208.821**

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

A.2.1 For hedging

Ulderlying assets/Type of derivatives	Total 31/12/2010		Total 31/12/2009	
	Over the counter	Central counterparts	Over the counter	Central counterparts
1. Debt securities and interest rates	1.851.388	-	1.682.284	-
a) Options	-	-	-	-
b) Swap	1.851.388	-	1.682.284	-
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	**1.851.388**	**-**	**1.682.284**	**-**
Average amounts	**1.425.400**	**-**	**1.333.288**	**-**

A.2.2 Other derivatives				
Ulderlying assets/Type of derivatives	**Total 31/12/2010**		**Total 31/12/2009**	
	Over the counter	**Central counterparts**	**Over the counter**	**Central counterparts**
1. Debt securities and interest rates	356.714	-	328.676	-
a) Options	356.714	-	328.676	-
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	68.340	-	295.700	-
a) Options	26.709	-	89.346	-
b) Swap	-	-	490	-
c) Forward	41.631	-	205.864	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Goods	-	-	-	-
5. Other underlying assets	-	-	-	-
Total	**425.054**	**-**	**624.376**	**-**
Average amounts	**422.639**	**-**	**511.082**	**-**

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

Portfolios/Type of derivatives	Positive fair value			
	Total 31/12/2010		Total 31/12/2009	
	Over the counter	Central counterparts	Over the counter	Central counterparts
A. Regulatory trading book	21.932	1.366	18.833	3.528
a) Options	14.304	1.366	5.683	3.528
b) Interest rate swap	4.870	-	8.341	-
c) Cross currency swap	89	-	1.582	-
d) Equity swap	-	-	-	-
e) Forward	1.918	-	2.634	-
f) Futures	-	-	-	-
g) Others	751	-	593	-
B. Banking book - hedging	6.793	-	3.037	-
a) Options	-	-	-	-
b) Interest rate swap	6.793	-	3.037	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
C. Banking book - other derivatives	475	-	222	-
a) Options	65	-	165	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	410	-	57	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
Total	**29.200**	**1.366**	**22.092**	**3.528**

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

Portfolios/Type of derivatives	Negative fair value			
	Total 31/12/2010		Total 31/12/2009	
	Over the counter	Central counterparts	Over the counter	Central counterparts
A. Regulatory trading book	16.939	1.260	9.628	3.606
a) Options	4.126	1.260	2.667	3.606
b) Interest rate swap	5.263	-	5.526	-
c) Cross currency swap	4.194	-	167	-
d) Equity swap	-	-	-	-
e) Forward	2.439	-	739	-
f) Futures	-	-	-	-
g) Others	917	-	529	-
B. Banking book - hedging	91.042	-	85.074	-
a) Options	-	-	-	-
b) Interest rate swap	91.042	-	85.074	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
C. Banking book - other derivatives	14.438	-	4.149	-
a) Options	13.510	-	3.566	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	928	-	583	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
Total	**122.419**	**1.260**	**98.851**	**3.606**

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

Contracts not covered by netting agreements	Governments and central banks	Other public boduies	Banks	Financial companies	Insurance companies	Non financial companies	Oter subjects
1) Debt securities and interest rates	**-**	**-**	**752.341**	**346.724**	**5.459**	**188.571**	**4.724**
- notional value	-	-	723.582	338.529	5.000	185.427	4.616
- positive fair value	-	-	10.893	2.772	-	2.092	27
- negative fair value	-	-	668	4.288	384	590	68
- future exposure	-	-	17.198	1.135	75	462	13
2. Equity securities and equity indices	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3. Currencies and gold	**27.037**	**-**	**435.781**	**14.545**	**60**	**221.905**	**78.740**
- notional value	27.037	-	423.641	14.097	60	212.005	74.477
- positive fair value	-	-	1.319	119	-	3.281	1.428
- negative fair value	-	-	6.774	192	-	3.080	895
- future exposure	-	-	4.047	137	-	3.539	1.940
4) Other values	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

A.7 Over the counter financial derivatives: banking book - notional values, gross positive and negative fair value by counterparts - contracts not covered by netting agreements

Contracts not covered by netting agreements	Governments and central banks	Other public boduies	Banks	Financial companies	Insurance companies	Non financial companies	Oter subjects
1) Debt securities and interest rates	**-**	**1.318**	**1.950.010**	**45**	**-**	**25.896**	**342.982**
- notional value	-	1.316	1.851.389	45	-	25.307	330.045
- positive fair value	-	-	6.793	-	-	1	-
- negative fair value	-	2	91.043	-	-	504	12.937
- future exposure	-	-	785	-	-	84	-
2. Equity securities and equity indices	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3. Currencies and gold	**-**	**-**	**17.551**	**-**	**-**	**47.098**	**5.809**
- notional value	-	-	17.316	-	-	45.548	5.476
- positive fair value	-	-	169	-	-	253	52
- negative fair value	-	-	66	-	-	928	-
- future exposure	-	-	-	-	-	369	281
4) Other values	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

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

Underlying asset/Residual life	Up to 1 year	From 1 year to 5 years	More than 5 years	Total
A Regulatory trading book				
A.1 Financial derivatives on debt securities and interest rates	571.965	181.958	503.231	1.257.154
A.2 Financial derivatives on equity securities and equity indices	-	-	-	-
A.3 Financial derivatives on exchange rates and gold	750.416	901	-	751.317
A.4 Financial derivatives on other securities	-	-	-	-
B. Banking book				
B.1 Financial derivatives on debt securities and interest rates	347.907	840.652	1.019.543	2.208.102
B.2 Financial derivatives on equity securities and equity indices	-	-	-	-
B.3 Financial derivatives on exchange rates and gold	68.340	-	-	68.340
B.4 Financial derivatives on other securities	-	-	-	-
Total Dicembre	**1.738.628**	**1.023.511**	**1.522.774**	**4.284.913**
Total Dicembre	**1.609.221**	**1.000.580**	**1.292.249**	**3.902.050**

1.3 Banking group - Liquidity risk

QUALITATIVE INFORMATION

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

The liquidity risk corresponds to the risk arising from the inability to meet promises to pay, which may be caused by the inability to raise funds (funding liquidity risk) or by the presence of asset liquidity limits (market liquidity risk)[1].

Liquidity monitoring and management operations for Banca Sella Group are formalized in the Group's Liquidity Policy, which contains both liquidity risk management guidelines and the strategies to be followed in critical situations. Such strategies are an integral part of the emergency plan called *Contingency Liquidity Plan.*

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

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

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

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

The new provisions issued on 13 December 2010 by the Bank of Italy on the "Governance and management of the liquidity risk" lead to the implementation in Italy of recent Community

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

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

[3] *As from January 2015.*

regulations[4] and some guidelines approved by the Basel Committee and the Committee of European Banking Supervisors (CEBS)[5].

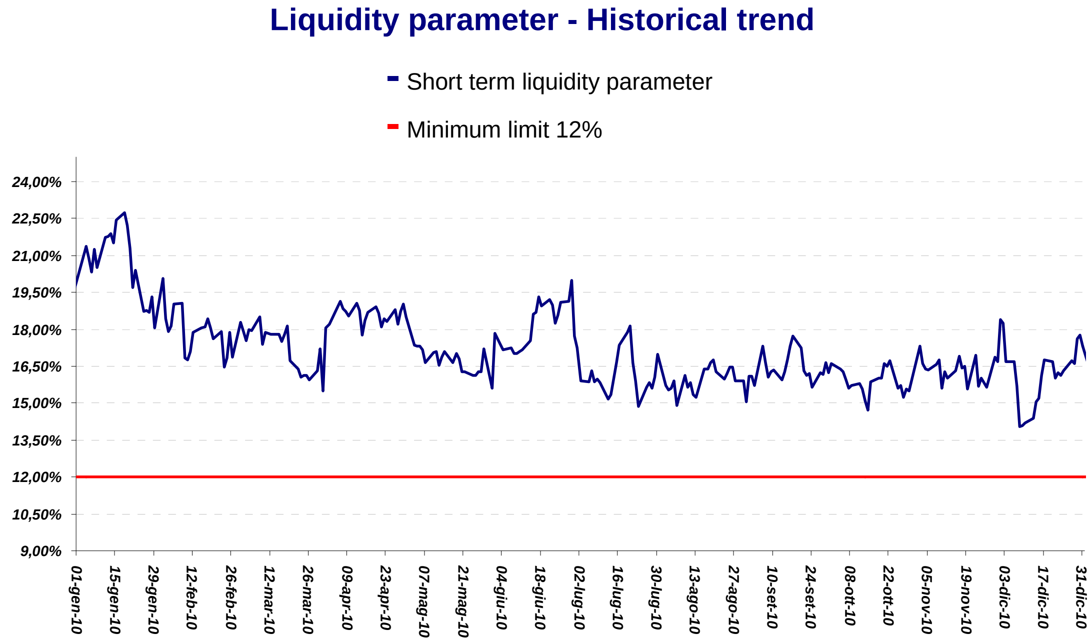
In short, this is the first organic regulation in Italy, of the principle, in relation to the management and control of liquidity risk by credit entities. This regulation is of a complementary nature with respect to Basel III, as it aims – rather than compliance with a few quantitative parameters – to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

The Group's liquidity level is managed by the Banca Sella Holding Finance business area, which in case of need promptly takes remedial actions with the support of the Group's ALM Committee. The second level controls of liquidity risk are performed by the Parent Company Audits and Risk Management Service.

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

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

Trend of Gruppo Banca Sella short term liquidity indicator



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

5 Basel Committee, "Principles for Sound Liquidity Risk Management and Supervision", published in September 2008; CEBS, "Second Part of CEBS's Technical Advice to the European Commission on Liquidity Management", of 18 September 2008; CEBS, "Guidelines on Liquidity Buffers & Survival Periods", of 9 December 2009; CEBS, "Guidelines on Liquidity Cost Benefit Allocation", of 27 October 2010.

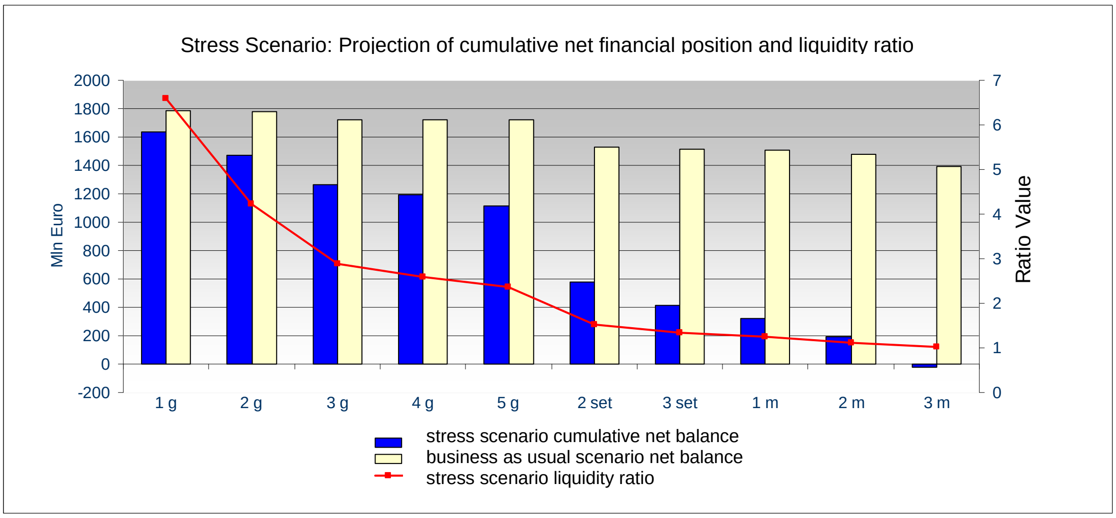
In addition to the information provided by liquidity indicators, the Banca Sella Group Risk Management and Control Service and Finance business area have the task to carry out stress analyses on the liquidity reserve of the Group itself.

The approach underlying the stress analysis consists in assessing, through the use of a Maturity Ladder[6], the ability to withstand a liquidity crisis (measured in days), of the entire Banca Sella Group if a systemic or specific crisis situation arises. The ability to withstand is calculated with the assumption that the business structure and capital profile of the Group will not be altered.

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

Stress testing has always shown liquid assets or assets that are readily liquidated to be suitable to coping with any systemic or specific original crisis.

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



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

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

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

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

QUANTITATIVE INFORMATION

As concerns the information to be supplied at the foot of the table, required by the first update to Circ. 262/2005 of the Bank of Italy in relation to the financial assets concerned by the securitisation transactions in which the Bank has subscribed the deed for the issue of all liabilities issued by the special purpose vehicle, please refer to Part E – C. Securitisation transactions – Quality information, of these consolidated financial statements.

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	**1.311.221**	**120.310**	**149.574**	**340.748**	**974.545**	**674.849**	**726.474**	**3.319.344**	**2.709.179**	**17.791**
A.1 Government securities	-	85	14.703	2.677	102.736	78.255	118.361	426.201	299.169	-
A.2 Other debt securities	-	4.117	1	48.304	41.541	80.755	67.456	283.104	98.296	-
A.3 UCITS units	9.822	-	-	-	-	-	-	-	-	17.431
A.4 Loans and advances	1.301.399	116.108	134.870	289.767	830.268	515.839	540.657	2.610.039	2.311.714	360
- Banks	132.163	-	-	16	51.509	5.091	98	827	201	220
- Customers	1.169.236	116.108	134.870	289.751	778.759	510.748	540.559	2.609.212	2.311.513	140
Cash liabilities	**7.341.244**	**43.693**	**97.571**	**126.923**	**300.804**	**295.594**	**609.044**	**864.397**	**383.351**	**950**
B.1 Deposits and current accounts	7.276.319	23.168	33.414	35.825	80.930	91.961	76.565	1.224	13.174	-
- Banks	82.099	51	6.051	5.330	2.995	1.029	511	947	13.174	-
- Customers	7.194.220	23.117	27.363	30.495	77.935	90.932	76.054	277	-	-
B.2 Debt securities	25.461	16.527	56.704	88.236	201.470	132.276	510.365	790.500	314.424	-
B.3 Other liabilities	39.464	3.998	7.453	2.862	18.404	71.357	22.114	72.673	55.753	950
Off balance sheet transactions	**925.362**	**537.856**	**124.558**	**42.885**	**121.206**	**108.251**	**70.162**	**296.829**	**373.613**	**52.290**
C.1 Financial derivatives with equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	3.700	215.345	15.479	18.523	80.306	52.428	21.052	80.681	140.797	-
- Short positions	64.400	322.240	109.004	23.504	31.935	52.510	19.358	25.476	124.191	-
C.2 Financial derivatives without equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	23.364	38	-	-	25	99	126	1.750	95	-
- Short positions	102.304	-	-	-	-	54	70	534	95	-
C.3 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	8.603
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	195.974	227	-	300	8.277	1.659	23.659	171.467	74.406	11.486
- Short positions	531.166	-	-	-	-	-	-	-	-	11.486
C.5 Financial guaranties issued	4.454	6	75	558	663	1.501	5.897	16.921	34.029	20.715

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	**10.695**	**1.228**	**4.102**	**8.510**	**11.227**	**6.684**	**39**	**4**	**33**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	6	3	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	10.695	1.228	4.102	8.510	11.227	6.684	33	1	33	-
- Banks	6.131	-	-	4.602	1	5.636	-	-	-	-
- Customers	4.564	1.228	4.102	3.908	11.226	1.048	33	1	33	-
Cash liabilities	**119.579**	**5.302**	**1.860**	**17.758**	**31.097**	**31.491**	**15.376**	**-**	**-**	**-**
B.1 Deposits and current accounts	118.934	5.302	1.860	17.756	31.097	31.491	15.376	-	-	-
- Banks	302	2.245	-	4.261	2.352	4.235	675	-	-	-
- Customers	118.632	3.057	1.860	13.495	28.745	27.256	14.701	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	645	-	-	2	-	-	-	-	-	-
Off balance sheet transactions	**1.161**	**204.562**	**148.018**	**22.484**	**90.521**	**46.377**	**29.677**	**236**	**36**	**-**
C.1 Financial derivatives with equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	-	144.485	135.100	13.629	23.717	29.733	13.713	118	18	-
- Short positions	-	59.964	12.917	8.855	66.804	16.644	15.964	118	18	-
C.2 Financial derivatives without equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	469	-	-	-	-	-	-	-	-	-
- Short positions	579	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	113	-	1	-	-	-	-	-	-	-
- Short positions	-	113	-	-	-	-	-	-	-	-
C.5 Financial guaranties issued	-	-	-	-	-	-	-	-	-	-

Currency of denomination: Swiss Franc										
Item /Time band	**On demand**	**More than 1 day to 7 days**	**More than 7 day to 15 days**	**More than 15 days to 1 month**	**More than 1 month to 3 months**	**More than 3 months to 6 months**	**More than 6 months to 1 year**	**More than 1 year to 5 years**	**More than 5 years**	**No fixed term**
Cash assets	**6.837**	**182**	**652**	**10.147**	**13.800**	**2.669**	**58**	**19.905**	**4.113**	**-**
A.1 Government securities	-	-	-	-	440	1.699	7	15.314	1.963	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	6.837	182	652	10.147	13.360	970	51	4.591	2.150	-
- Banks	5.675	-	80	5.078	1.599	520	-	-	-	-
- Customers	1.162	182	572	5.069	11.761	450	51	4.591	2.150	-
Cash liabilities	**27.417**	**-**	**-**	**16**	**16.092**	**611**	**212**	**-**	**-**	**-**
B.1 Deposits and current accounts	27.387	-	-	16	16.092	611	212	-	-	-
- Banks	229	-	-	-	16.008	520	-	-	-	-
- Customers	27.158	-	-	16	84	91	212	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	30	-	-	-	-	-	-	-	-	-
Off balance sheet transactions	**988**	**11.708**	**3.427**	**6.384**	**7.280**	**4.548**	**4.084**	**-**	**-**	**-**
C.1 Financial derivatives with equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	-	7.635	2.761	6.037	4.582	2.274	2.026	-	-	-
- Short positions	-	4.073	666	347	2.698	2.274	2.058	-	-	-
C.2 Financial derivatives without equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	142	-	-	-	-	-	-	-	-	-
- Short positions	35	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	811	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guaranties issued	-	-	-	-	-	-	-	-	-	-

Currency of denomination: British Pound

Item /Time band	On demand	More than 1 day to 7 days	More than 7 day to 15 days	More than 15 days to 1 month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year to 5 years	More than 5 years	No fixed term
Cash assets	**2.451**	**5**	**-**	**-**	**1.269**	**-**	**-**	**-**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	2.451	5	-	-	1.269	-	-	-	-	-
- Banks	2.110	-	-	-	70	-	-	-	-	-
- Customers	341	5	-	-	1.199	-	-	-	-	-
Cash liabilities	**8.385**	**-**	**140**	**716**	**2.529**	**57**	**1.142**	**-**	**-**	**-**
B.1 Deposits and current accounts	8.375	-	140	716	2.529	57	1.142	-	-	-
- Banks	-	-	1	-	1.762	-	-	-	-	-
- Customers	8.375	-	139	716	767	57	1.142	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	10	-	-	-	-	-	-	-	-	-
Off balance sheet transactions	**44**	**25.525**	**9.504**	**947**	**3.232**	**1.152**	**176**	**126**	**118**	**-**
C.1 Financial derivatives with equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	-	13.116	6.016	355	1.089	919	157	63	59	-
- Short positions	-	12.409	3.488	592	2.143	233	19	63	59	-
C.2 Financial derivatives without equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	1	-	-	-	-	-	-	-	-	-
- Short positions	43	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guaranties issued	-	-	-	-	-	-	-	-	-	-

Currency of denomination: Japanese Yen										
Item /Time band	**On demand**	**More than 1 day to 7 days**	**More than 7 day to 15 days**	**More than 15 days to 1 month**	**More than 1 month to 3 months**	**More than 3 months to 6 months**	**More than 6 months to 1 year**	**More than 1 year to 5 years**	**More than 5 years**	**No fixed term**
Cash assets	**389**	**2.960**	**1.362**	**3.148**	**5.213**	**111**	**6**	**601**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	389	2.960	1.362	3.148	5.213	111	6	601	-	-
- Banks	331	2.761	-	2.439	92	-	-	-	-	-
- Customers	58	199	1.362	709	5.121	111	6	601	-	-
Cash liabilities	**424**	**1.012**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits and current accounts	340	1.012	-	-	-	-	-	-	-	-
- Banks	1	1.012	-	-	-	-	-	-	-	-
- Customers	339	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	84	-	-	-	-	-	-	-	-	-
Off balance sheet transactions	**99**	**2.454**	**-**	**-**	**8.847**	**9.765**	**2.208**	**202**	**-**	**-**
C.1 Financial derivatives with equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	-	1.227	-	-	2.100	639	1.104	101	-	-
- Short positions	-	1.227	-	-	6.747	9.126	1.104	101	-	-
C.2 Financial derivatives without equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	64	-	-	-	-	-	-	-	-	-
- Short positions	35	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guaranties issued	-	-	-	-	-	-	-	-	-	-

Currency of denomination: Australian Dollar										
Item /Time band	**On demand**	**More than 1 day to 7 days**	**More than 7 day to 15 days**	**More than 15 days to 1 month**	**More than 1 month to 3 months**	**More than 3 months to 6 months**	**More than 6 months to 1 year**	**More than 1 year to 5 years**	**More than 5 years**	**No fixed term**
Cash assets	**734**	**-**	**677**	**6.040**	**-**	**-**	**-**	**-**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	4	-	-	-	-	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	734	-	677	6.036	-	-	-	-	-	-
- Banks	725	-	-	-	-	-	-	-	-	-
- Customers	9	-	677	6.036	-	-	-	-	-	-
Cash liabilities	**3.091**	**38**	**-**	**-**	**232**	**21**	**424**	**-**	**-**	**-**
B.1 Deposits and current accounts	3.075	38	-	-	232	21	424	-	-	-
- Banks	-	-	-	-	-	-	4	-	-	-
- Customers	3.075	38	-	-	232	21	420	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	16	-	-	-	-	-	-	-	-	-
Off balance sheet transactions	**164**	**6.907**	**-**	**-**	**563**	**440**	**-**	**-**	**-**	**-**
C.1 Financial derivatives with equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	-	2.263	-	-	262	220	-	-	-	-
- Short positions	-	4.644	-	-	301	220	-	-	-	-
C.2 Financial derivatives without equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	45	-	-	-	-	-	-	-	-	-
- Short positions	119	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guaranties issued	-	-	-	-	-	-	-	-	-	-

Currency of denomination: other currencies										
Item /Time band	**On demand**	**More than 1 day to 7 days**	**More than 7 day to 15 days**	**More than 15 days to 1 month**	**More than 1 month to 3 months**	**More than 3 months to 6 months**	**More than 6 months to 1 year**	**More than 1 year to 5 years**	**More than 5 years**	**No fixed term**
Cash assets	**10.869**	**162**	**-**	**3.040**	**820**	**1.815**	**-**	**-**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans and advances	10.869	162	-	3.040	820	1.815	-	-	-	-
- Banks	10.861	162	-	2.911	489	-	-	-	-	-
- Customers	8	-	-	129	331	1.815	-	-	-	-
Cash liabilities	**5.669**	**751**	**1**	**293**	**7**	**106**	**406**	**-**	**-**	**-**
B.1 Deposits and current accounts	5.528	751	1	293	7	106	406	-	-	-
- Banks	10	751	1	-	-	78	-	-	-	-
- Customers	5.518	-	-	293	7	28	406	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	141	-	-	-	-	-	-	-	-	-
Off balance sheet transactions	**140**	**14.551**	**8.599**	**2.291**	**965**	**6.653**	**64**	**164**	**-**	**-**
C.1 Financial derivatives with equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	-	9.907	2.167	390	235	4.260	32	82	-	-
- Short positions	-	4.644	6.432	1.901	730	2.393	32	82	-	-
C.2 Financial derivatives without equity swaps	-	-	-	-	-	-	-	-	-	-
- Long positions	33	-	-	-	-	-	-	-	-	-
- Short positions	107	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guaranties issued	-	-	-	-	-	-	-	-	-	-

1.4 Banking group - Operational risks

QUALITATIVE INFORMATION

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

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

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 and Control Service. This service has the responsibility to measure, monitor and manage the Group's exposure to the risks indicated under the First and Second Pillars of Basel 2, continuously improving the instruments and methods for assessing quantitative and qualitative risk exposure aspects.

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

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

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

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

The Control Cycle is an internal process that has been effectively adopted by the entire Group for several years for the processing of anomalies and removing the effects and the causes that generated them. This process, through the use of a specific software application, presides over the work of surveying, monitoring and managing all the anomalous events that occur in all the Group companies, so as to facilitate the consequent follow-up activities.

In 2010, the Banca Sella Group planned and implemented some interventions aimed at further strengthening this process. In particular, it worked to strengthen follow-up activities, which were centralised at a single structure of Sella Servizi Bancari ("Operative Controls"). The follow-up, as we know, consists of verifying that the solutions adopted to remove the events avoid their re-presentation in the future. The concentration of these activities makes it possible to have a single actor for Group

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

services/companies in terms of follow-up, focusing interventions on anomalous events of a relevant degree[8], which are the result of anomalies in terms of poor service, claims, or inspection reports, whether they derive from reports prepared by inspection offices or the compliance department, as well as for all anomalies reported by regulators for any Group companies.

The main organizational structures adopted by the Banca Sella Group to mitigate and control operational risks, besides the Control Cycle mentioned above, include the mapping and validation of new corporate processes and/or the updating of existing ones, performed and improved during 2010.

Each process is "assigned" with a rating of the operational risk inherent in a process (which assesses the risk factors on the process without taking into account the mitigating effect of existing audits) and a rating of the residual operational risk of the process (obtained by assessing the mitigating effect of audits of the inherent risks). The risk ratings are measured on a discrete scale with values from 1 (minimum risk) to 5 (maximum risk). Particular attention is paid to correspondence between the operational map and the reality of the underlying process.

The introduction of new processes or the modification of existing processes with a residual operational risk rating equal to or higher than 4, is previously examined and assessed by the Operational Risk Committee.

The complete mapping and the continuous updating of the Group's processes allow identifying their very quality and their risk exposure, in order to:

- formalize the responsibilities of the organizational structures and skilled personnel in the context of the business processes analyzed;
- detect the risks associated with the processes, with consequent assessment of the effectiveness of the organizational model and of the audit system overseeing them;
- check the effectiveness of individual processes.

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

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

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

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

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 evaluation of the performances of management of operational risk, the Risk Management and Control Service produces regular summary and detailed statements which show for each Group company and on the whole the degree of risk assumed in relation to:

- prejudicial events and operating losses reported in the Control Cycle database, highlighting the most serious anomalies;
- the outcome of line audits;
- the trend in service levels;
- the “internal operational risk rating”[10] (I.O.R.R.) on the basis of an analysis of some KPIs (Key Performance Indicators) and KRIs (Key Risk Indicators).

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

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

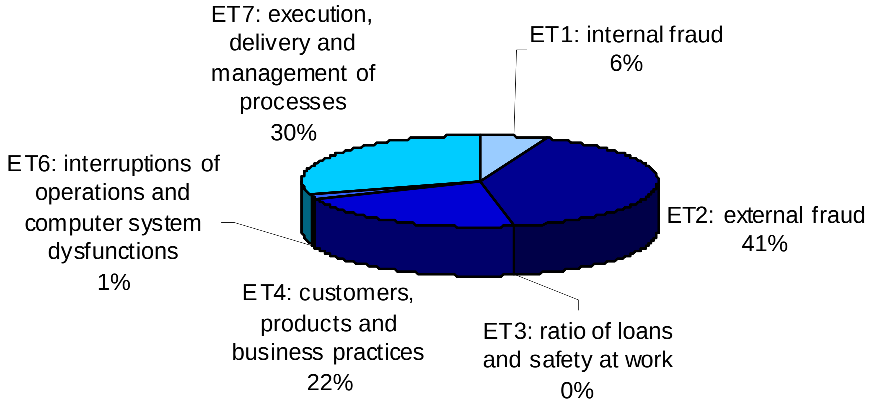
For the purposes of calculation of the capital requirement to cover exposure to operational risk, the Basic Indicator Approach (BIA) is used. In the Basic Approach the capital requirement is calculated applying to the average of the last three observations of net banking income available a regulatory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

QUANTITATIVE INFORMATION

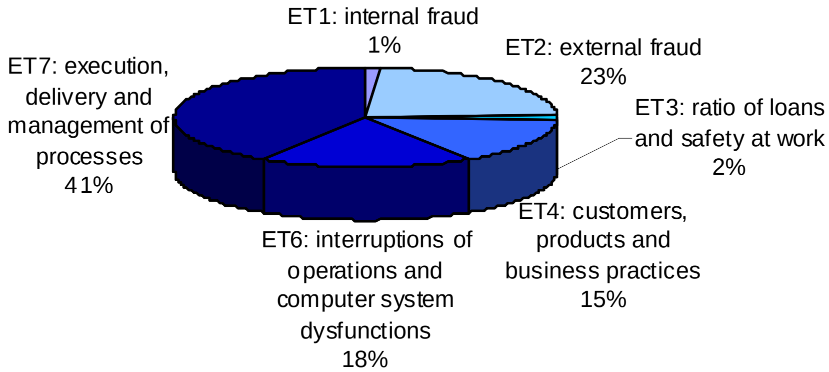
The graphs below, obtained by processing the information contained in the Group’s Loss Data Collection, show the operating loss data noted in the period 01.01.2010 – 31.12.2010, classified according to the type of events of Basel 2 and divided up in terms of impact and frequency.

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

Banca Sella Group breakdown of gross loss



Banca Sella Group breakdown of frequency



» SECTION 2 - INSURANCE COMPANIES RISKS

The Banca Sella Group has a majority equity interest in two insurance companies located respectively in Ireland and in Italy that specialize in categories of product and customer. The former caters for private customers offering products that will best meet their need for diversified investments, whilst the latter company caters for a wide range of customers through a comprehensive catalogue that therefore includes the risks connected with the term of human life.

Sella Life Ltd.

Sella Life's business concerns only life assurance of the third kind, that is to say linked policies. By their nature, such products do not entail a financial risk for the Company as the risk is transferred completely to the Policyholder.

The insurance covers provided by the company for the products it sells amount to at the most 101% of the value of the policy and therefore the risk of mortality is covered by the Company's own assets.

C.B.A. Vita S.p.A.

C.B.A. Vita operates mainly in the life assurance field and to a small extent in the accident and health insurance fields.

The main risks assumed by the Company in the course of its business, and the processes adopted for the assumption and management of such risks, are described below.

Mortality risk

Mortality risk is the risk of the unfavourable trend recorded in the actual loss ratio compared with the trend estimated when the policy premium was calculated.

CBA Vita has a diversified risk assumption policy according to the type of premium. Particular caution is exercised when accepting temporary life-assurance policies for which the procedures in place lay down precise acceptance criteria dependent on the amount of capital to be insured and the age of the policyholder, within predetermined limits of age and capital.

CBA Vita provides life-assurance reinsurance cover that is commensurate with the products marketed and conservation levels that are more than adequate for the Company's capital structure (in compliance with the framework directive issued by the Board of Directors in accordance with the provisions of ISVAP memorandum 574/D of 2005).

The quality of the assumption is given by a comparison between the actual mortality and the theoretical mortality of the portfolio, which in 2010 showed actual mortality lower than theoretical mortality.

Morbility risk

Morbility risk is the risk of the unfavourable trend recorded in the actual morbility ratio compared with the trend estimated when the policy premium is calculated and new invalidating pathologies arise.

CBA Vita has a diversified risk assumption policy depending on the type of premium. Particular attention is paid when accepting temporary life-assurance policies for which the procedures adopted require precise acceptance criteria.

CBA Vita sets aside a part of the premium collected to face up to the worsening of the risk associated with the ageing of policyholders in order to cope with the obligations deriving from insurance activities (setup of aging reserve).

CBA Vita provides an assurance cover that is commensurate with the products marketed and conservation levels that are more than adequate for the Company's capital structure (in compliance with the framework directive adopted by the Board of Directors in accordance with the provisions of ISVAP memorandum no. 574/D of 2005).

Longevity risk

Longevity risk is the risk due to the trend of increasing life expectancy on life assurance policies which directly provide an income or, when they mature, permit customers to opt for an annuity instead of cashing in the accrued capital with preset conversion ratios.

Some life-assurance policies provide an income directly or, when they mature, permit the customer to opt for an annuity instead of cashing in the accrued capital. In the case of such policies the Company is therefore exposed to a longevity risk due to the trend of increasing life expectancy. For some years now this risk has been limited in new policies with an annuity option, by postponing the calculation of the conversion ratio to the moment when the annuity option is taken up.

For contracts already in the portfolio, with guaranteed annuity ratio calculated on the basis of demographic projections that have not been updated, the mathematical reserves have been supplemented.

Financial risk

Market risk relates to unexpected variations in market factors such as interest rates, exchange rates and share prices that may cause fluctuations in the value of a position held in the Company's book and in the values of investments allocated to insurance products.

CBA Vita markets, among other things, products with bonuses based on the profits achieved by their Separate Investments, with a guaranteed minimum.

The Company is thus exposed to the risk of obtaining profits from the underlying investments that are lower than those guaranteed to the policyholders.

The risk connected with these policies is periodically monitored and assessed to ensure optimum allocation of financial resources, with a view to ALM (Asset-Liability Management).

In order to cover the risk of a possible disparity between the expected rates of return of the assets hedging the technical reserves connected to the separate investments and the undertakings given, the mathematical reserves of the Company have been increased by 1,461 million euro in compliance with the provisions of Isvap Regulation 21 of 28 March 2008.

The Liability Adequacy Test is conducted using the modelling that has already been set up for the analysis pursuant to Regulation 21 with an extension of the assessments to the contractual maturity of the portfolio. It has shown that the additional reserves calculated using local principles are adequate.

Lastly, financial risks include a limited number of index-linked policies that were taken out in past years, where the counterparty risk is borne by the Company.

Under the scope of the book owned by CBA Vita, the management and control of market risks is governed by an internal regulation that sets the rules within which the company can expose itself to these types of risk.

The average duration of the owned book as of 31 December 2010 is equal to 0,92 years while sensitivity, estimated on a parallel movement of +100 basis points in the yield curve, is approximately 4,53 million euro negative (0,92% of the portfolio).

Reassurance risk

As a general rule, the reinsurers with which CBA Vita works must meet quality, commitment and solvency requirements. In particular, the selection criteria for reinsurance partners imply the choice of high-rated reinsurers and a continuous monitoring of the total exposure for individual reinsurers, grouped by consistent rating classes. The Risk Management Service ensures that the Company's exposure to individual reinsurers complies with the following limits, established by the Board of Directors:

- 75% of the total exposure or 10 million euro for reinsurers with an A or higher rating;
- 25% of the total exposure or 3 million euro for reinsurers whose rating is lower than A.

The following table shows the exposure of the Group towards reinsurers at 31 December 2010 and related rating classes:

Exposure of the group towards reinsurers and related rating classes

Company	Moody's Rating	S&P Rating	Fitch Rating	Exposure 31/12/2010 (euro)	Exposure 31/12/2010 (% over total)	Maximum exposure (euro)
Swiss reinsurance company	A1	A+	NR	388.573	14,48%	10.000.000
Scor Global Life (*rating* Parent company Scor SE)	A2	A	A	894.485	33,34%	10.000.000
Hannover A.G.		AA-	A+	854.799	31,86%	10.000.000
Cardiff (*rating* parent company BNP Pribas)	Aa2	AA	AA-	545.315	20,32%	10.000.000
Total				**2.683.172**	**100,00%**	

» SECTION 3 - RISKS OF OTHER COMPANIES

This type of company does not exist within the Banca Sella Group.

PART F INFORMATION ON CONSOLIDATED CAPITAL

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

» SECTION 1 - CONSOLIDATED CAPITAL

A. QUALITATIVE INFORMATION

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

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

- pay out policies;
- issues of subordinated bonds.

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

B. QUANTITATIVE INFORMATION

B.1 Consolidated equity: breakdown by type of company

	Banking group	Insurance companies	Other companies	Consolidation Eliminations and adjustments	Total
Capital	612.169	56.300	-	(514.938)	153.531
Share premiums	271.558	-	-	(175.000)	96.558
Reserves	522.512	(342)	-	(89.032)	433.138
Equity instruments	-	-	-	-	-
(Treasury shares)	-	-	-	-	-
Valuation reserves:	(208)	(11.424)	-	16	(11.616)
- Financial assets available for sale	(5.982)	(11.318)	-	16	(17.284)
- Tangible assets	-	-	-	-	-
- Intangible assets	-	-	-	-	-
- Foreign investments hedges	-	-	-	-	-
- Cash flow hedges	-	-	-	-	-
- Exchange rate differences	-	-	-	-	-
- Non current assets held for sale	-	-	-	-	-
- Actuarial profits (losses) on defined benefit pension plans	-	-	-	-	-
- Quote of valuation reserves for minority equity interests accounted with equity method	-	(106)	-	-	(106)
- Special revaluation laws	5.774	-	-	-	5.774
Profit (loss) for the year (+/-) of the group and of third parties	23.968	(3.956)	-	50	20.062
Shareholders' equity	**1.429.999**	**40.578**	**-**	**(778.904)**	**691.673**

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

Asset/Amount	Banking group		Insurance companies		Other companies		Consolidation Eliminations and adjustments		Total	
	Pos.	Neg.	Pos.	Neg.	Pos.	Neg.	Pos.	Neg.	Pos.	Neg.
1. Debt securities	-	9.588	-	11.318	-	-	-	(16)	-	20.890
2. Equity securities	3.611	-	-	-	-	-	-	-	3.611	-
3. UCITS units	-	5	-	-	-	-	-	-	-	5
4. Loans and advances	-	-	-	-	-	-	-	-	-	-
Total 31/12/2010	**3.611**	**9.593**	**-**	**11.318**	**-**	**-**	**-**	**(16)**	**3.611**	**20.895**
Total 31/12/2009	**6.252**	**253**	**-**	**95**	**-**	**-**	**-**	**216**	**6.252**	**564**

Key

Pos. = Positive reserve

Neg. = Negative reserve

B.3 Valuation reserves of financial assets available for sale: annual changes

	Debt securities	Equity securities	UCITS units	Loans and advances
1. Opening balance	**(28)**	**5.716**	**-**	**-**
2. Increases	**3.709**	**3.980**	**-**	**-**
2.1 Increases in fair value	276	2.069	-	-
2.2 Reversal to income statement of negative reserves	140	1.911	-	-
- following impairment	-	-	-	-
- following realization	140	1.911	-	-
2.3 Other changes	3.293	-	-	-
3. Decreases	**24.571**	**6.085**	**5**	**-**
3.1 Reductions in fair value	24.239	5.738	5	-
3.2 Impairment losses	-	-	-	-
3.3 Reversal to income statement from positive reserves: following realization	332	347	-	-
3.4 Other changes	-	-	-	-
4. Closing balance	**(20.890)**	**3.611**	**(5)**	**-**

» SECTION 2 - BANK REGULATORY CAPITAL AND CAPITAL RATIOS

2.1 Scope of application of the regulation

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

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

2.1 Bank regulatory capital

A. QUALITATIVE INFORMATION

1. Tier 1 capital

This comprises:

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

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

2. Tier 2 and Tier 3 capital

This comprises:

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

Issuer	Interest rate	Interest type	Issue date	Maturity date	Currency	Original amount *(euro thousand)*	Contribution to regulatory capital *(euro thousand)*
Banca Sella Holding S.p.A.	1,45%	variable	16-Sep-2002	16-Mar-2013	Euro	50.000	48.282
Banca Sella Holding S.p.A.	1,35%	variable	01-Sep-2003	01-Sep-2014	Euro	24.612	23.082
Banca Sella Holding S.p.A.	1,35%	variable	15-Jul-2004	15-Jul-2015	Euro	18.560	18.253
Banca Sella S.p.A.	2,13%	variable	03-Jun-2009	03-Jun-2019	Euro	850	850
Banca Sella S.p.A.	1,78%	variable	15-Jul-2009	15-Jul-2019	Euro	438	438
Banca Sella S.p.A.	1,73%	variable	10-Sep-2009	10-Dec-2019	Euro	10.000	9.681
Banca Sella S.p.A.	4,10%	fixed	15-Oct-2009	15-Jan-2020	Euro	5.000	4.620
Banca Sella S.p.A.	4,10%	fixed	26-Oct-2009	26-Jan-2020	Euro	5.000	4.931
Banca Sella S.p.A.	4,10%	fixed	29-Oct-2009	29-Jan-2020	Euro	10.000	9.071
Banca Sella S.p.A.	4,00%	fixed	16-Dec-2009	16-Mar-2020	Euro	5.000	4.807
Banca Sella S.p.A.	4,10%	fixed	23-Nov-2009	23-Feb-2020	Euro	5.000	4.733
Banca Sella Nordest Bovio Calderari S.p.A.	1,73%	variable	16-Sep-2009	16-Dec-2019	Euro	930	720
Banca Sella Sud Arditi Galati S.p.A.	1,73%	variable	04-Sep-2009	04-Dec-2019	Euro	2.500	2.401
Banca Sella Sud Arditi Galati S.p.A.	4,075%	fixed	04-Sep-2009	04-Dec-2019	Euro	1.000	969
Banca Sella Sud Arditi Galati S.p.A.	4,10%	fixed	26-Oct-2009	26-Jan-2020	Euro	2.500	2.465
Banca Sella Sud Arditi Galati S.p.A.	4,10%	fixed	05-Oct-2009	05-Jan-2020	Euro	2.500	2.324
Banca Sella Sud Arditi Galati S.p.A.	1,74%	variable	31-Jul-2009	31-Jul-2019	Euro	701	701
Total hybrid instruments (Upper Tier II)							**138.328**
Banca Sella Holding S.p.A.	1,50%	variable	14-Nov-2005	14-Nov-2011	Euro	8.000	3.998
Banca Sella Holding S.p.A.	2,176%	variable	15-Dec-2004	15-Dec-2014	Euro	50.000	40.000
Banca Sella Holding S.p.A.	1,531%	variable	28-Nov-2006	28-Nov-2016	Euro	50.000	50.000
Banca Sella Holding S.p.A.	1,423%	variable	21-Jun-2007	21-Jun-2017	Euro	10.000	2.450
Banca Sella Holding S.p.A.	1,815%	variable	27-Dec-2007	27-Dec-2017	Euro	30.000	20.900
Banca Sella Holding S.p.A.	1,33%	variable	06-Jun-2008	06-Jun-2014	Euro	11.120	8.000
Banca Sella S.p.A.	1,78%	variable	15-Jul-2009	15-Jul-2019	Euro	1.692	1.379
Banca Sella S.p.A.	2,13%	variable	03-Jun-2009	03-Jun-2019	Euro	3.450	2.400
Banca Sella S.p.A. (*)	1,40%	variable	04-Jan-2006	04-Jan-2013	Euro	60.000	0
Banca Sella S.p.A.	1,32%	variable	24-Jun-2008	24-Jun-2014	Euro	40.000	29.447
Banca Sella S.p.A.	1,36%	variable	30-Sep-2008	30-Sep-2016	Euro	30.000	19.239
Banca Sella S.p.A.	1,83%	variable	16-Mar-2009	16-Mar-2015	Euro	20.000	17.297
Banca Sella S.p.A.	3,45%	fixed	18-Feb-2009	18-Feb-2015	Euro	10.000	9.727
Banca Sella S.p.A.	2,50%	variable	20-Oct-2010	20-Oct-2017	Euro	5.000	4.950
Banca Sella Nordest Bovio Calderari S.p.A.	1,78%	variable	15-Jul-2009	15-Jul-2019	Euro	210	190
Banca Sella Nordest Bovio Calderari S.p.A. (*)	1,54%	variable	23-Nov-2006	23-Nov-2012	Euro	4.500	0
Banca Sella Nordest Bovio Calderari S.p.A.	1,55%	variable	27-Jun-2008	27-Jun-2014	Euro	8.000	7.238
Banca Sella Nordest Bovio Calderari S.p.A.	1,65%	variable	27-Oct-2008	27-Oct-2014	Euro	7.500	4.790
Banca Sella Nordest Bovio Calderari S.p.A.	1,94%	variable	05-Mar-2009	05-Mar-2015	Euro	6.000	5.233
Banca Sella Sud Arditi Galati S.p.A.	1,40%	variable	22-Sep-2003	22-Sep-2011	Euro	880	433
Banca Sella Sud Arditi Galati S.p.A.	4,55%	fixed	25-May-2009	25-May-2019	Euro	1.000	850
Banca Sella Sud Arditi Galati S.p.A.	5,30%	fixed	16-Jul-2008	16-Jul-2015	Euro	10.000	8.922
Banca Sella Sud Arditi Galati S.p.A.	4,90%	fixed	22-Sep-2008	22-Sep-2014	Euro	10.000	6.399
Banca Sella Sud Arditi Galati S.p.A.	4,00%	fixed	15-Dec-2008	15-Dec-2014	Euro	2.500	1.636
Banca Sella Sud Arditi Galati S.p.A.	4,00%	fixed	12-Jan-2009	12-Jan-2015	Euro	2.500	2.010
Banca Sella Sud Arditi Galati S.p.A.	3,50%	fixed	24-Feb-2009	24-Feb-2015	Euro	2.500	2.083
Banca Sella Sud Arditi Galati S.p.A.	3,90%	fixed	06-Feb-2009	06-Feb-2015	Euro	2.500	2.259
Banca Sella Sud Arditi Galati S.p.A.	3,50%	fixed	21-May-2009	21-May-2016	Euro	5.000	4.699
Banca Sella Sud Arditi Galati S.p.A.	1,74%	variable	31-Jul-2009	31-Jul-2019	Euro	1.799	1.761
Banca Sella Sud Arditi Galati S.p.A.	2,95%	fixed	12-Oct-2010	12-Oct-2017	Euro	2.500	2.451
Banca Sella Sud Arditi Galati S.p.A.	3,15%	fixed	22-Oct-2010	12-Oct-2017	Euro	2.500	2.500
Total eligible subordinated (Lower Tier II)							**263.241**
Banca Sella Holding S.p.A.	1,15%	variable	04-Apr-2008	04-Apr-2011	Euro	20.000	17.743
Total 3rd tier subordinated (Upper Tier III)							**17.743**
Total							**419.312**

(*) Subscribed by other Group companies and hence not ascibable to Group regulatory capital.

Hybrid instruments (Upper Tier 2)

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

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

Lower Tier 2 subordinated liabilities

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

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

Lower Tier 3 subordinated liabilities

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

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

B. QUANTITATIVE INFORMATION

	Total 2010	Total 2009
A. Tier 1 capital before application of prudential filters	**613.709**	**585.775**
B. Tier 1 capital prudential filters:	(653)	(163)
B.1 Positive IAS/IFRS prudential filters (+)	-	199
B.2 Negative IAS/IFRS prudential filters (-)	(653)	(362)
C. Tier 1 capital including ineligible items (A + B)	**613.056**	**585.612**
D. Tier 1 capital ineligible items	5.690	5.357
E. Total Tier 1 capital (C - D)	**607.366**	**580.255**
F. Tier 2 capital before the application of prudential filters	**410.470**	**445.931**
G. Tier 2 capital prudential filters	(1.806)	(3.001)
G.1 Positive IAS/IFRS prudential filters (+)	-	-
G.2 Negative IAS/IFRS prudential filters (-)	(1.806)	(3.001)
H. Tier 2 capital including ineligible items (F + G)	**408.664**	**442.930**
I. Tier 2 capital ineligible items	5.690	5.357
L. Total Tier 2 capital (H - I)	**402.974**	**437.573**
M. Total Tier 1 and 2 capital ineligible items	37.913	42.401
N. Regulatory capital (E + L - M)	**972.427**	**975.427**
O. Tier 3 capital	11.242	14.801
P. Regulatory capital including Tier 3 (N + O)	**983.669**	**990.228**

The Tier 1 capital does not include financial instruments increasing the capital other than ordinary shares. Consequently, the Group's Tier 1 also represents its Core Tier 1.

With reference to the 18th May 2010 initiative by the Bank of Italy "Regulatory Capital - prudential filters," the Group opted (with the aim of rendering regulatory capital less volatile in a highly volatile market) for the complete neutralization, for the purposes of calculating Regulatory Capital, of both capital gains and losses in regards to debt securities held in the "Assets available for sale" portfolio and limited neutralization for securities issued by the central public entities of countries belonging to the European Union included in said portfolios.

The negative component in relation to goodwill, which is included in the calculation of the Tier 1 capital, has also included goodwill in relation to the investment in Banca Monte Parma, which, during the period, was classified amongst assets held for disposal.

2.3 Capital adequacy

A. QUALITATIVE INFORMATION

In financial year 2009 the "New capital adequacy rules for Banks" (Bank of Italy Circular No. 263 of 27 December 2006) came into effect, incorporating the regulations on the subject of international Convergence in the measurement of capital and capital ratios (Basel II). In this context, the capital of the Group 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 7,22% and a ratio between total regulatory capital and risk weighted assets of 11,70%, well above the minimum requirement of 8%.

Periodically, patrimonial adequacy and respect for requested requisites is monitored by the Asset and Liability Management Committee.

B. QUANTITATIVE INFORMATION

Category/Amount	Non-weighted amounts		Weighted amounts/ requirements	
	31/12/2010	**31/12/2009**	**31/12/2010**	**31/12/2009**
A. RISK ASSETS				
A.1 Credit and counterparty risk	**15.958.472**	**16.944.333**	**7.220.995**	**7.202.997**
1. Standardized approach	15.955.604	16.935.299	7.220.026	7.194.238
2. Internal rating based approach			-	-
2.1 Basic				
2.2 Advanced				
3. Securitizations	2.868	9.034	969	8.759
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk	x	x	**577.680**	**576.240**
B.2 Markets risks			**15.745**	**20.730**
1. Standardized approach	x	x	15.745	20.730
2. Internal models	x	x		
B.3 Operational risk			**79.117**	**81.698**
1. Basic approach	x	x	79.117	81.698
2. Standardized approach	x	x		
3. Advanced approach	x	x	-	-
B.4 Other capital requirements	x	x	-	-
B.5 TOTAL CAPITAL REQUIREMENTS (B1+B2+B3+B4)	x	x	**672.542**	**678.668**
C. RISK ASSETS AND CAPITAL RATIOS	x	x		
C.1 Risk weighted assets	x	x	8.406.770	8.483.347
C.2 Tier 1 capital/Risk weighted assets (Tier 1 capital ratio)	x	x	7,22%	6,84%
C.3 Regulatory capital including Tier 3/Risk weighted assets (Total capital ratio)	x	x	11,70%	11,67%

» SECTION 3 - INSURANCE REGULATORY CAPITAL AND CAPITAL RATIOS

The solvency margin, calculated in accordance with the law, amounted to 34,350 million euro for life insurance. As for non-life insurance, the solvency margin amounted to 2,3 million euro, that is equal to the minimum guarantee fund provided under section 46 of Italian Legislative Decree 209 dated 17 September 2005 and sections 5 and 11 of Isvap Regulation no. 19 dated 14 March 2008 and adjusted according to Isvap provision no. 2768 of 29/12/2009. These amounts are fully hedged by the Company's equity with an excess of 5,280 million euro for life insurance and Capitalisation and 1,913 million euro for non-life insurance.

SOLVENCY MARGIN

At 31 December 2010 the solvency margin to be set up, the guarantee fund and the total components of the margin itself, separately for non-life and life insurance items, consisted of the following amounts:

Solvency margin	
(euro thousands)	**31/12/2010**
Life insurance	
Solvency margin to be set up	34.350
Guarantee fund	11.450
Margin components	39.630
Non-life	
Solvency margin to be set up	2.300
Guarantee fund	2.300
Margin components	4.213

At the end of the financial year life insurance solvency margin components amounted to 39,630 million euro against an amount to be set up of 34,350 million euro; non-life solvency margin components amounted to 4,213 million euro against an amount to be set up of 2,300 million euro.

ADJUSTED SOLVENCY

The assessment of adjusted solvency at 31/12/2010, provided under section 217 of Leg. Dec. 209/2005 and implemented according to the provisions of Isvap regulation no. 18 dated 12 March 2008, showed the following situation:

Adjusted solvency	
(euro thousands)	**31/12/2010**
Required amount for adjusted solvency margin	41.865
Total components	37.521
Excess	-4.344

The adjusted solvency margin benefits from the provisions introduced by ISVAP Regulation no. 37 of 16 March 2011, which allowed for the inclusion of a greater amount of 3,105 million euro amongst the components.

The insufficiency of the correct solvency margin result at end 2010 amounted to 4,344 million euro; the extraordinary shareholders' meeting of 22 February 2011 resolved a first tranche of share capital increase of 5 million euro, of which 4,5 million euro was paid-in. After this payment, the margin required is covered.

PART G AGGREGATION OPERATIONS REGARDING COMPANIES OR BUSINESS LINES

During the year no operations regarding companies or business lines took place.

PART H RELATED PARTY TRANSACTIONS

In accordance with IAS 24, the types of related parties significant for the Banca Sella Group, with reference to the specific organisational structure and governance, comprise:

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

» SECTION 1 – INFORMATION ON DIRECTORS' AND MANAGERS' REMUNERATION

In the light of the current organisational structure of the Group, the following are included in the definition of "managers with strategic responsibility": Directors and members of the General Management of Banca Sella Holding in relation to the exercise of the functions of management, coordination and control.

Fees paid as of 31 December 2010 to the above-mentioned key company personnel in the parent company are set out in the following table:

Fees paid to managers with strategic responsibilities (including directors) *(amounts in euro thousands)*	**31 December 2010**
a) short-term employee benefits	2.248,49
b) post-employment benefits	-
c) other long-term benefits	-
d) severance indemnities	122,17
e) share-based payments	-
Total	**2.370,66**

The following table shows payments received in 2010 by Directors and Statutory Auditors of the Company:

Fees received in financial year 2010 *(amounts in euro thousands)*	
Directors	1.877,77
Statutory Auditors	620,69

» 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.

Intra-group transactions were carried out following assessments of mutual benefit, in line with market terms, with the aim of creating value within the Group.

In preparing the consolidated financial statements, transactions and existing balances with intra-group related parties are eliminated.

The table below sets out assets, liabilities, guarantees and commitments existing as of 31 December 2010 differentiated by the different types of related parties:

Related-party transactions
(amounts in euro thousands)

	Subsidiaries	Associated companies	Directors and Managers
Loans & Receivables	-	2.107,45	1.137,33
Payables	-	2.510,84	4.159,49
Guarantees given	-	-	291,91
Guarantees received by the Group	-	550,00	19,78

PART I PAYMENT AGREEMENTS BASED ON OWN EQUITY INSTRUMENTS

The Banca Sella Group has not carried out this type of operation.

PART L SEGMENT REPORTING

In accordance with the provisions of accounting principle IFRS 8, the segment report was prepared with reference to the Group's operational features and to the organisational and management structure.

Segment reporting – breakdown by business area

The "operating segments" identified at group level are the following:

NETWORKS DEPARTMENT

The mission of the Networks Department is to develop and manage relations with Group customers, to learn about customers' needs and anticipate their expectations in order to achieve the income and growth targets set, coordinating distribution activities and commercial and marketing initiatives.

It therefore includes the following companies: Banca Sella, Banca Sella Sud Arditi Galati, Banca Sella Nordest Bovio Calderari, Banca Patrimoni Sella & C., Family Advisory SIM Sella & Partners, Sella Bank AG, Biella Leasing, Consel and Selfid.

PRODUCT COMPANIES

The Product Companies comprise the entities whose business is mainly focused on the creation of products or the provision of specialist services.

It therefore includes the following companies: Sella Gestioni, Cba Vita, Sella Life, Brosel and Selgest.

FINANCE DEPARTMENT

The task of the Finance department is to direct, coordinate and control the financial activities of the Banca Sella Group, pursuing careful risk management and a solid liquidity position.

The Finance department also oversees own account trading activities carried out by the trading room of the business segment, and manages Parent company's Own Securities Portfolio and Corporate Finance.

The Finance department therefore comprises the corresponding "operating segment" of Banca Sella Holding.

BANKING SERVICES

The mission of the Banking Services Department is to provide the Group with an adequate technical and organizational structure characterized by efficiency, excellence, innovation and the highest quality. It also coordinates the development of a number of specific businesses associated with this operational activity. Its task is also, therefore, to provide IT systems and the products and services it performs to the Group banks and companies in outsourcing.

As these activities can also be offered to institutional operators external to the Banca Sella Group (banks, brokerages, AMCs, etc…), one of the Department's tasks is to offer its services also outside the Group.

This department comprises the group's service companies (Sella Servizi Bancari, Immobiliare Lanificio M. Sella, Immobiliare Sella, Selir and Easy Nolo) and the Institutional Service segment of Banca Sella Holding, which includes the following services: Payment Systems, Depositary Bank, Trading, Banca Sella Holding Customers and Market Access.

CENTRAL STRUCTURE AND OTHER SERVICES

The main component consists of bodies performing duties relating to the governance, support and auditing of the Group's other business sectors.

The central structure also comprises holding companies and companies no longer operating or held for sale.

In addition to the Group's Central Management Department and staff and co-ordination units of the Parent company, the central unit also includes the following companies: Sella Holding NV, Banque BPP, Miret, Sella Capital Management and Sella Synergy India.

Criteria for the calculation of profitability for operating segments

The income statement of operating segments has been drawn up using the following methods:

- *in the case of operating segments whose operations are carried on at the levels of both the parent company and the subsidiaries, the single areas were assigned the relevant proportion of the items of the parent company on the basis of the following principles:*
    - *net interest income was calculated using appropriate internal transfer rates;*
    - *in addition to actual fees, notional fees were also quantified in relation to services rendered by one business unit to another;*
    - *the direct costs of each segment were calculated, and the costs of the central structures other than those specific to the holding function were attributed to the areas;*
- *the income statements of the single companies were indicated in the case of sectors whose business is carried on solely by subsidiary companies.*

The condensed income statement is reclassified the same way as in the Directors' Report.

Below is the table on segment reporting – breakdown by business area:

Segment report statement - breakdown by business area *(amounts in euro millions)*

	Networks department	Product companies	Banking services	Finance department	Central structure	Total
INCOME STATEMENT:						
NET INTEREST INCOME [(1)]						
year 2010	268	1	3	22	0	294
year 2009	269	2	3	19	(2)	290
NET INCOME FROM SERVICES						
year 2010	183	8	38	13	3	246
year 2009	172	19	36	22	(0)	249
NET BANKING AND INSURANCE INCOME						
year 2010	451	9	41	35	4	539
year 2009	441	21	39	41	(3)	539
OPERATING COST						
year 2010	(312)	(12)	(29)	(11)	(28)	(391)
year 2009	(322)	(16)	(32)	(11)	(27)	(407)
of wich VALUE ADJUSTMENTS ON TANGIBLE AND INTANGIBLE ASSETS						
year 2010	(8)	(1)	(23)	(0)	(2)	(34)
year 2009	(9)	(1)	(23)	(0)	(2)	(34)
OPERATING PROFIT/(LOSS)						
year 2010	138	(3)	12	23	(24)	148
year 2009	119	6	7	30	(30)	132
NET VALUE ADJUSTMENTS FOR IMPAIRMENT OF LOANS AND RECEIVABLES						
year 2010	(96)	-	-	-	(0)	(96)
year 2009	(83)	-	-	-	(0)	(84)
PROFIT/(LOSS) FROM CONTINUING OPERATIONS BEFORE TAXES						
year 2010	36	1	12	23	(20)	53
year 2009	35	6	5	30	(27)	50
PROFIT/(LOSS) FOR THE PERIOD (including minority interest)						
year 2010	18	(4)	8	16	(17)	20
year 2009	19	3	3	19	(15)	29
OTHER INFORMATION:						
TOTAL ASSETS (before cancellations)						
year 2010	13.218	1.677	238	2.573	1.313	
year 2009	14.089	1.329	239	3.950	936	
DUE FROM CUSTOMERS (before cancellations)						
year 2010	9.317	9	76	826	3	
year 2009	8.636	11	70	1.318	-	
DUE TO CUSTOMERS (before cancellations)						
year 2010	8.185	5	133	-	1	
year 2009	8.747	28	110	-	-	
OUTSTANDING SECURITIES (before cancellations)						
year 2010	1.989	15	-	1.083	-	
year 2009	2.276	-	-	1.204	-	
NO. EMPLOYEES						
year 2010	2.640	105	1.271	53	204	4.273
year 2009	2.742	119	1.342	53	173	4.429

[(1)] *Interest income are reported net of interest payable in the item Net interest income (IFRS 8 paragraph 23)*

Segment reporting – breakdown by geographical area

The segment reporting by geographical areas required under IFRS 8 contains a condensed outline the main operating figures for Italy, which is where most of the Group's business was carried out, and the Rest of the world.

Below is the table on segment reporting – breakdown by geographical area:

Segment report statement - geographical breakdown *(amounts in euro millions)*

	Italy	Rest of the world	Total
INCOME STATEMENT:			
NET INTEREST INCOME [1]			
year 2010	292	2	294
year 2009	287	4	290
NET INCOME FROM SERVICES			
year 2010	235	11	245
year 2009	237	12	249
NET BANKING AND INSURANCE INCOME			
year 2010	526	13	539
year 2009	524	16	539
OPERATING COST			
year 2010	(382)	(9)	(391)
year 2009	(393)	(15)	(407)
of wich VALUE ADJUSTMENTS ON TANGIBLE AND INTANGIBLE ASSETS			
year 2010	(32)	(1)	(34)
year 2009	(33)	(1)	(34)
OPERATING PROFIT/(LOSS)			
year 2010	144	4	148
year 2009	131	1	132
NET VALUE ADJUSTMENTS FOR IMPAIRMENT OF LOANS AND RECEIVABLES			
year 2010	(96)	-	(96)
year 2009	(85)	2	(84)
PROFIT/(LOSS) FROM CONTINUING OPERATIONS BEFORE TAXES			
year 2010	51	2	53
year 2009	46	3	50
PROFIT/(LOSS) FOR THE PERIOD			
year 2010	19	1	20
year 2009	27	2	29
OTHER INFORMATION:			
TOTAL ASSETS (before cancellations)			
year 2010	18.032	987	
year 2009	19.716	828	
DUE FROM CUSTOMERS (before cancellations)			
year 2010	10.198	32	
year 2009	9.984	51	
DUE TO CUSTOMERS (before cancellations)			
year 2010	8.207	117	
year 2009	8.603	283	
OUTSTANDING SECURITIES (before cancellations)			
year 2010	3.088	-	
year 2009	3.475	5	
NO. EMPLOYEES			
year 2010	3.801	472	4.273
year 2009	3.953	476	4.429

[1] *Interest income are reported net of interest payable in the item Net interest income (IFRS 8 paragraph 23)*

INDEPENDENT AUDITORS' REPORT

Deloitte.

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 CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLES 14 AND 16 OF LEGISLATIVE DECREE N. 39 OF 27 JANUARY, 2010)

To the Shareholders of
BANCA SELLA HOLDING S.p.A.

1. We have audited the consolidated financial statements of Banca Sella Holding S.p.A.and subsidiaries ("Banca Sella Group") as of and for the year ended December 31, 2010, which comprise the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and the related notes to the financial statements. These consolidated 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 consolidated financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards recommended by Consob, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the prior year's consolidated financial statements, the data of which are presented for comparative purposes, reference should be made to our auditors' report issued on 14 April, 2010.

3. In our opinion, the consolidated financial statements of Banca Sella Holding S.p.A. as of and for the year ended December 31, 2010 comply with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art.9 of the Italian Legislative Decree n.38/2005; accordingly, they give a true and fair view of the financial position of Banca Sella Holding S.p.A., and of the results of its operations and its cash flows for the year then ended.

4. The Directors of Banca Sella Holding S.p.A. are responsible for the preparation of the report on operations in accordance with the applicable law and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the specific section on the corporate governance, with reference to the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998, paragraph 2, letter b), with the consolidated financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by Consob. In our opinion the report on operations and the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998 paragraph 2, letter b) included in the specific section on corporate governance are consistent with the consolidated financial statements of Banca Sella Group as of, and for the year ended 31 December, 2010.

DELOITTE & TOUCHE S.p.A.

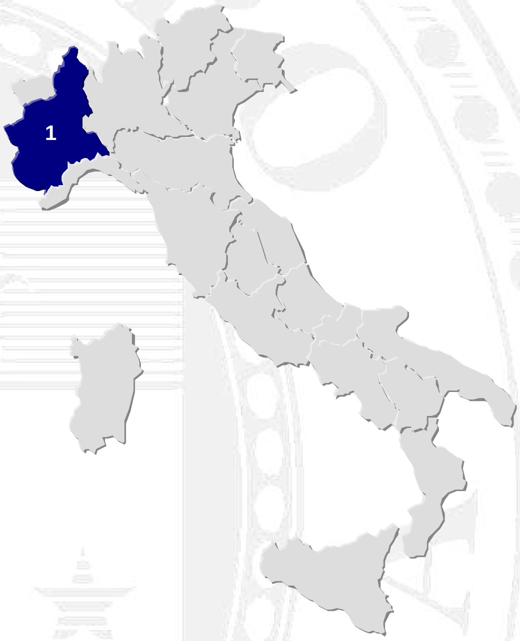
Signed by
Vittorio Frigerio
Partner

Turin, Italy
April 13, 2011

This report has been translated into the English language solely for the convenience of international readers.

Territorial organization of the Banca Sella Group
(March 2011)

PARENT COMPANY

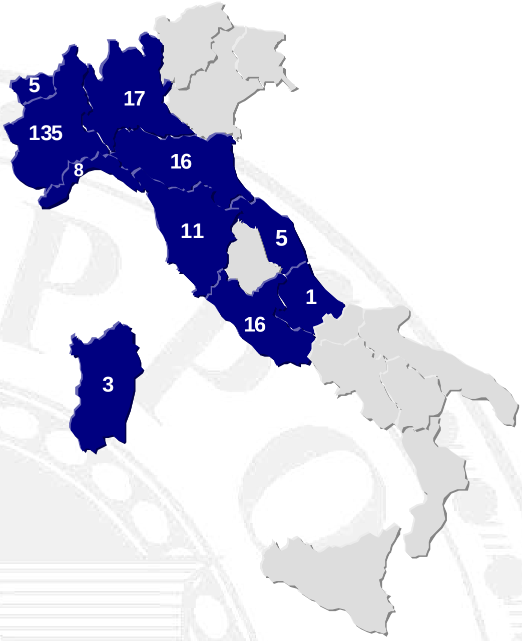


Banca Sella Holding S.p.A.
Head office
13900 BIELLA, P.zza Gaudenzio Sella 1
Tel. 015 35011 - Fax 015 351767
Internet site: www.gruppobancasella.it

Regione Piemonte

BIELLA - SEDE	PIAZZA GAUDENZIO SELLA 1	015/ 35011

ITALY NETWORK BANKS



Banca Sella S.p.A.
Head office
13900 BIELLA, P.zza Gaudenzio Sella 1
Tel. 015 35011 - Fax 015 2433900
Internet site: www.sella.it

Regione Piemonte

ACQUI TERME	VIA MARCONI 15/17/19	0144/325077
ALBA	PIAZZA CRISTO RE 12	0173/ 284244
ALESSANDRIA	VIA MIGLIARA 5	0131/68154
ALPIGNANO	VIA MAZZINI 33	011/ 9664431
ANDORNO MICCA	VIA CAVALIERI DI VITTORIO VENETO 77	015/ 2475211
ASTI	VIA ALBERTO BRUNO 9	0141/390411
AVIGLIANA	CORSO TORINO 37/39/43	011/ 9312925
BANCHETTE	VIA CASTELLAMONTE 3	0125/ 612766
BEINASCO	STRADA TORINO 104	011/3499873
BIELLA - BORSINO	VIA ITALIA 6	015/23291
BIELLA - SEDE 20	VIA ITALIA 2	015/ 35011
BIELLA - VIA ITALIA 2	VIA ITALIA 2	015/ 35011
BIELLA 1 - VERNATO	VIA LAMARMORA 18	015/ 28669-0
BIELLA 2 - PIAZZA MARTIRI	PIAZZA MARTIRI DELLA LIBERTA' 8	015/ 355459-0
BIELLA 3 - PIAZZA ADUA	PIAZZA ADUA 12	015/ 8408192
BIELLA 4 - CHIAVAZZA	VIA MILANO 53	015/ 355237
BIELLA 5 - VIA ROSSELLI	VIA FRATELLI ROSSELLI 108	015/ 8408205
BIELLA 6 - PAVIGNANO	VIA PETTINENGO 22	015/ 562676
BIELLA 7 - VIA TORINO	VIA TORINO 53	015/ 406287
BIELLA 9 – GLI ORSI	VIA DOMENICO MODUGNO 1/H – C/O “GLI ORSI”	015/2535162
BIELLA NUOVA SEDE	PIAZZA GAUDENZIO SELLA 1	015/ 4505650
BORGARO TORINESE	VIA GRAMSCI 2	011/4500276
BORGO SAN DALMAZZO	VIA BOVES 17/D	0171/261947
BORGOMANERO	CORSO GARIBALDI 106	0322/835920
BORGOSESIA	P.ZZA CAVOUR 13	0163/ 200379
BRA	VIA VERDI 15	0172/432158
BRUSNENGO	PIAZZA UBERTALLI 12	015/ 985476
BUSSOLENO	VIA TORINO 29	0122/ 640476
CALUSO	VIA BETTOIA 61	011/ 9831684
CANDELO	PIAZZA CASTELLO 17/18	015/ 2536815
CARIGNANO	VIA UMBERTO I 27	011/9697115
CARMAGNOLA	CORSO MATTEOTTI 6/8 ANG.VIA CHIFFI	011/9713077

CASALE MONFERRATO	VIA SAFFI 33	0142/ 454133
CASTELLAMONTE	VIA P. EDUC 48	0124/ 513185
CASTIGLIONE TORINESE	PIAZZA VITTORIO VENETO 1	011/9818393
CAVAGLIA'	VIA RONDOLINO 1	0161/ 96397
CHIAVERANO	CORSO CENTRALE 67	0125/ 54375
CHIERI	VIA VITTORIO EMANUELE 44	011/ 9412210
CHIUSA DI SAN MICHELE	VIA GENERAL CANTORE 2	011/ 9643332
CHIVASSO	VIA ITALIA 2	011/ 9172939
CIGLIANO	VIA UMBERTO I ANGOLO VIA GRAMSCI	0161/423046
CIRIE' - VIA D'ORIA	VIA ANDREA D'ORIA 14/10	011/ 9211265
COLLEGNO	VIA PRIMO LEVI 1	011/4151680
COSSATO - PIAZZA CAVOUR	PIAZZA CAVOUR 8	015/ 980165
COSSATO 1 - VIA M.LIBERTA'	VIA MARTIRI DELLA LIBERTA' 177	015/ 983259
COSSATO 2 - VIA MARCONI	VIA MARCONI 76	015/9840067
CRESCENTINO	CORSO ROMA 66/68	0161/834560
CUNEO	VIA XXVIII APRILE 15/17	0171/ 697780
CUORGNE'	VIA TORINO 3	0124/ 650434
FAVRIA	VIA CAPORAL CATTANEO 2	0124/ 348885
FOSSANO	PIAZZA DEI BATTUTI ROSSI 1	0172/633042
GAGLIANICO	VIA GRAMSCI 75	015/ 2543541
GATTINARA	VIALE MARCONI 60	0163/834464
GIAVENO	VIA ROMA 15	011/ 9364122
GRUGLIASCO	VIA SPANNA 3	011/ 784697
IVREA - CORSO NIGRA	CORSO NIGRA 1	0125/ 45847
IVREA 1 - C.SO VERCELLI	CORSO VERCELLI 124	0125/ 616821
LANZO TORINESE	VIA XI SETTEMBRE 4	0123/324100
LESSONA	PIAZZA GAUDENZIO SELLA 1	015/ 981949
MONCALIERI	PIAZZA CADUTI DELLA LIBERTA' E DELL'INDIPENDENZA 6	011/ 6406892
MONGRANDO	VIA ROMA 20	015/ 666261
MONTANARO	VIA MATTEOTTI 8	011/ 9193093
NICHELINO	PIAZZA CAMANDONA 25/27	011/6274438
NONE	PIAZZA VIGO 1/A	011/ 9904045
NOVARA	CORSO TORINO 35/37	0321/ 466611
OCCHIEPPO INFERIORE	VIA MARTIRI DELLA LIBERTA' 18/A	015/ 2593686
ORBASSANO	VIA ROMA 27	011/ 9031751
OULX	CORSO TORINO 5	0122/830846
OVADA	PIAZZA GARIBALDI 8	0143/ 833128
PIANEZZA	VIA GIOLITTI 7	011/ 9663741
PINEROLO	CORSO TORINO 63/B	0121/ 321787
POCAPAGLIA	STRADA MACELLAI 53	0172/ 423669
POLLONE	VIA CADUTI PER LA PATRIA 35	015/ 61591
PONDERANO	PIAZZA GARIBALDI 1	015/ 2544330
PONT CANAVESE	VIA ROSCIO 5	0124/860025
PONZONE	TRIVERO FRAZ. PONZONE N. 137/A	015/ 777046
RESIDENTI ESTERO	VIA ITALIA 2	015/3501553
RIVAROLO CANAVESE	CORSO TORINO 54/56	0124/ 29919
RIVOLI	PIAZZA MARTIRI DELLA LIBERTA' 2	011/ 9580608
RIVOLI - CASCINE VICA	CORSO FRANCIA 201/B	011/ 9574364
ROMANO CANAVESE	VIALE MARCONI 34	0125/ 712341
ROSTA	VIA RIVOLI 63	011/ 9541241
SALUSSOLA	VIA MARTIRI DELLA LIBERTA' 45	0161/ 997243
SAN CARLO CANAVESE	STRADA CIRIE' 73	011/ 9214820
SAN FRANCESCO AL CAMPO	VIA TORINO 9/2	011/ 9276848
SAN GERMANO CHISONE	PIAZZETTA DELL'ORSO 4	0121/ 58577
SAN MAURO TORINESE	PIAZZA MOCHINO 12	011/8222136
SANDIGLIANO	VIA MAROINO 7	015/ 2493200
SANGANO	VIA BERT 11	011/ 9085858
SANTHIA'	VIA SANT IGNAZIO 2	0161/ 930445

SAVIGLIANO	PIAZZA DEL POPOLO 25	0172/ 33961
SETTIMO TORINESE	VIA ITALIA 18/B	011/ 8978181
SETTIMO TORINESE 1 - VIA REGIO PARCO	VIA REGIO PARCO 2	011/8952119
SUCC.LE TELEMATICA CL.ORDINARIA	PIAZZA GAUDENZIO SELLA 1	015/3500338
SUSA	CORSO INGHILTERRA 46	0122/ 629690
TOLLEGNO	VIA XX SETTEMBRE 6/8	015/ 421523
TORINO 1 - C.SO FRANCIA	CORSO FRANCIA 185	011/ 752646
TORINO 2 - C.SO DE GASPERI	CORSO ALCIDE DE GASPERI 46	011/ 597533
TORINO 3 - VIA SAN DONATO	VIA SAN DONATO 34/36	011/ 4373471
TORINO 4 - C.SO G.CESARE	CORSO GIULIO CESARE 56 BIS	011/ 2487848
TORINO 5 - C.SO MONTE CUCCO	CORSO MONTE CUCCO 59	011/ 3850305
TORINO 6 - VIA BOLOGNA	VIA BOLOGNA 242	011/ 2424063
TORINO 7 - C.SO SOMMEILLER	CORSO SOMMEILLER 25	011/ 593983
TORINO 8 - C.SO ORBASSANO	CORSO ORBASSANO 193	011/ 352108
TORINO 9 - C.SO MATTEOTTI	CORSO MATTEOTTI 47	011/ 5612608
TORINO 10 - C.SO V.EMANUELE	CORSO VITTORIO EMANUELE II 12	011/ 885039
TORINO 11 - C.SO S.MAURIZIO	CORSO SAN MAURIZIO 47	011/ 888156
TORINO 12 - P.ZZA CARDUCCI	PIAZZA GIOSUE' CARDUCCI 122/C	011/6631636
TORINO 13 - C.SO TRAIANO	CORSO TRAIANO 82/A	011/610128
TORINO 14 - C.SO RACCONIGI	CORSO RACCONIGI 16	011/745726
TORINO 15 - C.SO STATI UNITI	CORSO STATI UNITI 5	011/5612213
TORINO 16 - VIA ANDREA DORIA	VIA ANDREA DORIA 8	011/5611467
TORINO 17 - VIA NICOMEDE BIANCHI	VIA NICOMEDE BIANCHI 42/E	011/7410975
TORINO 18 - PIAZZA ADRIANO	PIAZZA ADRIANO 5/H	011/4330233
TORINO 19 - CORSO VERCELLI	CORSO VERCELLI 168	011/2051735
TORINO 22 - CORSO BELGIO	CORSO BELGIO 107	011/8980265
TORINO SEDE - P.ZZA CASTELLO	PIAZZA CASTELLO 127	011/ 5620738
TORRAZZA PIEMONTE	VIA MAZZINI 23	011/ 9180028
TORTONA	CORSO MONTEBELLO 19/C	0131/813944
TRINO VERCELLESE	CORSO CAVOUR 34/38	0161/828031
TROFARELLO	VIA TORINO 84	011/6490924
VALDENGO	VIA QUINTINO SELLA 28	015/ 882165
VALLEMOSSO	VIA BARTOLOMEO SELLA 1	015/ 702935
VENARIA REALE	VIALE BURIDANI 6 ANG.CORSO MARCONI	011/4593789
VERCELLI	PIAZZA RISORGIMENTO 23	0161/ 255600
VERCELLI 1 - VIA PAGGI	VIA PAGGI 29	0161/211585
VERCELLI 2 - VIA CASTELNUOVO	VIA CASTELNUOVO DELLE LANZE 2/4	0161/211397
VERGNASCO	VIA PAPA GIOVANNI XXIII 50	015/ 2583012
VERRONE	VIA ZUMAGLINI 15	015/ 2558286
VIGLIANO BIELLESE	VIA MILANO 163	015/ 811954
VILLAREGGIA	VIA SAN MARTINO 29	0161/455104
VIVERONE	VIA PROVINCIALE 32	0161/ 987392
VOLPIANO	VIA UMBERTO I 11/13	011/ 9951480

Regione Valle d'Aosta

AOSTA	VIA FESTAZ 3	0165/ 235465
AOSTA 1 - VIA MONTE GRIVOLA	VIA MONTE GRIVOLA 37	0165/553431
AYAS	ROUTE PASQUIER 4 – FRAZ. ANTAGNOD	0125/306770
CHATILLON	LOCALITA' SOLEIL 8	0166/ 563086
PONT SAINT MARTIN	VIA CIRCONVALLAZIONE 15/A	0125/ 806121
VERRES	VIA CADUTI DELLA LIBERTA' 13	0125/ 929079

Regione Lombardia

BRESCIA	VIA FRATELLI UGONI 20	030/280268
CARUGATE	VIA ALBERTI 37	02/92151773

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

Regione Liguria

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

Regione Emilia Romagna

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

Regione Toscana

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

MONTEVARCHI	VIA DIAZ 142/144/146/148	055/9850470
SIENA	VIA DELLE PROVINCE ANG. VIA FIORENTINA	0577/51752

Regione Abruzzo

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

Regione Marche

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

Regione Lazio

LATINA	VIA CARTURAN 40	0773/660756
ROMA 1 - VIA MARCOLONGO	VIA MARCOLONGO 37	06/ 55382059
ROMA 2 - VIA PEREIRA	VIA ROMEO RODRIGUEZ PEREIRA 194	06/ 35496149
ROMA 3 - VIA EMO	VIA ANGELO EMO 91	06/39732180
ROMA 4 - VIA DI VIGNA STELLUTI	VIA DI VIGNA STELLUTI 22/26	06/3297514
ROMA 5 - P.ZA S.GIOVANNI DI DIO	PIAZZA SAN GIOVANNI DI DIO 14 A/B 15 16 17	06/5373935
ROMA 6 - VIA GALLIA	VIA GALLIA 83	06/7001539
ROMA 7 - VIALE JONIO	VIALE JONIO 334/340	06/8183631
ROMA 8 - VIA LATINA	VIA LATINA ANGOLO VIA NUMANZIA 23	06/7807036
ROMA 9 - OSTIA LIDO	PIAZZA DELLA STAZIONE VECCHIA 5	06/56305106
ROMA 10 - VIA BERTOLONI -	VIA BERTOLONI 9/11	06/8073838
ROMA 11 - VIA TIBURTINA	VIA TIBURTINA 447/449	06/4394793
ROMA 12 - PIAZZA SANT'EMERENZIANA	PIAZZA SANT'EMERENZIANA 13/14/15	06/8605085
ROMA 13 - VIA GRACCHI	VIA DEI GRACCHI 142/144	06/3214534
ROMA 14 - EUR	VIA BALDOVINETTI 132	06/5191612
ROMA SEDE - P.ZZA POLI	PIAZZA POLI 38/41	06/ 69942140

Regione Sardegna

CAGLIARI	VIALE ARMANDO DIAZ 125	070/667931
OLBIA	VIA ALDO MORO 251	0789/598260
SASSARI	VIA ROMA 11/A	079/232383

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

Regione Molise

CAMPOBASSO	VIA IV NOVEMBRE, 135	0874 60655

Regione Puglia

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ANDRANO	VIA MICHELANGELO, 42	0836 926094
CASTRIGNANO DEL CAPO	VIA GRASSI, 7	0833 751008
NOCIGLIA	VIA OBERDAN, 35	0836 936014
SALVE	VIA ROMA, 192	0833 741001
SPONGANO	VIA SANT'ANGELO, 7	0836 945026
TRICASE	VIA LEONE XIII°, 12	0833 545026
CASTRI' DI LECCE	VIA C. BATTISTI, 13	0832 826309
LECCE	VIALE MARCONI, 45	0832 6981
MANDURIA	VIALE MANCINI, 21	099 9738744

BRINDISI	VIA OSANNA, 1	0831 516227
MAGLIE	VIA V. EMANUELE, 124/B	0836 428008
BARI	VIA CALEFATI, 131	080 5234545
PUTIGNANO	VIA N. BIXIO, 10/12	080 4059120
TRANI	VIA A. MORO, 60/62	0883 480531
TARANTO	VIA SOLITO, 32	099 7302463
LECCE	VIA LUPIAE, 29 ANG. VIA FORNARI, 1	0832 312471
BARLETTA	VIA DE NITTIS 43	0883 518000
SAN MICHELE SALENTINO	VIA VITTORIO VENETO, 6	0831 966962
FASANO	PIAZZA KENNEDY, 3	080 4425778
OSTUNI	VIA FOGAZZARO ,74	0831/336656
BARI 2	VIA TOMMASO FIORE, 106	080/5722890
MARTINA FRANCA	VIA LEONE XIII, 2/B	080 4838617
MOLFETTA	PIAZZA GARIBALDI, 7	080 3976420
GALLIPOLI	CORSO ROMA, 123	0833 263785
LECCE 3	VIALE DE PIETRO, 61	0832 277727
ANDRIA	VIALE VENEZIA GIULIA, 3	0883 596111
LECCE 4	VIA SAN CESAREO, 106	0832/228989
FOGGIA	PIAZZA PAVONCELLI 2	0881/587843

Regione Sicilia

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

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Regione Friuli Venezia Giulia

UDINE	VIA DELLA VITTORIA 15	0432 508599

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TRENTO - TOP CENTER	VIA BRENNERO, 306	0461 825800
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CLES	VIA TRENTO, 22	0463 424388
BOLZANO 2	VIA MILANO, 63	0471 204999
LAVIS	VIA MATTEOTTI, 26	0461 242300
UFFICIO PRIVATE TRENTO	VIA ORIOLA/PIAZZETTA AL SASS	0461 888252
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DIMARO	VIA CAMPIGLIO, 138	0463 970104
COGOLO DI PEIO	VIA ROMA, 18	0463 746061
BOLZANO CENTRUM	VIA GALVANI, 3	0471 539408
VIGO DI FASSA	STRADA NEVA, 24	0462 764487

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FELTRE - FARRA	VIALE PEDAVENA, 10	0439 310100
COVOLO DI PEDEROBBA	VIA SEGUSINI, 25	0423 648244
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BASSANO DEL GRAPPA	VIA BASTION, 49	0424 220881
LEGNAGO	CORSO DELLA VITTORIA, 31	0442 600162
VERONA BORGO TRENTO	VIA CÀ DI COZZI, 10/B	045 8350653
PADOVA	VIA SAN MARCO, 11/C - NET CENTER	049 7808478
ZEVIO	VIA MONSIGNOR G. CALZA, 1/A	045 6051090
TREVISO CENTRO	VIA SANTA MARGHERITA, 32-34	0422 582189
VICENZA	VIALE VERONA 12	0444 966026
VERONA	CORSO PORTA NUOVA, 32/A	045 595189
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SAN MARTINO BUON ALBERGO	VIA XX SETTEMBRE, 81	045 8780220

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Regione Piemonte

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Regione Lombardia

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Regione Liguria

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Regione Emilia Romagna

BOLOGNA	VIA FARINI 11	051 2917323

Regione Lazio

ROMA	P.ZA CAVOUR 10	06 68100124

Regione Campania

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Regione Sicilia

PALERMO	PIAZZALE UNGHERIA 51	091 7798600

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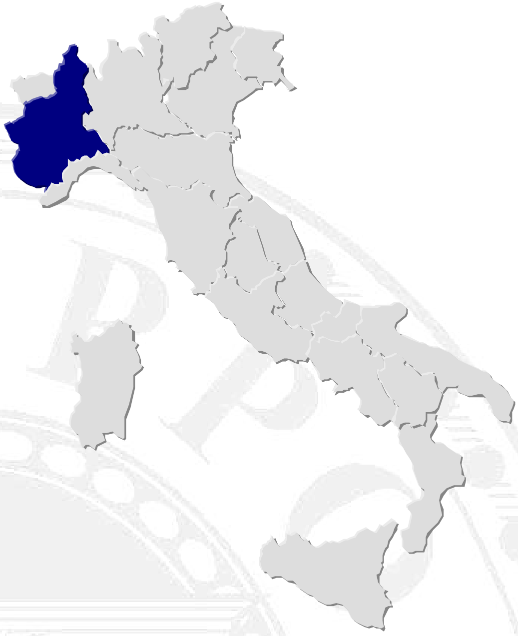

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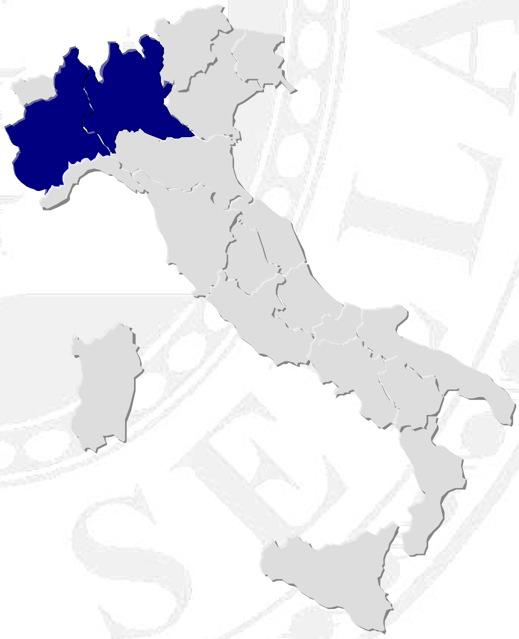

BIELLA	VIALE MATTEOTTI 2	015 2525511

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Regione Trentino Alto Adige		
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Regione Emilia Romagna		
MODENA	VIALE MOREALI 3	059 239380
Regione Toscana		
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Regione Lazio		
ROMA	VIA BERTOLONI 9/11	06 8088843
Regione Puglia		
LECCE	VIA MARCONI 45	0832 698226

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Regione Toscana

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Regione Lazio

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VITERBO	VIALE TRENTO 18/C	800179001

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Regione Sicilia

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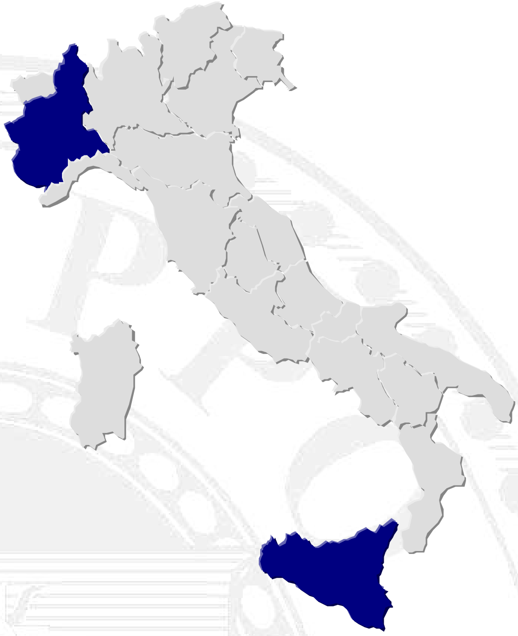

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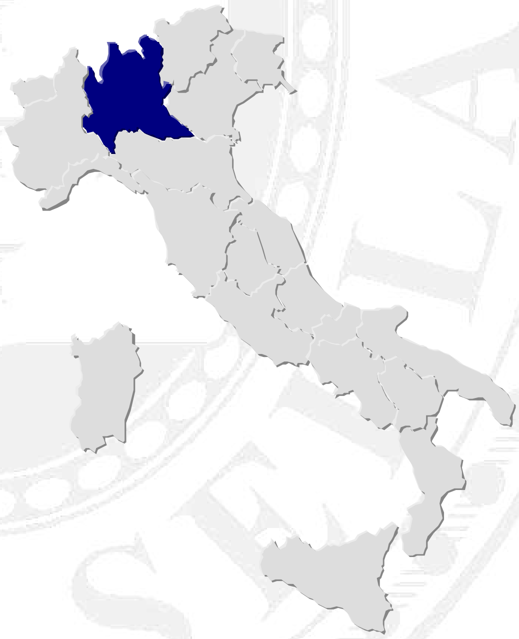

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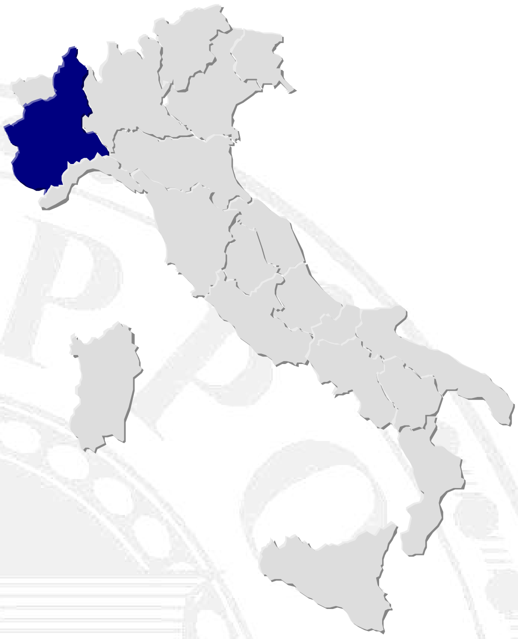

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