BANCA SELLA

BIELLA
Since 1886

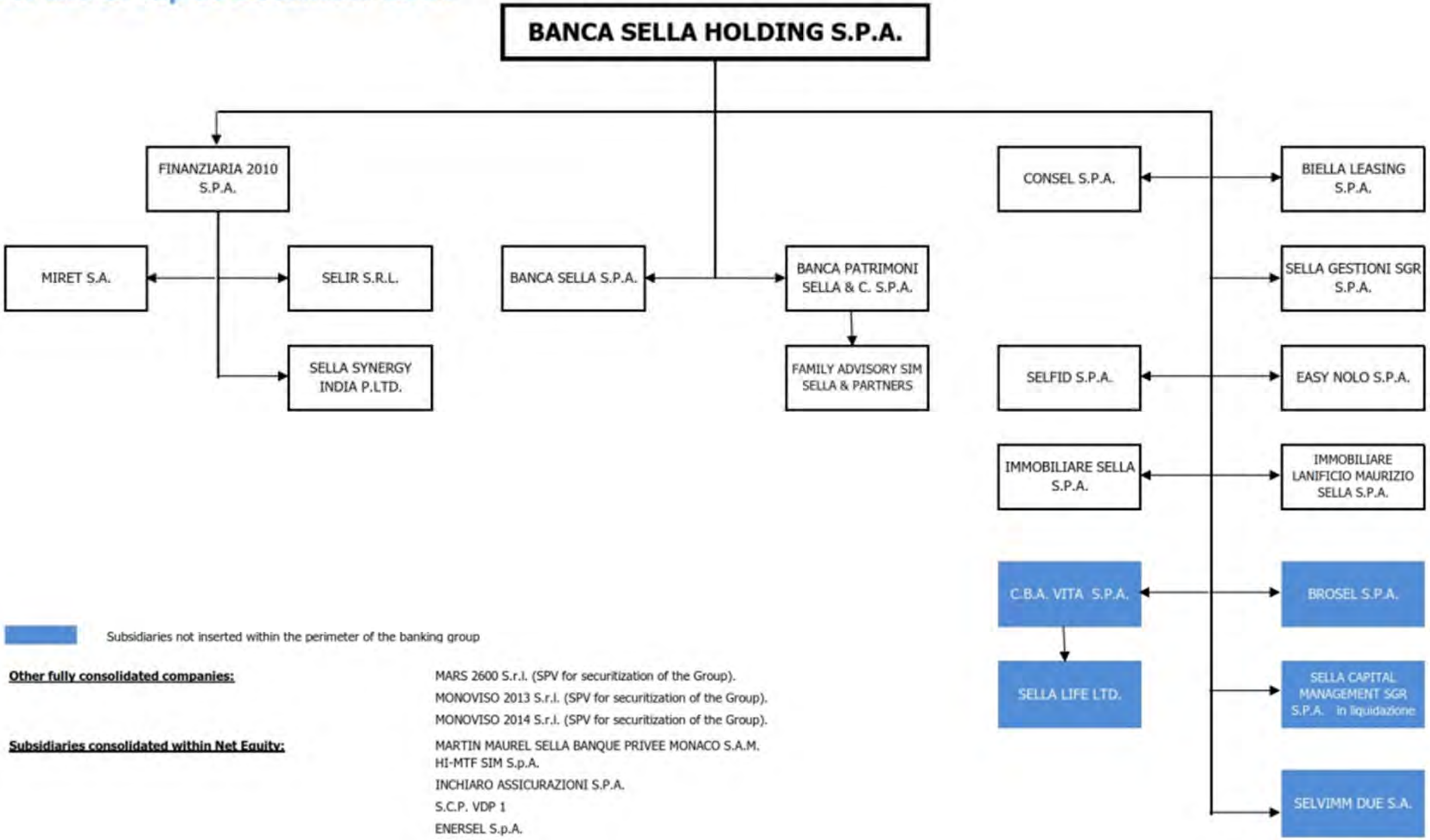
REPORT AND FINANCIAL STATEMENT

AT 31 DECEMBER 2014

13900 Biella (Italia) – Piazza Gaudenzio Sella, 1
Tel. 015 35011 – Telefax 015 351767 – Swift SELB IT 2B
Website www.sella.it

GRUPPO BANCA SELLA

Map of the Group at December 2014



Other fully consolidated companies:

MARS 2600 S.r.l. (SPV for securitization of the Group).
MONOVISO 2013 S.r.l. (SPV for securitization of the Group).
MONOVISO 2014 S.r.l. (SPV for securitization of the Group).

Subsidiaries consolidated within Net Equity:

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

Officers of Banca Sella

BOARD OF DIRECTORS
In office until approval of the 2016 budget

President	Maurizio Sella
Vice President	Franco Sella
CEO	Claudio Musiari
Director	Elisabetta Galati
"	Luigi Gargiulo
"	Ferdinando Parente
"	Carlo Santini
"	Pietro Sella
"	Sebastiano Sella
"	Silvana Terragnolo
"	Paolo Tosolini
"	Andrea Vicari
"	Attilio Viola

BOARD OF AUDITORS
In office until approval of the 2016 budget

Auditor – President	Paolo Piccatti
"	Vincenzo Rizzo
"	Riccardo Foglia Taverna
Deputy Auditor	Daniele Frè
" "	Michela Rayneri

GENERAL MANAGEMENT

General Manager and CEO	Claudio Musiari
Assistant General Manager and Deputy CEO	Viviana Barbera
Assitant General Manager	Giorgio De Donno

Management Report

Highlights

Financial highlights (in thousands of euros)

BALANCE SHEET	12/31/2014	12/31/2013	Change	
			absolute	%
Total assets	10,566,753.9	10,088,243.4	478,510.5	4.7%
Financial assets	1,338,305.0	1,261,689.0	76,616.1	6.1%
Cash loans excluding repurchase agreements	6,961,360.6	7,200,550.4	(239,189.9)	-3.3%
Repurchase agreements	-	-	-	0.0%
Total cash loans (1)	6,961,360.6	7,200,550.4	(239,189.9)	-3.3%
Tangible and intangible assets	88,415.9	76,018.2	12,397.7	16.3%
Total deposits	21,078,036.7	20,185,604.1	892,432.6	4.4%
Direct deposits excluding repos	*9,212,379.0*	*8,704,188.2*	508,190.8	5.8%
Repurchase agreements	297,286.1	260,009.2	37,276.9	14.3%
Total direct deposits (2)	9,509,665.1	8,964,197.4	545,467.7	6.1%
Indirect funding (3)	11,568,371.6	11,221,406.7	346,964.9	3.1%
Guarantees	252,196.4	269,661.0	(17,464.6)	-6.5%
Equity	617,219.9	555,187.4	62,032.6	11.2%
Primary capital -CET Class 1 (Tier 1 in 2013) (4)	553,373.2	505,088.1	-	-
Class 2 –T2 Capital (Tier 2 in 2013) (4)	239,297.9	299,645.0	-	-
Total own funds for prudential purposes (4)	792,671.1	804,733.2	-	-

RECLASSIFIED INCOME STATEMENT DATA (5)	12/31/2014	12/31/2013	Change	
			Absolute	%
Net interest income	197,664.3	197,405.0	259.3	0.1%
Gross revenue from services	255,565.3	244,853.2	10,711.5	4.4%
Commission expense	76,260.9	72,794.1	3,466.8	4.8%
Net income from services	179,304.4	172,059.7	7,244.7	4.2%
Net banking income	376,968.6	369,464.7	7,503.9	2.0%
Operating costs net recoveries taxes and stamp duties (6)	244,072.6	242,851.7	1,220.9	0.5%
Operating profit	132,896.0	126,613.0	6,283.0	5.0%
Impairment/ write-backs for impairment of loans	(103,505.1)	(105,726.0)	2,221.0	-2.1%
Other costs and revenue	66,887.9	13,510.3	53,377.6	395.1%
Income tax	(32,048.7)	(13,988.8)	(18,059.9)	129.1%
Profit (loss) for the year	64,230.1	20,408.7	43,821.4	214.7%

(1) The sum represents the item 70 "Loans to customers" of the Balance Sheet Assets.
(2) The sum represents the aggretate total of the following itesm of the balance sheet liabilities: 20 "Due to customers" and 30 "Securities issued".
(3) The sum does not include the item "liquidity", relating to asset management, included in the it "direct deposits". It includes instead the component "Insurance collection", as a footnote to the table of Management and trading for third parties.
(4) The comparios of the data at 31 December 2013 and those at 31 December 2014 is not homogenous, as the former has been calculated according to the criteria of Basel II, while 31 December 2014 under the new provisions of Basel III that came into force on 1 January 2014. See also the following table of financial performance indicators with the coefficient details.
(5) As highlighted items in the reclassified income statement page 26.
(6) The sum of the following items: "Administrative expenses" item 150, "Writedowns of tangible assets" item 170, "Write-downs of intangible assets" item 180, "Other operating expenses and income" item 190.

Structural data

Items	12/31/2014	12/31/2013	Change	
			absolute	%
Employees	2,963	2,912	51	1.8%
Branches	293	293	-	-

Economic-financial indicators

Alternative performance indicators

PROFITABILITY RATIOS (%)	12/31/2014	12/31/2013
R.O.E. (return on equity) (1)	11.7%	3.8%
R.O.A. (return on assets) (2)	0.6%	0.2%
Net Interest income (3)/ brokerage income (3)	52.4%	53.4%
Net income from services (3)/ brokerage income (3)	47.6%	45.6%
Cost to income (4)	62.4%	65.9%

PRODUCTIVITY RATIOS (figures in thousands of euros)	12/31/2014	12/31/2013
Gross income (3) / Average employees	128.3	125.1
Gross operating income (3) / Average employees	45.2	42.9
Cash loans / Employees at year end	2,349.4	2,472.7
Direct deposits / Employees at year end	3,109.1	2,989.1
Total deposits / Employees at year end	7,113.4	6,931.9

CAPITAL AND LIQUIDITY RATIOS (%)	12/31/2014	12/31/2013
Cash loans / Direct deposits	75.6%	82.7%
Cash loans / Total assets	65.9%	71.4%
Direct deposits / Total assets	87.2%	86.3%

CREDIT RISK RATIOS (%)	12/31/2014	12/31/2013
Net impaired loans/ Cash loans	8.0%	6.8%
Net doubtful loans / Cash loans	3.6%	3.2%
Net adjustments to loans / Cash loans	1.5%	1.5%
Coverage ratio of impaired loans	44.4%	41.7%
NPL coverage rate	59.7%	57.0%

SOLVENCY RATIOS (%)	12/31/2014	12/31/2013
Basic ratio (Tier 1) (5)	-	12.73%
CET Coefficient 1 (5)	10.81%	-
Total Capital Ratio (5)	-	20.29%
Coefficient of own funds (5)	15.48%	-

(1) Relation between “Yearly earnings” and the sum of the items 160 “Reserves”, 170 “Premium shares”, 180 “Capital” of the Statement of Liabilities.
(2) Relationship between “Net earnings” and “Total assets”.
(3) As from the reclassified Income Statement.
(4) Relation between operating costs, IRAP deductions on the cost of personnel and net of losses connected to operating risks, and margin of interest..
(5) The comparison between the figures at 31 December 2013 and those at 31 December 2014 is not homogenous, since the former were calculated according to the criteria of Basil II, while those at 31 December 2014 were calculated according to the new dispositions of Basil III which entered into force on 1 January 2014.

Macroeconomic scenario

World panorama

In 2014 the world economy continued to expand at a rapid content, in line with the growth rates recorded in 2013.

The US economy closed 2014 with an average rate of change of the gross domestic product of 2.4% y/y from 2.2% y/y in the previous year. After a subdued first quarter, marked by a decrease in GDP of 2.1% q/q annualized explained in large part by temporary factors such as the occurrence of adverse weather conditions, there has been a gradual consolidation of economic growth at appreciable levels. Private consumption made a major contribution to the dynamic and growing GDP, supported by the gradual improvement of the labor market, from the recovery of wealth and, in the latter part of the year, the fall in oil prices and the resulting positive effects on consumer purchasing power. In addition, the contribution of public spending to GDP growth, which was negative in 2013, was slightly positive in 2014. Less positive average annual signals came instead from residential investment, affected by a decline in the pace of expansion than in previous years despite low inventory levels and the persistence of favorable conditions for access to the housing market, and net exports, reflecting a dynamic slowing in exports and a strengthening of imports. Supported by the recovery of the labor market, the Federal Reserve (Fed) continued to gradually reduce purchases of securities linked to the property market and government bonds, completed in October. At the same time the Fed confirmed the policy of reinvestment of maturing securities that allow the maintenance on its financial statements of significant levels of long-term assets: the management of the assets is consistent with the principles of normalization of monetary policy, updated in September , indicating the rise in the official rate as the first step of the implementation of the exit strategy of the Fed and place at a later stage the gradual reduction of the assets held, to be achieved mainly through the interruption of the policy of reinvestment of maturing securities. The guidelines on the official rate, in the new wording introduced at the meeting on 16/17 December, indicate the will of the committee to move with caution in launching the cycle of policy rate hikes and to proceed in the light of progress compared to the double mandate to support employment and price stability.

The euro zone recorded a growth rate of the gross domestic product of 0.9% in 2014, from -0.5% in 2013. During the year, the GDP growth was characterized by a loss of force in middle months and a subsequent moderate acceleration in the pace of expansion, to which the growth in private consumption has contributed especially; however the pace of investment was disappointing, penalized by an evolution of the international situation less favorable than expected, which resulted in a support in exports that was less strong than expected, and the persistence of a climate of great uncertainty for both to domestic and the external framework. While showing signs of greater convergence between center and periphery, the national accounts data have continued to describe a recovery that is uneven in terms of geographical composition. The German economy posted a solid overall performance in 2014, growing by 1.6% y/y from 0.2% y/y in 2013; Spain has been affected by a gradual strengthening of the economic recovery and ended the year with an increase in GDP of 1.4% y/y, after two consecutive years of negative annual growth. By contrast, the economies of France and Italy continued to demonstrate aspects of fragility, although in both cases because of attenuation in the final months of the year. With reference to Italy, the stagnation on a cyclical basis recorded by the GDP in the fourth quarter showed a trend towards stabilization of economic activity and made it possible to end the year with a negative growth rate to the extent of 0.4% y/y, from -1.9% y/y in the previous year; the contribution of domestic demand, gross inventories was negative, reflecting the continued weakness in investment in equipment, that is, in buildings, which more than offset the modest signs of recovery in private consumption, while the contribution of exports remained at a net positive. The absence of pressure from demand and in an increasingly more important measure, the decline in oil prices led to a further decline in inflation recorded in 2014: the average annual inflation rate amounted to 0.4% (1.3% in 2013) and 0.2% (1.3% in 2013) respectively in the Euro Zone and in Italy. The deterioration of the inflation and the gradual lowering of inflation expectations also on the time horizons of the medium to long term prompted the European Central Bank (ECB) to intervene on several occasions during the year, with the adoption of new expansive measures: at the monetary policy meeting on 5 June, the Bank reduced by 10 basis points the interest rate on the main refinancing operations, taking it from 0.25% to 0.15%, extended the period of supply of liquidity to banks with the mechanism of the fixed rate and the full acceptance of the application at least until December 2016, suspended the sterilization of purchases of government bonds made from 2010 to 2012 under the Securities Market Programme and announced the conduct of refinancing operations maturing in September 2018 (referred to as "targeted longer-term refinancing operations") designed to encourage the resumption of bank lending to the private sector. On September 4, the ECB further reduced the official rate by 10 basis points, bringing it to the level of 0.05%, and announced the start, from the month of October, of a program of purchases of covered bonds and asset-backed securities (ABS) with underlying loans to the private sector. Finally, at the meeting of January 22, the Central Institute has decided to expand the asset purchase program to include, in addition to ABS and covered bonds, debt securities issued by governments in the Euro Zone, by national agencies and by supranational institutions: the monthly purchases of securities will amount to € 60 billion, will be held in the period March 2015-September 2016 and can still be carried out until the inflation trend is consistent with the objectives of price stability the ECB. Purchases of government bonds will be distributed among the various states according to the shares of the national central banks to the ECB's capital; any losses associated with purchases of securities other than ABS and covered bonds will be shared only for the portion relating to securities issued by supranational institutions and 8% of the purchases of domestic securities, while the remaining portion will remain in the hands of the risks to individual national central banks.

In Asia, Japan, according to the preliminary estimate, would have closed 2014 with zero growth, after +1.6% in 2013. At the volatility shown by the dynamics of the GDP in the first half of the year (+5.5% q/q annualized and -6.7% respectively the First and Second Quarter), due largely to the increase in VAT (from 5% to 8%, as of 1 April 2014, which first sustained, in particular the spending decisions of consumers in view of the subsequent tax increase, and then affected the Japanese economy), followed by the difficult recovery of the Second Semester. Modest was in fact between July and December, the recovery in consumption (grown in 2 Quarters of a similar 1% q/q annualized, after -18.8% registered between April and June), and such as to postpone to 2017 the second rise in VAT (from 8% to 10%), scheduled for October 2015; the net contribution of exports was limited (respectively +0.1% and +0.2%), compared to a growth in exports that proved unresponsive to the significant weakening of the real effective exchange rate of the Yen. In terms of consumer prices, the growth rate of the index adjusted for fresh food (a reference point of the Central Bank), having been largely stable in the first half of 2014 at around 1.3/1.4% y/y, since the summer has partially downsized, in conjunction with the correction in energy prices: +2.5% y/y was observed in December which, net of the transition impact and quantifiable by 2 percentage points rise in VAT, results in a modest +0.5% y/y. Concerned about the impact of the weak recovery in demand and the drop in oil prices on the process of escaping the country's deflation and formation of inflation expectations, on October 31 the central bank revised, in an even more expansive direction and without posing any expiration time, the monetary policy that was already exceptionally accommodating, conducted since April 2013. China, with growth of 7.4% y/y, slowing from 7.7% in 2013, and their lowest in 24 years, has missed the government target set for 2014 in 7.5%. Weak demand, excess capacity and falling commodities have resulted in a deflationary trend at the level of producer prices (-3.3% in December) and descending in terms of the dynamics of consumer prices (+1.5 % y/y in December, the lowest level since 2009), facilitating the operation of the economy by the central bank (PBoC), which in November cut interest rates on loans (-40 basis points to 5.6%) and on deposits for one year (down 25 basis points to 2.75%). In India, where the Second Semester manifested a clear recovery of confidence in the business sector, the prospects for improvement fueled by the reform program pursued, in the aftermath of the May elections, by the new government of Prime Minister Modi, growth in 2014 it was, based on the new series of national accounts, at 7.2% y/y, from 6.4% in 2013. Inflation at the same time recorded a fast downsizing, going from 9% at the beginning 2014 to 5% in December, well below the target set by the Central Bank at 8%. In Russia there has been a rapid deterioration in the macroeconomic implications for the stability of its banking system (growth slowing from +1.3% y/y in 2013 to +0.6%, inflation accelerated from 6.1% y/y in January to 11.4% in December), including sanctions imposed by the West with respect to the involvement in the affairs of Ukraine, the sharp drop in crude oil prices, the tightening of economic policies and the significant weakening of the ruble. In Brazil, which should have ended in 2014 with no change in GDP, after +2.5% in the previous year, inflation, since the Second Semester, continued to oscillate at near 6.5% y/y, around the upper limit of the band monitored by the Central Bank, despite the close to 175 basis points led on the cost of borrowing during the year.

Financial markets

The rates of return in the long term in the US were characterized by a stable trend for most of 2014 and a phase of decline in the last months of the year, fueled by expectations of slower normalization of the monetary policy of the Federal Reserve, by the contained dynamics of consumer prices and the decline in inflation expectations and the contagion effect from Europe. On the other side of the ocean, in fact, the persistence of a framework of low growth and inflation helped raise the expectations of the operators to adopt more expansionary measures, in particular the possibility of purchases of government bonds by the ECB: in this context, the government yields, both of core and peripheral countries, have shown a continuous downward trend in 2014, reaching new lows. The average value of the ten-year German rate amounted to 1.23% in 2014, compared to 1.63% average of 2013; the yield on ten-year BTPs stood at an average of 2.87% in 2014, from 4.3% last year. Concerns over the Greek political instability which emerged at the end of 2014 and have intensified in early 2015, have had a very limited impact on government bonds of the periphery.

In 2014 stock markets recorded an increase of about 2.1% (MSCI World). The major stock exchanges have continued to benefit from the improved economic situation in advanced economies and in the accommodative monetary policy by major central banks worldwide. These factors made it possible to limit the negative effects of some specific situations of geopolitical tensions, critical structural and cyclical weakness in some emerging economies.

The euro depreciated by 5% in nominal effective terms in 2014. The weakening of the single currency was particularly strong against the US dollar (around 12%), reflecting the growing differences in the orientation of monetary policy by the Federal Reserve and ECB.

Banking system

In 2014 the credit activity of the Italian banking system continued its dynamic contraction, albeit with progressive easing in the second half of the year. The trend in loans continued to suffer from low investment demand on the one hand and the persistent risk of borrowers, albeit differentiated by business segment, on the other. The difficult operating environment continued to affect the quality of loans while maintaining the high cost of credit; transposition of the indications that emerged during the review of asset quality (AQR, Asset Quality Review) has further increased the loan loss provisions, weighing significantly on the overall profitability of the sector. The collection of the aggregate banking system contracted in the year mainly in components in the medium/long term, as opposed to the holding of the most liquid types of deposits. Despite the massive capital increases made in 2014 by the leading Italian banking groups, the results of the detailed assessment (Comprehensive Assessment) the ECB published in late October showed an overall alignment in the banks' capital position compared to that of the Italian banks of other countries in the Euro zone, next to some critical situations, partly due to the greater severity of the year for our system.

The Italian bank loans to the private residential sector settled in December 2014 at an altitude of 1,649 billion euro recording a decrease of 1.2%; the data shows an intensification of the decline trend in the first half of the year and then gradually downsizing in the second half. In 2014, loans to businesses fell by 0.7% to 808 billion, those to families fell back by 0.9% to 597 billion; in 2014 there also fell back the residual category of loans to other financial institutions (-3.3% to 244 billion), which in December 2014 represented approximately 15% of loans to individuals. In the sector of households there continued the decline for the third consecutive year, albeit at a lower intensity. Loans to non-financial corporations recorded a reduction in the more pronounced volume declines, from -5.9% in December 2013 to -0.7% at the end 2014, extended to all maturities.

In the course of 2014 there continued the deterioration in credit quality. The volume of gross bad debts stood at the end of year at 184 billion euro, up by 17.8% over the previous year with a ratio of gross NPLs and loans equal to 9.57% (from the 8.08% at the end of 2013) and a ratio of net non-performing loans and 4.6% (4.3% at end 2013); even in the case of systemic bad loans, there has been a slowdown in trend growth rates over the year.

At year end, the collection of Italian banks denominated in euro, represented by deposits of residents and bonds, has reached the level of 2,093 billion euro, down 4.8% on an annual basis. The decline is entirely due to the strong reduction of the bond component which closes 2014 down 18%, to 709 billion euro: the bond expiries of the year have not been replaced by the same number of new issues because of the reduced need for collection medium to long term given the weak demand for loans and the availability of financing instruments by the Eurosystem. There remains positive, instead, and in acceleration the growth of current account deposits, which closed 2014 with an annual growth rate of 9.1% to 809 billion euro.

With regard to the statement of income, the main listed banking groups have ended the first nine months of the year with contained profitability although an improvement on the same period last year due to lower value adjustments to loans (-4.3%). Net banking income remained essentially stable (+0.3%) since the progress in net interest income (+1.8%) and net commission income (+4.8%) was curbed by lower trading income. However, the income statements for the first nine months still do not incorporate the significant loan loss provisions recorded in the last quarter of the application of the policy in the conservative assessment of credit consistent with the Asset Quality Review. At the invitation of the ECB, in fact, all banks have reviewed and amended their valuation processes of loans to customers in order to reduce the amount of misalignment between the measurements to the budget and the indications of the ECB itself. A few listed groups had already incorporated the results of Asset Quality Review and incorporated the related costs in the third quarter of 2014, while others have done so only in the fourth quarter, leading to a loss for the full year on the aggregated results which for the sample of banks listed amounts to about 5 billion euro.

In anticipation of the Comprehensive Assessment preparatory to the Sole Supervision of the ECB, Italian banks have continued during 2014 the process of capital strengthening, achieved primarily through capital increases. In late September the Common Equity Tier 1 ratio average of the top 13 Italian banking groups listed had reached 11.1%.

Balance Sheet

Balance Sheet (in thousands of euros)

Assets	12/31/2014	12/31/2013	% change since 12/31/2013
Financial assets (1)	1,338,305.0	1,261,689.0	6.1%
Loans to banks	1,577,495.5	1,023,739.7	54.1%
Cash loans (excluding repurchase agreements) (2)	6,961,360.6	7,200,550.4	-3.3%
Repurchase agreements	-	-	0.0%
Tangible and intangible assets (3)	88,415.9	76,018.2	16.3%
Tax assets	168,702.3	155,484.5	8.5%
Other assets (4)	432,474.7	370,761.6	16.6%
TOTAL ASSETS	**10,566,753.9**	**10,088,243.3**	**4.7%**

Liabilities and Equity	12/31/2014	12/31/2013	% change since 12/31/2013
Due to banks	26,851.4	195,488.1	-86.3%
Direct deposits (5)	9,509,665.1	8,964,197.4	6.1%
Financial liabilities	24,250.1	25,500.8	-4.9%
Tax liabilities	69,994.7	50,931.8	37.4%
Other liabilities (6)	268,514.2	255,090.9	5.3%
Earmarked funds (7)	50,258.6	41,847.1	20.1%
Equity (8)	617,219.9	555,187.4	11.2%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**10,566,753.9**	**10,088,243.3**	**4.7%**

(1) The sum of the following items of the balance sheet assets: 20 “Financial assets held for trading”, 40 “Financial assets available for sale” and 50 “Financial assets held to maturity”.
(2) Item 70 "Loans to customers” in the balance sheet purified of the repurchase agreements.
(3) The sum of the following items of the balance sheet assets: 110 “Tangible assets”, 120 “Intangible assets”.
(4) The sum of the following items of the balance sheet assets: 80 “Hedging derivatives”, 90 “Fair value change of hedged financial assets”, and 150 “Other assets”.
(5) The sum of the following balance sheet items: 20 “Due to customers” and 30 “Securities issued”.
(6) The sum of the following items of the balance sheet liabilities: 60 “Hedging derivatives” and 100 “Other liabilities”.
(7) The sum of the following items of the balance sheet liabilities: 110 “Employee termination indemnities” and 120 “Provisions for risks and charges”.
(8) The sum of the following balance sheet liabilities: 130 “Valuation reserves”, 160 “Reserves”, 170 “Share premium”, 180 “Capital” and 200 “Profit for the year”.

Total deposits (figures in thousands of euros)

Items	12/31/2014	% weight on total	12/31/2013	% weight on total	Change	
					absolute	%
Direct deposits (excluding repos)	9,212,379.0	43.7%	8,704,188.2	43.1%	508,190.8	5.8%
Repurchase agreements	297,286.1	1.4%	260,009.2	1.3%	37,276.9	14.3%
Indirect funding	11,568,371.6	54.9%	11,221,407.9	55.6%	346,963.7	3.1%
Total deposits	**21,078,036.7**	**100.0%**	**20,185,605.3**	**100.0%**	**892,431.4**	**4.4%**

The banking business has seen loans to amount to 6,961.4 million euro, a decrease of 3.3%, compared to 7,200.6 million euro recorded at the end of last year, a situation that for that matter was in line with the Italian banking system, which recorded a structural decline in lending.

The figure includes intercompany loans to Biella Leasing and Consel for 1,225.7 million euro, net of such loans it amounted to 5,735.7 million euro, compared to 6,002.8 million euro at 31 December 2013.

The analysis of the balance sheet shows that the policy of different portfolio management of liquidity resulted in the assets in:

- an increase of a financial activities (+6.1%): in this context we find the decision of the Board of Directors to dispose of the assets of the held-to-maturity fund to undertake investments with shorter length placed in the financial assets available for sale portfolio to which was also merged, according to forecasts of the IAS 39, the remainder of the portfolio of financial assets held to maturity;
- an increase in loans to banks (+54.1%) mainly due to intercompany transactions with the parent company Banca Sella Holding;
- a reduction in cash loans (-3.3%), due to a drop in generalized demand by individuals and businesses, a drop also confirmed at the system level.

In liabilities, the descent of bank borrowing is mainly due to the zeroing of repurchase agreements with the parent company, which in 2013 were carried out with the aim of enabling the market financing of the Bank's securities.

The direct deposits including repurchase agreements was positive (+6.1%): an increase in current accounts and deposits from customers was offset by a decrease in securities issued as a result of non-renewal of some of the expired securities.

Finally, the shareholders' equity, 31 December 2014 totaled 617.2 million euro, up 11.2%, or approximately 62 million euro mainly due to the profit for the year and also the slight improvement of the valuation reserve of financial assets available for sale.

Total deposits reported a growth of 4.4% compared to 31 December 2013, amounting to 21.1 billion euro. There was an increase both types of collection, both direct and indirect.

Direct deposits showed a good growth in deposits and a preference of customers for current accounts and demand deposits compared to time deposits; in 2014 the weight of direct deposits was 43.7% on total deposits.

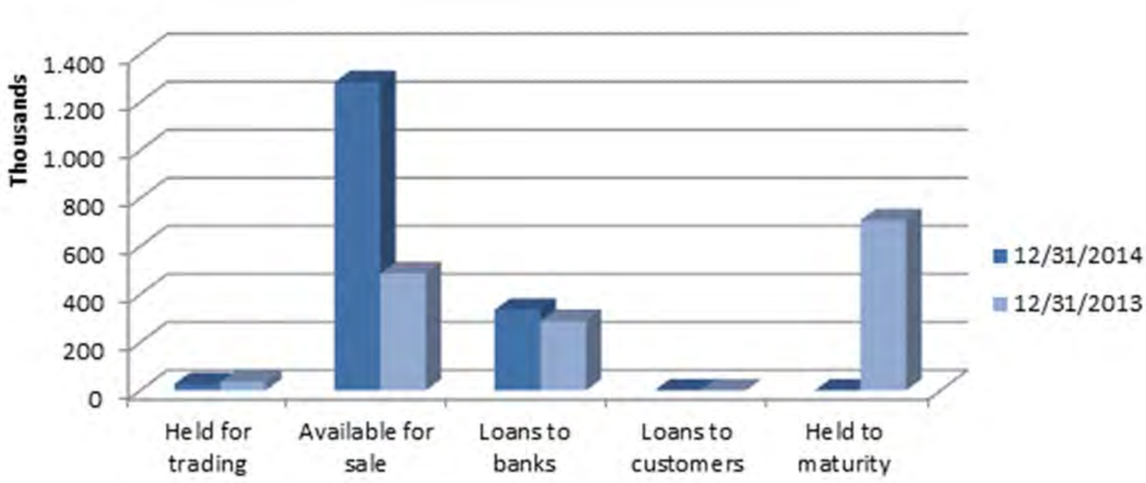
Also indirect deposits (+3.1%) were positive; the component of the portfolio management has grown considerably by recording a reversal of the recent years with a propensity of customers to the assets under management compared to administered assets, this result was achieved thanks to the excellent work of branches and private bankers, as well a climate of greater investor confidence. Stock markets, in 2014, have in fact recorded excellent dynamics on the rise touching highs and stock markets have benefited from the improvement of the economic situation in advanced economies and the accommodative that continued to affect the conduct of monetary policy by the major central banks worldwide.

These factors more than offset the fears associated with the prospects of normalization of US monetary policy and uncertainty fueled by situations of critical structural and cyclical weakness in some emerging economies.

Financial assets (Debt securities)

Financial assets (figures in thousands of euros)

	12/31/2014	12/31/2013	% change since 12/31/2013
Held for trading	26,907.8	36,052.9	-25.4%
Available for sale	1,282,824.2	488,079.0	162.8%
Loans to banks	335,597.6	289,711.9	15.8%
Loans to customers	212.3	212.1	0.1%
Held to maturity	0.0	708,500.2	-100.0%
TOTAL	**1,645,541.9**	**1,522,556.0**	**8.1%**



The Bank at 31 December 2014 owns a portfolio of debt securities amounting to 1,645.5 million euro which, in accordance with the accounting principles, is divided into the following categories:

Financial assets held for trading

This category is composed primarily of Italian government bonds and bonds issued by banks in the Banca Sella Group. At 31 December 2014, the division between the different types of securities is as follows:

- Italian government bonds 23%;
- Banca Sella Group Bonds 77%;

The consistency of this sector decreased in the year by about 9.1 million, from 36.1 million euro of 31 December 2013 to 26.9 million euro at 31 December 2014.

Concerning the asset allocation the variable-rate component is extremely small with almost all of the class invested in fixed-rate securities in the short term. The exposure to interest rate risk has been contained throughout the period considered.

Financial assets held for sale

This category is made up of Italian government bonds and bank bonds of high credit rating. At 31 December 2014, the division between the different types of securities is as follows:

- BOT 0.4%;
- CCT 48.3%;
- BTP 47.7%;
- Senior Bonds 3.6%;

During the year, the consistency of this sector has increased by about 794 million; reaching a balance at 31 December 2014 of 1,282.8 million euro. Major variations concern the BTP (+ 423 million euro), and the CCT (+ 340 million euro approximately).

With regard to asset allocation, the floating-rate component is approximately 49% while the remaining 51% is invested in fixed-rate securities in the short or medium term. The exposure to interest rate risk remained at low levels throughout the period considered.

Financial assets held to maturity

The Board of Directors of the extraordinary meeting of 17 July 2014 ordered the sale of securities from this sector. Following this decision in the months of July, August and September a significant proportion of securities with a maturity of over 2017 has been sold for a total nominal value of 525.5 million euro. According to IAS the remaining securities were reclassified as accounting for financial assets available for sale for a nominal amount of 174.5 million euro. Of these nominal reclassified securities 37 million have expired by 31 December 2014 and the remaining 137.5 million are included in securities available for sale.

Loans to banks

This category is composed exclusively of bonds issued by Banca Sella Holding. During the year, the fund has increased by about 45 million euro.

Loans to customers

This category is composed exclusively of a Confidi 6% subordinated bond with a maturity of 27 December 2018.

Bank liquidity

The year 2014 was characterized by a significant further improvement in the liquidity situation of the banking system that is attributable to the incresaed narrowing of the yield spread of Italian government bonds over government bonds of core countries, and, above all, the Monetary stimulus initiatives announced by the European Central Bank during the year.

In particular, during the year, there have steadily improved the conditions of access to institutional funding (either through emissions not guaranteed, or through covered bonds or asset backed securities -ABS-) by Italian banks. However there remained significant the difference between the conditions of access to funding for banks to medium and small size compared to those enjoyed by most large institutions and better rating. As a result of the attenuation of institutional market tensions there has, during the year, been a decline in the cost of customer deposits. Despite the above-mentioned improvement of the general conditions of systemic liquidity, the unsecured interbank market continued, as in previous years, to record trades concentrated on shorter maturities (mostly overnight) and for small amounts.

The European Central Bank continued its action to support the banking system:

- lowering rates further MRO (main refinancing operations), bringing them to 0.05%;
- extending until the end of 2016, the mode of allocation of "Full Allotment" funds for Lending Operations of the Eurosystem;
- launching a program to purchase ABS and Covered Bonds;
- offering banks "*TLTRO* " funding in the long-term (4 years) particularly advantageous in terms of cost (0.15% the first two operations).

The prudent management of liquidity has always been key in ensuring the normal banking business, especially in times of tension. Maintaining an adequate supply of liquidity, both short-term and structural, is considered a cornerstone of prudent business management.

Monitoring and management of liquidity for Banca Sella are formalized in the Group's Liquidity Policy, which contains both the guidelines for the management of liquidity risk and the strategies to be taken in the event of criticalities.

The process management and control of liquidity allowed during the year 2014 to maintain a more than adequate level of the same. During the year there was a positive trend of the most important indicators of liquidity, both in terms of both the Banca Sella Group, structural and short-term, supported by improved macroeconomic conditions.

For more information on liquidity risk, please refer to the Notes, Part E, Section 3.

Credit policies and products

The Credit Policies and Products Service handled the accession of the Bank to Plafond Casa provisions of decree Law 31 August 2013 n. 102, ratified by Law 28 October 2013 n. 124, which deals with

the granting of residential mortgages for private customers equipped with a Savings and Loans Fund; the Service has also handled the adherence to the Capital Equipment Credit Limit (the so-called New Sabatini) under Decree-Law of 21 June 2013, n. 69, converted by the Law of 9 August 2013, n. 98 through which soft loans are offered to SMEs (small and medium enterprises) aimed at investments with funding obtained from the Savings and Loans Fund; thanks to the timely adherence, Banca Sella was one of the first Italian banks to offer their credit products.

In addition to the products described above, provided with a Savings and Loans Fund, Banca Sella has received funding from both the European Investment Bank and TLTRO funds made available by the European Central Bank through which it was able to offer cheaper economic conditions of access to credit.

The Service has also handled the adherence of the Bank to initiatives to support people affected by natural disasters and against government measures, both with respect to voluntary initiatives of the Bank.

In 2014 we proceeded to merge within the Credit Policies and Products Service management activities of special credits and loans, previously performed by the Service Provision, in order to make more efficient and effective the "factory of credit products".

During the year, there was also completed the automation activities of contracts concerning the forms of credit including pre-contract that has allowed us to eliminate the existing manual nature of their filling out.

With regard to the training and upgrading of skills of the staff we continued to focus on the importance of customer knowledge (especially customer business) with regard to strategies, future plans, and the dynamics of the company cash flows. In this context major training activities have been started for the staff of the Bank operating in the loans with recourse to outside companies accompanied by regular meetings and sharing on these issues.

Cash loans

At year end 2014, loans to ordinary customers amounted to 6,961.4 million euro (7,200.6 at 31 December 2013), a decrease from the previous year by 3.3%. As regards the loan guarantees, the total amounted to 252.2 million euro (269.7 million euro at 31 December 2013).

In a still difficult economic situation, the Bank maintained its support to households and small business enterprises and SMEs that have been shown to have adequate business prospects and business continuity by providing short-term credit intended to support businesses in the performance of current and medium / long-term support to families and companies for new investments and / or for restructuring of short-term loans.

Funding continued to companies in cooperation with the leasing companies of the Banca Sella Group and Consel, a consumer credit company of the Group, for the provision of loans for consumer credit to individuals.

We have extended the opportunity to join the Abi-Consumers Association moratorium for the suspension of payment of mortgage installments and New Measures for Loans to Small and Medium Enterprises for the suspension of the rate and lengthening of the duration of the mortgage, as well as to finance investments and the advance of receivables due from the Public Administration.

Also during 2014 there remained active our collaboration with Regional Bodies, Associations, Credit Consortia and it was carried out using the funds made available by the EIB and Savings and Loans Fund.

Given the complexity of the business environment, a strong impetus has been given to training and involvement of personnel working in the banking sector and activities concerning the management of credit disbursed have played a major role.

The quality of the loan portfolio

As was the case in previous years, and in compliance with regulations of the Group, during the year 2014 audits were performed of evaluation parameters of impaired loans. In particular, the following parameters have been updated:

- percentage ratios of the specific lump adjustments planned for overdue loans with a balance of less than 25,000 euro;
- percentages ratios of specific lump adjustements provided for objective and subjective doubtful loans with a balance of less than 10,000 euro;
- valuation parameters of the specific analytical adjustments required for impaired loans and non-performing loans.

Compared to 2013 this audit activity has led to a more severe updating of the evaluation parameters, leading to higher adjustments and levels of coverage.

The founding principle of the evaluation process of non-performing loans continues to be the evaluation and determination of analytical estimates of the recoverability of each customer and technical form, taking into account all the factors present such as guarantees acquired and / or acquirable, income and assets of the customer, lawsuit remedies available, possibility of court agreements, etc.

Only on the band of credit not subject to revocation of credit and less relevant amounts is there maintained a lump evaluation mode with the applying of percentage ratios.

This review of the key measures of specific adjustments is practical to allow application of evaluation methodologies of impaired loans adapted to the conditions in the external environment and the macro-economic situation still characterized by a strong crisis of the economic system of the country.

The parameters described above, subject to review in the course of this year, applied to the stock at 31 December 2014 of non-performing loans posted in performing and revoked impaired loans, resulted in a modest increase in stocks both of provisions on bad loans and on revoked difficult loans.

A further component of increase of provisions, consisting of the change in cost estimates, and in the average discount for execution and bankruptcy procedures on the doubtful loans, was approximately 1 million euro.

31 December 2014, as required by the ITS (International technical standards) issued by the EBA (European Banking Authority) established by Regulation CRR 575/2013 enacted by Parliament and the European Council, to the definition and categories of non-performing loans defined by Circ. 272 of 30 July 2008 and subsequent updates issued by Bank of Italy overlaps and integrates the definition of EBA in terms of measures of tolerance that is an "umbrella" in the sense that it cuts across both positions classified as *"performing"* and positions classified as part of *"impaired assets "*, and refers to all the concessions granted by the entity in favor of customers in financial trouble or about to be in financial difficulty.

When a measure of forbearance is granted to a customer classified in NPE (Non-performing exposures), the same will remain in that category until the following conditions will be proven at the same time:

- one year has passed from the extension of the measure of tolerance;
- no expiry is present at the end of the "probation period" referred to above;
- there are no doubts as to the repayment of the debtor. This point can be satisfied when:
  a. There have been payments equal to the amount of the earlier expired sum;

or

b. there has been payment enrolled in the tolerance measure;

or

c. the debtor has nevertheless demonstrated its capacity to comply with the post-tolerance conditions.

Having passed the probationary period of one year "NPE under forbearance" the position will migrate into the category of "performing loans under forbearance" where it will stay for two more years before being readmitted to performing unreservedly, at the following conditions:

- there has passed a trial period of 2 years;
- There have been carried out for at least half a trial period, regular payments for a reasonable amount of principal or interest;
- no exposure to the obligor is past due for more than 30 days at the end of the trial period.

Upon failure to satisfy the above conditions, the same will be reviewed at least quarterly.

It should also be considered that if a position is classified as "performing loans under forbearance", but the origin of the concession of the extent of forbearance was NPE, if there is present, in the probationary period, one expiry of more than 30 days, or the new measure of tolerance are being applied, this triggers an obligation of immediate reclassification in "NPE under forbearance" by resetting the "counter" and a new beginning of the probationary period as "NPE under forbearance".

The measures of tolerance were developed in line with EU legislation, in the following case studies ("ForbearanceType"):

I. Renegotiations with elongation of depreciation;
II. Bank moratorium;
III. Abi/MEF moratorium agreement;
IV. Abi/Consumers moratorium agreement;
V. Consolidation with an unsecured or mortgage;
VI. PAA3 repayment plans;
VII. Solidarity Fund Moratorium;
VIII. Short-term lines with deductions;
IX. Extension of expiring consortium guarantees.

This has led, for Banca Sella, to the detection of 4,562 customers in state of Forbearance, for a total of 350.4 million euro divided as follows:

- 1,072 positions, amounting to 126.5 million euro, already classified in a deteriorated sphere of activity;
- 703 positions, amounting to 29.5 million euro, reclassified in deteriorating assets ("doubtful loans") and coming from the "performing" loans. This reclassification has resulted in new value adjustments for € 2,235,134;
- 2,787 positions, for a total of 194.4 million euro, identified in the "performing" sphere of credits. For these loans there was created a new category for the determination of the collective evaluations, starting from the rate of decay on the basis of historical series. The effect of these positions was therefore 2,266,608 euro.

The rate of decay, in particular, was determined as the average of the DR (decay rates) per year starting from November 2011 for 24 months, where the DR is equal to the ratio between the number of counterparties in default at time t+12 months, the number of counterparties in "performing" at time t.

Credit quality (figures in thousands of euros)

Items	12/31/2014	% weight on total	12/31/2013	% weight on total	Change	
					absolute	%
Loans to customers	**6,961,360.6**	**100.00%**	**7,200,550.4**	**100.00%**	**(239,189.9)**	**-3.32%**
Performing loans	6,401,026.8	91.95%	6,712,180.6	93.22%	(311,153.9)	-4.64%
Deteriorated loans	560,333.8	8.05%	488,369.8	6.78%	71,964.0	14.74%
of which net NPLs	*253,833.6*	*3.65%*	*228,439.8*	*3.17%*	*25,393.8*	*11.12%*
of which net impaired loans	*276,994.5*	*3.98%*	*185,629.1*	*2.58%*	*91,365.4*	*49.22%*
of which net restructured	*11,937.6*	*0.17%*	*27,850.9*	*0.39%*	*(15,913.3)*	*-57.14%*
of which past due net	*19,392.3*	*0.28%*	*49,204.2*	*0.68%*	*(29,811.9)*	*-60.59%*

Non-performing loans

Net bad debts at year end amounted to 253.8 million euro (inclusive of data volumes of securitizations), up 11.3% year on year (the year 2013 had recorded an increase of 22.4% on 2012), with an impact on cash loans of 3.7%.

During the reporting period the flow of new gross NPLs amounted to 130 million, a decrease of 28.9% over the previous year. The significant decrease in new bad debts is a positive trend of impaired loans, and in particular expresses a less rapid deterioration in credit quality. It is believed, however, that this trend of inflows to non-performing loans does yet not constitute a consolidated counter-trend in regard to previous years.

Collections recorded on non-performing loans amounted to 30.8 million euro, a slight decrease over the previous year.

During 2014, unlike previous years, there was not completed any transfer without recourse of expiring loans sale without recourse of receivables at the end of life. There 'was, however, already identified a lot of positions (about 2,300 with a gross value of about 36 million) for a possible transfer without recourse transfer without recourse to execute in the first half of 2015.

The number of positions as non-performing at 31 December 2014 amounted to 11,299 units, of which about 76.8% are positions of less than 50,000 euro. Finally, 33.6% is below the threshold of 5,000 euro.

In December 2014, the coverage ratio refers to non-performing loans was 59.7%, while, at the end of last year, it was 57% with an increase of 2.7% compared to 2013.

The coverage ratio of non-performing loans, defined as the set of adjustments made to the total of non-performing loans to gross loans and cash disbursed, amounted to 44.4%, while at 31 December 2013 it stood at 41.7%, with a similar increase of 2.7%.

Problem loans

Revoked problem loans amounted at year end to 80.6 million euro (net exposures including securitizations). During the reporting period the flow of new entrants amounted to 146.6 million euro (gross exposures), a decrease of 20% compared to the previous year.

For this type of position, the litigation service proceeds promptly to check the presence of elements that may bring the actual existence of a state of insolvency (such as inability to meet obligations in view of an overall assessment of the financial statements of the other party and not the mere presence of a default), with contextual allocation to non-performing loans.

In December 2014, the coverage ratio referring to revoked substandard loans amounted to 34.6%, while at the end of last year it had stood at 36%, with a slight decrease resulting from a significant presence of loans secured by collateral and cooperatives.

The number of positions as substandard revoked totaled 2,916, of which about 85.7% are represented by positions of less than 50,000 euro, and 45% is below the threshold of 5,000 euro.

Problem loans not withdrawn amounted at end of year 2014 to 196.4 million euro (net exposures including securitizations), while at 1 January 2014 it amounted to 124.8 million euro. Compared to the detection at the beginning of the year, the exposure of positions classified in this category increased by 57.3%.

Among the substandard not revoked loans there are 640 positions, with exposure to 163 million euro, benefiting from mortgage collateral.

For the purpose of regulatory reporting, there is a single category for impaired loans, but for internal management purposes, we identify the following types of problem loans not revoked:

- substandard subjective, ie exposures towards customers who, based on the information held by the Bank, are considered in a temporary difficulty, which they are expected to be overcome within a reasonable period of time; Customers in this category are 2,164 with gross exposure amounting to 215.5 million euro;
- the objective substandard loans, whose situation of temporary difficulty is governed by the Bank of Italy; Customers in this category are 2,895 with gross exposure amounting to 8.5 million euro.

The total number of positions as substandard not revoked totaled 5,059, of which about 86.49% of which is represented by positions of less than 50,000 euro, and 65.38% is below the threshold of 5,000 euro.

During the year 2014, the clients classified as subjective substandard increased significantly since it has grown from 689 customers at 31 December 2013 to 2,164 customers at 31 December 2014. Also the gross exposures increased from 116.7 million euro of 2013 to 215.5 million euro of 2014.

This trend is due in particular to the classification as subjective Substandard of all claims presented as receivables under *"forbearance non-performing"* at 31 December 2014.

This classification involved a total of 529 customers for 34.4 million euro exposure.

The exposures reported in *"forborne non-performing"* present among the not-terminated substandard amounted to 123.2 million euro, while the gross balance of the receivables *"forborne non-performing"* amounted to 144.2 million euro.

Subjective doubtful loans also increased due to the increase of the incoming flow of requests, where there was an increase of the positions with relevant settlement related to companies in difficult situations that have made proposals for restructuring agreements or have filed an agreement pursuant to art. 161 of the Bankruptcy Law, the so-called carte blanche agreement, or have started restructuring renegotiations for agreements partially met.

The valuation of not revoked impaired loans for determining value adjustments, for positions with exposure of more than 10,000 euro, is made analytically on the classification as substandard and subsequently intervenes whenever new facts emerge which would call for a new evaluation. The assessments to be applied to problem loans by the Non Performing Exposures service are based on the determination of the real possibility of return to performing status and, when this possibility turns out to be of dubious achievement, to quantify the possible loss after taking recovery actions. The valuation adjustments is performed in general taking into account the capital, the ability to generate income, the financial balance, the outlook for the sector, the managerial skills and entrepreneurship, the regularity in the management of banking relationships from the customer and taking into account the guarantees securing the credit lines granted.

Overall, analytical adjustments applied on impaired positions not withdrawn amount, at 31 December 2014, to 27.6 million euro. The average coverage of problem loans not revoked has increased during 2014, rising from 7.3% cash exposure at 31 December 2013, to 12.3% at 31 December 2014. In particular, the average coverage of subjective problem loans amounted to 12.3% and the average coverage of substandard loans was 12.9%.

In December 2014, the coverage ratio referring to problem loans as a whole was 20.2%, while, at the end of the previous year, it was 19.5%.

Restructured loans

During the year 2014 there has been the entry of 29 new positions in the restructured loans. At year end, these receivables amount to 60 positions for a net accounting profit of 12.7 million euro. The new entries are related to 8 new locations being restructured in a pool with other banks, for a net amount of 3.5 million euro, and another 21 positions for which the Bank has to renegotiate the original terms and conditions having an account balance of 449 thousand euro.

The item continues to include the position "ComitalSaiag SPA" for which in 2009 there had been signed restructuring agreements which led to a partial conversion of the total debt to the Bank of 9 million euro as follows:

-4.7 million euro in restructured loans;

-4.3 million euro in S.F.P. (equity instruments).

The devaluation of these instruments amounted to 2.5 million euro.

31 December 2014 the book balance of credit remaining on the Comital position amounted to 3.1 million euro, which fell during the year 2014 as envisaged by the plan.

During 2014 some loans of significant amounts recorded under restructured loans have shown the partial failure to meet the conditions laid down in the restructuring agreement. For some positions it was necessary to proceed with the termination of the restructuring and therefore they have been booked as watchlisted for review of the plan in concert with the entire banking class, or we proceeded to the revocation of the lines where the economic and financial conditions of the customer not possible to maintain the credit lines, resulting in being allocated to non-performaing loans.

For the pooled restructured loans we assume the recoverability of the receivable net of any excerpts provided by the agreement. It follows from the assumption that, in most cases, these agreements (former Article 67 paragraph 3 letter d) lf; pursuant to article 182bis lf), reached between customers and a pool of creditor banks, are in place on the basis of an appropriate plan to allow the recovery of the outstanding debt of the company and ensure the balance of its financial situation the reasonableness of which is attested by a professional registered in the register of auditors who has the requirements of Article 28 letter A and B, in accordance with article 2501 bis paragraph 4 of CC.

The book value of the related loans rescheduling is discounted - IAS 39 - on the basis of the new plan of debt relief and the new rate, compared to the original contractual terms.

For objective restructured loans, namely those agreements reached between the debtor and the bank aimed at a renegotiation of the outstanding debt, classified as "restructured" under Circular 272 of 30 July 2008 and subsequent amendments, the evaluation of the recovery forecast considers the discount effect - IAS 39 - based on the new maturity of the debt and the new rate, compared to the original contractual terms.

Due and past-due loans

Positions classified as past due loans at year-end amounted to 19.4 million euro (net exposures including securitizations).

As of 1 January 2014 past-due loans amounted to 49.2 million euro. Compared to the detection at the beginning of the year of exposure of positions classified in this category it decreased significantly (-57%).

This decrease is partly attributable to the change in methodology for the detection of past due loans which, as of 31 March 2014, allows the evaluation by individual debtor with the application of materiality threshold of 5% on loans backed by eligible collateral: this amendment resulted in the exit from overdue loans of 151 positions with mortgage exposure of 16.7 million euro.

The decrease in past due loans has also deteriorated due to the passage to substandard subjective of over 300 positions with gross exposure amounting to 9.5 million euro which, according to the new EU Regulation 575/2013, had the characteristics of being classified among *"forborne non-performing"*.

Among the due loans are 119 positions, with total exposure of 8.2 million euro, benefiting from mortgage collateral.

At 31 December 2014 the number of past due loans of Banca Sella is equal to 8,242 customers. The portfolio deteriorated into past due loans is very fragmented, given the fact that loans have an average exposure at 31 December 2014 amounting to 2,550 euro.

The evaluation of past due loans for the purpose of determination of value adjustments is carried out analytically, for positions with exposure greater than 25,000 euro, on initial classification and then intervene whenever new facts emerge which would call for a new evaluation. The assessments to be applied to past due loans as part of the service Non-Performing Exposures are based on the determination of the real possibility of return to performing status and, when this possibility turns out to be of dubious achievement, to quantify the possible loss.

The valuation adjustments are performed in general taking into account the capital, the ability to generate income, the financial balance, the outlook for the sector, the managerial skills and entrepreneurship, the regularity in the management of banking relationships from the customer and taking into account the guarantees securing the credit lines granted.

Overall, analytical adjustments applied to the population of past-due loans amounted for Banca Sella, at 31 December 2014, to 1.7 million euro.

In December 2014, the coverage ratio referring to past due loans amounted to 7.89%, a significant increase over the previous year, when it stood at 3.14%.

Payment systems

With regard to the Point of Sale (pos) service, the activities of acquiring payment cards registered an overall positive trend, characterized by a growth of transactions with both debit cards (+5.5% over the previous year) and with credit cards (+4% compared to the previous year). There has been recorded then, not only the consolidation of the habit of Italian consumers using debit cards that require the immediate expenditure on their current account, but also a return to the use of debit cards that provide for a summary deduction at the end of the month.

Total volumes were up compared to the previous year thanks to the good business concessions to new operators both performed by the network of branches and the network of agents affiliated Bank. The overall profitability, despite significant increases in the costs of transactions applied by the international circuits, were positive.

The activities relating to debit and credit cards issued by the Bank, similar to the phenomenon highlighted by the pos acquiring component, recorded a positive increase in both the amount spent with debit cards (+11% over the previous year) and the amount spent by credit card (+4.8% over the previous year).

The E-commerce sector as regards the volumes of 2014 was characterized by a negative trend (-5.4% on the previous year) mainly due to the loss of a major customer.

Profitability, both due to the decline in volumes and the significant increases in fees charged by the international circuits, was lower than the previous year.

There continued during the year the activity of concessions to operators qualified for acceptance at their outlets (physical and internet) of payments via smartphone through the platform "UpMobile", which is enjoying the interest of numerous private and institutional clients.

Shareholders' equity and regulatory capital

At 31 December 2014 the equity of Banca Sella, including profit for the year, amounted to 617.2 million euro, an increase of 62 million euro (+11.2%) compared to 31 December 2013. The change is due to the improvement of the items comprising the profits made during the year and the valuation reserve of financial assets available for sale, which has undergone a positive change going from 4.9 million euro to 10 million euro following the reclassification of the residual securities portfolio of financial assets held to maturity after the sale made.

Shareholders' equity *(figures in thousands of euros)*

Items	12/31/2014	12/31/2013	% change
Capital	281,597	281,597	0.0%
Share premium	298,722	298,722	0.0%
Retained earnings	(32,145)	(49,401)	34.9%
Equity instruments	-	-	-
(Own shares)	-	-	-
Valuation reserve of financial assets available for sale	9,951	4,889	-103.5%
Profits (losses) on defined benefit plans	(5,134)	(1,028)	-399.4%
Profits (losses) for the period (+/-)	64,230	20,409	214.7%
Equity	**617,221**	**555,188**	**11.2%**

As of 1 January 2014, as required by the new harmonized rules for banks and investment firms contained in Directive 2013/36 / EU (CRD IV) and Regulation (EU) 575/2013 (CRR) on 26 June 2013, which transfer the EU standards defined by the Basel Committee 3 and on the basis of the Bank of Italy Circular No. 285 and 286 and the updating of Circular 154, there took effect the new definition of Own Funds, consisting of:

- Primary capital class 1 (Common equity tier 1), which includes ordinary share capital paid, the share premium reserves, the profit for the period, the reserves and other regulatory adjustments;
- Additional Tier 1 (Additional Tier 1);
- Tier 2 (Tier 2), which includes subordinated loans and other regulatory adjustments.

Legal provisions on own funds provide a transitional period, usually up to 2017, during which some elements which of that regime will be computable or deductible in full in the common equity, have an impact on Capital primary Class 1 only for a percentage share; normally the remaining percentage with regard to that applicable is calculated / deducted from Additional Tier 1 (AT1) and Tier 2 (T2) or considered in the risk weighted assets.

For subordinated instruments that do not meet the requirements of the new regulations, there are specific transitional provisions, sometimes gradual exclusion from own funds (over a period of 8 years) of tools no longer computable.

Regulatory capital *(in thousands of euros)*

Items	12/31/2014	12/31/2013	% change
Primary capital class 1 CET 1 (formerly Core Tier 1 capital)	553,373	505,088	9.6%
Tier 2 T2 capital (formerly Tier 2 capital)	239,298	299,010	-20.0%
Total own funds (formerly Regulatory capital)	**792,671**	**804,733**	-1.5%
Credit and counterparty risk	343,724	275,065	25.0%
Market risks	2,194	890	146.6%
Operational risks	59,588	41,358	44.1%
Total capital requirements	409,624	317,312	29.1%
Risk-weighted assets	5,120,302	3,966,399	29.1%
Core capital/risk-weighted assets (Tier 1 capital ratio)	-	12.73%	-
Regulatory capital including Tier 3/ Risk-weighted assets (Total capital ratio)	-	20.29%	-
Primary capital Tier 1 / Risk weighted assets (CET1 capital ratio)	10.81%	-	-
Total own funds/ risk-weighted assets (Total capital ratio)	15.48%	-	-

Economic Data

Condensed income statement (in thousands of euros)

Items	12/31/2014	12/31/2013	% Change since 12/31/2013
10. Interest receivable and similar interest	305,076.5	333,462.8	-8.5%
20. Interest payable and similar charges	(107,492.1)	(136,333.4)	-21.2%
70. Dividends and similar income	79.8	275.6	-71.0%
NET INTEREST AND DIVIDENDS	**197,664.3**	**197,405.0**	**0.1%**
40. Fee and commission income	238,983.5	235,396.6	1.5%
50. Commission expense	(76,260.9)	(72,794.1)	4.8%
Net commission income	**162,722.6**	**162,602.5**	**0.1%**
80. Net income from trading	7,565.9	5,660.6	33.7%
90. Net income from hedging	3,370.1	395.3	752.6%
100. Profits (losses) from sale or purchase of:	5,645.7	3,401.3	66.0%
a) loans	-	(200.0)	-100.0%
b) financial assets available for sale	9,410.1	2,774.1	239.2%
d) financial liabilities	(3,764.4)	827.2	-555.1%
REVENUE FROM SERVICES	**179,304.4**	**172,059.7**	**4.2%**
OPERATING INCOME	**376,968.6**	**369,464.7**	**2.0%**
150. Administrative income			
a) staff costs	(153,330.6)	(150,354.3)	2.0%
IRAP on personnel costs and controlled net (1)	(5,185.3)	(5,334.3)	-2.8%
Total personnel expenses and IRAP	**(158,515.9)**	**(155,688.6)**	**1.8%**
b) other administrative expenses	(130,274.3)	(123,046.7)	5.9%
Recovery of stamp duty and other taxes (2)	36,651.0	31,228.0	17.4%
Total administrative expenses and tax recovery	**(93,623.2)**	**(91,818.6)**	**2.0%**
170. Adjustments to tangible assets	(7,024.9)	(7,003.7)	0.3%
180. Write-downs of intangible assets	(10,983.9)	(11,721.1)	-6.3%
190. Other expenses/income (less the recovery of stamp duty and other taxes)	26,075.3	23,380.3	11.5%
Operating costs	**(244,072.6)**	**(242,851.7)**	**0.5%**
OPERATING PROFIT	**132,896.0**	**126,613.0**	**5.0%**
160. Net provisions for risks and charges	(6,079.0)	(3,552.8)	71.1%
130. Net losses / recoveries on impairment of:			
a) loans	(103,505.1)	(105,726.0)	-2.1%
b) financial assets available for sale	(600.0)	(2.6)	-
c) financial assets held to maturity	-	-	-
d) other financial transactions	(514.1)	(1,939.7)	-73.5%
100. Profits (losses) from sale or repurchase of:			
c) financial assets held to maturity	75,124.6	-	
Proceeds from sale of business	-	19,026.0	0.0%
230. Goodwill impairment	(1,048.3)	-	0.0%
240. Profit (loss) from sale of investments	4.7	(20.4)	-123.2%
OPERATING INCOME OF ORDINARY ACTIVITIES BEFORE TAXES	**96,278.8**	**34,397.5**	**179.9%**
290. Taxes on income from continuing operations (IRAP deducted from personnel costs and controlled net)	(32,048.7)	(13,988.8)	129.1%
OPERATING INCOME AFTER TAX	**64,230.1**	**20,408.7**	**214.7%**
280. Profits (loss) on assets held for sale, net of tax	-	-	0.0%
PROFIT (LOSS) FOR THE YEAR	**64,230.1**	**20,408.7**	**214.7%**

(1) Separated from the item “Income taxes for the current operating year”.
(2) Separated from the item “Other expenses and income”.

The criteria for consolidation of the income statement

In order to provide a more immediate representation of the income results, an income statement has been prepared in a manner that better represent the content of the items according to standard operating principles.

The consolidations were as follows:

- item 70. "dividends and other similar income" that is part of the count in net interest;
- IRAP on staff costs which is recorded separately from the item "Income taxes for the year"; and included in personnel expenses;
- the item "recovery of stamp duty and other taxes" which is recorded separately from the item "other operating expenses and income" and deducted from other administrative expenses;
- item 100. "Profit/loss on sale or repurchase of: c) a financial activities held to maturity" which is recorded separately from the net income from services and inserted after operating profit;
- "Income arising from sale of business" which is recorded separately from the item "Other operating expenses/income".

Profitability

The comments below refer to the items of the consolidated income statement as shown in the table above.

The overall result for the year amounted to approximately 64.2 million euro, a significant improvement compared to 31 December 2013; consequently the level of R.O.E. stood at 11.7%.

Profit for the year was positively influenced by the decision to sell a significant portion of the portfolio of securities owned by the category Financial assets held to maturity, which has allowed us to realize proceeds from the sale for about 75 million euro before tax.

We also point out that the year 2013 was affected positively by the sale of the distribution of the Trentino Alto Adige and Veneto in the Cassa di Risparmio di Bolzano/Südtiroler Sparkasse, which had resulted in income from the sale of approximately 19 million euro.

Analyzing the items, one notes the quantity of the net interest margin, which remains stable recording a +0.1%, with the cost of funding which has continued its decline, compensating the decline in volumes and market rates of loans.

Also stable were net commissions which registered a slight increase of +0.1%.

Net banking income benefited both the positive results of the activities of trading and hedging, a significant improvement compared to 2013 (reaching respectively +1.9 million euro and +3 million euro) and the profit on sale of financial assets, which amounted to 5.6 million euro, an improvement of 2% compared to 2013.

In terms of operating costs there are slight increases that keep the fund substantially unchanged with a moderate increase of 0.5% compared to 31 December 2013.

Even value adjustments on loans have marked a decline of 2.1% despite being appropriate credit rating parameters even after the application of the new Implementing Technical Standards, under EU regulation number 575/2013 (CRR), which introduced the new definitions of receivables under the concession (credits *forborne*).

Net interest income

Net interest income at 31 December 2014 recorded an operating profit amounting to 197.7 million euro, +0.1% from the previous year. In terms of assets, there were recorded mainly lower interest income on loans to customers, in the presence of decreasing volumes and average lending rates in contraction. Lower interest income are also derived from the titles, mainly from the sale of the portfolio of financial assets held to maturity.

These lower interest income were offset by a significant reduction in interest expense given the continuing trend of reducing the cost of deposits, despite the increase in volumes of direct deposits.

The impact on net banking income fell from 53.4% in December 2013 to 52.4% in December 2014.

Net income from services

The trend in net revenues from services, which amounted to 179.3 million euro, showed an increase of 4.2% compared to 2013, which amounted to 172.1 million euro.

This component accounted for 47.6% of revenues (45.6% at 31 December 2013).

Net revenues from services: main components (in thousands of euros)

Items	12/31/2014	12/31/2013	Change	
			absolute	%
Payment services	65,157.5	65,255.1	(97.6)	-0.2%
Trading on behalf of third parties, collection of orders and placement	21,066.1	21,626.0	(559.9)	-2.6%
Asset management	12,506.3	11,534.3	972.0	8.4%
Placement of insurance products	8,078.4	6,847.6	1,230.9	18.0%
Trading and hedging	10,936.1	6,055.9	4,880.1	80.6%
Holding and management of current accounts	23,056.7	22,819.6	237.1	1.0%
Management of loans	23,632.0	25,435.9	(1,803.9)	-7.1%
Profits (loss) of sale or repurchase of loans, financial assets/ liabilities	5,645.7	3,401.3	2,244.4	66.0%
Other	9,225.7	9,084.0	141.6	1.6%
Total	**179,304.4**	**172,059.7**	**7,244.7**	**4.2%**

In the business sector the indirect deposits performed better compared to 2013, in particular, the departments of management funds and mutual funds, life insurance, and ancillary services of investment and online trading, driven by a general context of volume growth and transformation in asset management products. This growth offset the contraction in trading, particularly in fixed income, whose performance was affected by a scenario of low interest rates and yields close to zero.

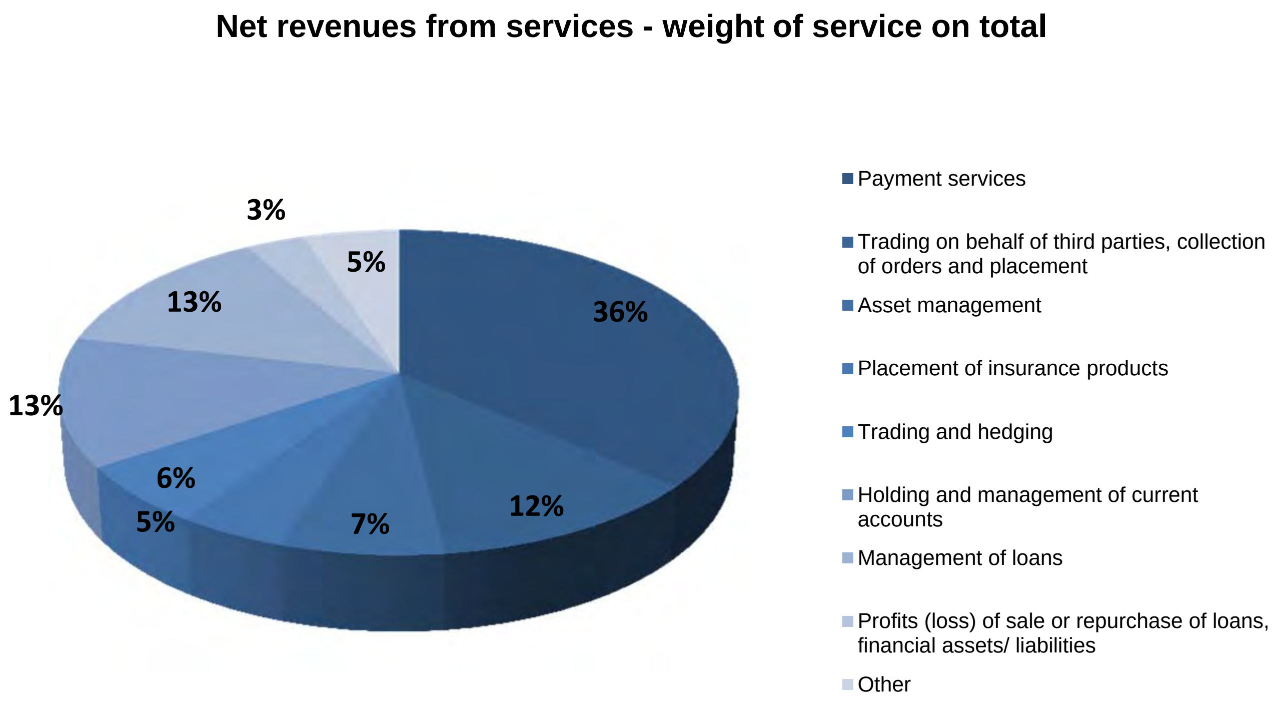
The good profitability of the segment was achieved thanks to the excellent growth at the Group level, of the stock of indirect deposits determined both by the entry of new flows of deposits from customers and by the positive impact of the growth of prices for securities linked to the positive trend in the year of the stock market values. The average profitability of indirect funding remains essentially at the same levels of 2013, confirming the Bank's ability to offer good products and services to customers.

In terms of business payment systems, generally stable, there was a growth in the acquiring sector (pos, point of sale) and a contraction in the card sector, e-commerce and traditional payment systems. The unfavorable conditions on the side of consumption, led to a decline in volumes transacted and margins on both the card side and the e-commerce side, while volumes increased on the acquiring side (pos). In terms of profitability, the fund is always subject to a high degree of competition and new regulations that lead to lower margins.

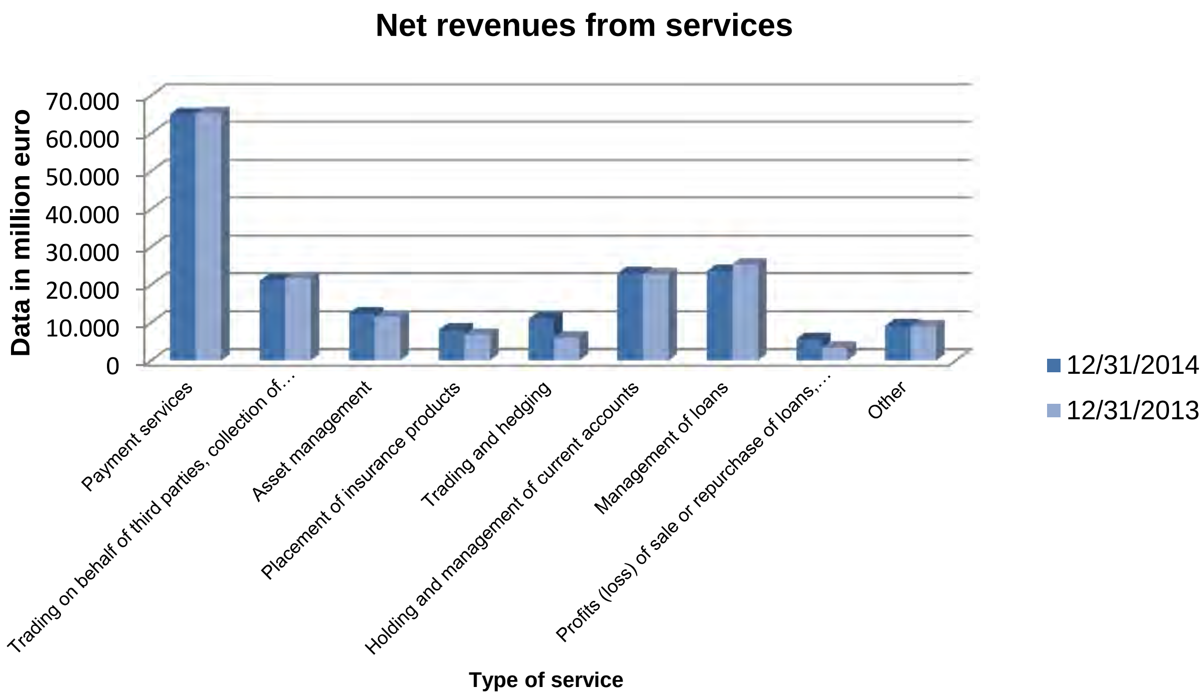
There was also a positive contribution under "gains on sale and repurchase of loans, financial assets available for sale and financial liabilities" for a net amount of 2.2 million euro.

The remaining "other" includes commissions on the holding and management of current accounts and commissions on loans granted to customers.

The following graph shows the weight of each service on total net revenues from services. As you can see payment services cover 36% of the total.



The following shows the development of the various services that make up the net revenues at 31 December 2014 compared to the previous year.



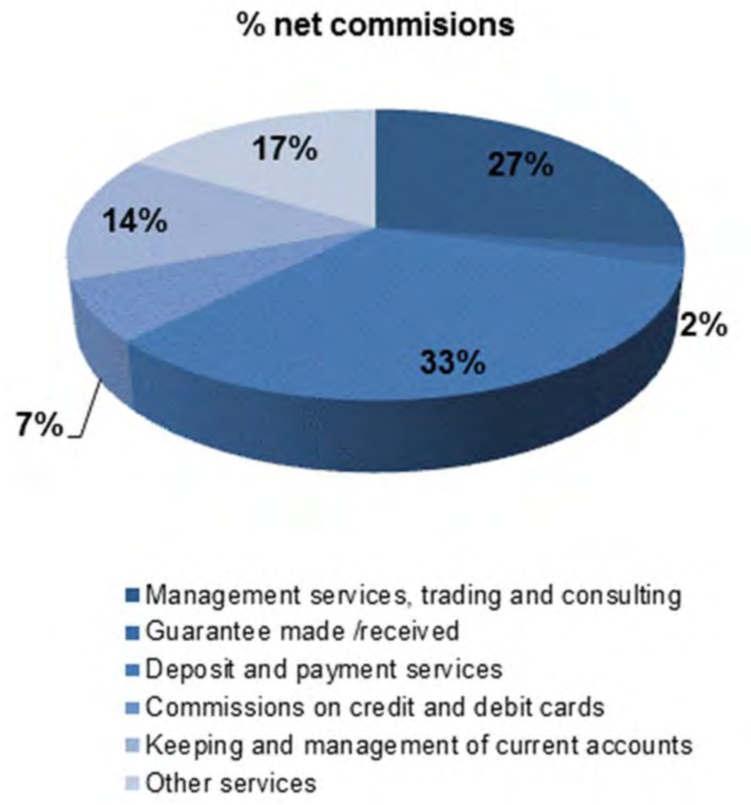
Net banking income

The margin of money management, together with that of the management of services, leads to a total result of 377 million euro, an increase (+2%) compared to 31 December 2013.

The positive result, as explained in the previous pages, can be attributed to the stability of net commissions, which amounted to +0.1%, together with the positive performance of profits on trading and hedging, which increased by 4,9 million euro.

The result of 2014 becomes even more important when you consider that in the first half of 2013 there were still present 3.7 million euro, the revenues related to the business unit that was then sold in June 2013 to the Cassa di Risparmio di Bolzano/Südtiroler Sparkasse.

The following graph shows the weight of each component on the total net commission income, at 31 December 2014, the component relating to the collection and payment accounted for 33% of the total.



Operating expenses

Operating expenses, amounting to 244.1 million euro, net of the positive contribution of 26.1 million euro for the item "Other operating expenses/income", have had a slight increase of 0.5%. The growth component of personnel costs (including IRAP for the same) is basically due to the increase in the Bank, both in Italy and in the foreign branch.

The component of administrative expenses saw an increase, in particular, in costs associated with fees for consulting, training and the legal fees/litigation related to the still high impact of the credit risk and to the contract work towards Selir for assets managed in outsourcing.

Other operating costs are represented by the write-downs on tangible and intangible assets, which resulted in a decrease compared to last year in the presence of the natural maturity of already existing investments, which were higher than the impact by the new investments made in 2014, an increase compared to the same of 2013 partly as a result of the numerous regulatory requirements. The other operating income, less the recovery of indirect taxes, are an improvement compared to last year due mainly to commissions incidental to credit.

The efficiency indicator called cost to income, calculated as the ratio of operating expenses (deducted IRAP on staff costs) net of losses related to operational risk and banking income, came in at 62.5%, in improvement compared to 65.9% at 31 December 2013.

Detail of operating expenses (in thousands of euros)

Item	12/31/2014	12/31/2013	Change absolute	Change %
Administrative expenses:				
a) Personnel expenses	(153,330.6)	(150,354.3)	(2,976.2)	2.0%
IRAP on personnel costs and controlled net	(5,185.3)	(5,334.3)	149.0	-2.8%
Total personnel expense and IRAP	**(158,515.9)**	**(155,688.6)**	**(2,827.3)**	**1.8%**
b) Other administrative expenses	(130,274.3)	(123,046.7)	(7,227.6)	5.9%
Recovery of stamp duty and other taxes	36,651.0	31,228.0	5,423.0	17.4%
Total administrative expenses and stamp duty	**(93,623.2)**	**(91,818.6)**	**(1,804.6)**	**2.0%**
Adjustments to tangible assets	(7,024.9)	(7,003.7)	(21.1)	0.3%
Adjustments to intangible assets	(10,983.9)	(11,721.1)	737.2	-6.3%
Other expenses / income (less the “Recovery of stamp duty and other taxes”)	26,075.3	23,380.3	2,695.0	11.5%
Operating expenses	**(244,072.6)**	**(242,851.7)**	**(1,220.9)**	**0.5%**

Operating profit

Operating profit therefore amounts to 132.9 million euro, an improvement of 5% in comparison with the figure at 31 December 2013.

Operating profit (in thousands of euros)

Item	12/31/2014	12/31/2013	Change absolute	Change %
Net banking income	376,968.6	369,464.7	7,503.9	2.0%
Operating costs	(244,072.6)	(242,851.7)	-1,220.9	0.5%
Operating profit	**132,896.0**	**126,613.0**	**6,283.0**	**5.0%**

Provisions for adjustments

Net provisions for risks and charges

During the year, provisions were made for risks and charges for a total of 6.1 million euro, an increase compared to 2013 because of the provision for early retirement of staff.

Impairment/write-backs for impairment of loans

Net impairment losses on loans amounted to 103.5 million euro, down 2.1% from 105.7 million euro in the previous year despite there being suitable parameters for evaluating credits also as a result of the application of the new Implementing Technical Standards, under EU regulation number 575/2013 (CRR), which had an impact both on the writedowns, and on the collective write-downs.

The context of generalized crisis and difficulties of households and businesses has meant that the adjustments have affected more significantly the result.

This item represents 1.5% of total loans.

Profits (losses) from sale or repurchase of financial assets held to maturity

The decision to sell a significant portion of the portfolio of securities owned by the category Financial assets held to maturity has allowed the realization of proceeds from the sale for about 75 million euro.

Income tax

Excluding IRAP on costs for staff, which has been reclassified for an increase in this component, the percentage of income tax levied on profit from continuing operations before taxes amounted to 33.3%.

The so-called "Robin Hood tax" introduced by D.L. 25/06/2008 n. 112 (converted into L. 06/08/08 n. 133) which provides for the non-deductibility of 4% in interest expense, resulted in higher taxes for about 1 million Euros, corresponding to about 1 percentage point in the tax rate.

The IRAP deductibility (albeit in 5 years) of the adjustments on loans to customers classified under item 130 a) of the budget introduced by the Law 27/12/2013 n. 147 resulted in a tax saving of 2014, compared to the previous legislation, of about 5.8 million corresponding to 6 percentage points in the tax rate.

In the absence of such a change and the effect of the components mentioned in the above paragraphs, the tax rate would have amounted to about 38.3%.

Banca Sella, as a subsidiary, joined the national tax consolidation regime that sees as the controlling and consolidating entity the parent company Banca Sella Holding.

More detailed analysis of the significance and the impact of applying the so-called deferred tax assets are contained in the notes.

Comprehensive income

STATEMENT OF TOTAL INCOME

		12/31/2014	12/31/2013
10.	**Profit (loss) for the year**	**64,230**	**20,409**
	Other income components after taxes without transfer to income statement		
20.	Tangible assets	-	-
30.	Intangible assets	-	-
40.	Defined benefit plans	(4,106)	436
50.	Non-current assets held for sale	-	-
60.	Share of valuation reserves of equity investments accounted for at equity	-	-
	Other income components after tax with reversal to income statement		
70.	Hedging of foreign investments	-	-
80.	Exchange rate differences	-	-
90.	Cash flow hedges	-	-
100.	Financial assets available for sale	5,062	5,279
110.	Non-current assets held for sale	-	-
120.	Share of valuation reserves of equity investments accounted for at equity	-	-
130.	**Total other comprehensive income, net of tax**	**956**	**5,715**
140.	**Comprehensive income (Item 10+130)**	**65,186**	**26,124**

The negative component related to defined benefit plans (item 40) is mainly due to the decline that occurred in the year of market rates that have affected the value of the Composite AA interest rate curve used to discount the development of prospective flows.

Distribution channels and business model

At 31 December 2014, the situation of the branches of the Bank is shown in the table below, and is unchanged regarding the total, during the year there were still a number of actions of territorial reorganization, aimed at optimizing the local presence and the relationship with the Customer:

- opening of the branch of Banca Sella at Erba, with the simultaneous closure of the branch of Ronco Biellese (the Treasury point remains);
- opening of the Private Banca Sella in Rome in Piazza Cavour, with the simultaneous closure of the branch of Foglizzo (the Treasury point remains).

Subdivision of branches by region and geographical area

Regions	12/31/2014		12/31/2013	
	Number of windows	% Weight of region on the total	Number of windows	% Weight of region on the total
Piemonte	130	44.4%	132	45.1%
Sardegna	3	1.0%	3	1.0%
Toscana	11	3.8%	11	3.8%
Valle d'Aosta	6	2.0%	6	2.0%
Emilia Romagna	15	5.1%	15	5.1%
Lazio	17	5.8%	16	5.5%
Liguria	8	2.7%	8	2.7%
Lombardia	18	6.1%	17	5.8%
Veneto	12	4.1%	12	4.1%
Trentino Alto Adige	0	0.0%	0	0.0%
Friuli Venezia Giulia	1	0.3%	1	0.3%
Abruzzo	1	0.3%	1	0.3%
Marche	5	1.7%	5	1.7%
Molise	1	0.3%	1	0.3%
Campania	15	5.1%	15	5.1%
Puglia	29	9.9%	29	9.9%
Sicilia	21	7.2%	21	7.2%
Total	**293**	**100.0%**	**293**	**100.0%**
ITALY				
North	190	64.8%	191	65.2%
Center	34	11.6%	33	11.3%
South and Islands	69	23.5%	69	23.5%
Total	**293**	**100.0%**	**293**	**100.0%**

In addition to the above, the Area Network of Banca Sella has promoted a reorganization in the structures of the Territory, constituting at the start of 2014, the Territories "Torino City-Torinese North" and "Torinese, South Piemonte and Liguria" (from the separation of the former Territory of Turin, south Piemonte and Liguria) and from November 2014, the division of the former "Central and South-East Territory", by changing the composition of the "Southern Territory" (previously named "South-West Territory"), which has incorporated branches of Puglia and creating the "Territory Lazio and Sardegna." Along the same lines, strategies have been adopted specifically for the branches in difficulty of growth and profitability, and ad hoc policies for companies that operate in contexts where there is a very widespread distribution.

In 2014, there continued the adoption of the territorial organization into "unified" branches (unification of several branches that are close to each other), with the goal of having more branches and structured organization, in order to increase the level of advice and expertise available to customers.

Commercial markets

Market of families and individuals

The Market of Families and Individuals is represented by individuals with assets totaling, at the Bank, less than 50,000 euro. The target customers served are represented by children, young people, families and retirees. The segment is commercially manned by professional figure of Commercial and Private Families.

The external environment in 2014 saw the Italian economy remain in a stationary phase. The negative data on the economy (prices, production, unemployment, retail trade, GDP and added value), however, have begun to associate a series of positive data from the global scenario that portend the possibility of a recovery in 2015. The greater uncertainty is represented by the speed at which there will occur, if it occurs, the growth of domestic demand, linked to the performance of employment and confidence and, ultimately, the expectations on the dynamics of household disposable income. The ongoing recovery in household consumption is still too weak or not being driven by the growth in employment or income.

In this area there continues to increase the demand for counseling, reporting and customization of certain services; now it is seeing a growth in the security sector (although in view of the regulatory changes and tax effected), in relation to life insurance branches / job loss, credit, investment advisory, banking.

Accordingly, the Bank has continued to have an open approach to customers, to focus on their real needs, responding through a standard offer that meets their needs through:

- multi-channel and coordinated management with the customer;
- the creation of ad hoc agreements and the activation of targeted marketing initiatives in the area;
- the development of the online component also through social media presence;
- personalized promotions to reinforce the peculiarities in a geographical acquisition of certain targets.

In January 2014 there was identified a new Market Head which was followed by the organization of the market through the figures of the Commercial Families and Individuals dedicated, non-dedicated and support.

Earlier this year the Market has developed the business plan together with the actions that would be put into production during the year. This plan was presented to the Regional Offices in the context of regular meetings, tailoring interventions based on the needs and particularities agreed with various executives.

Professional growth has been overseen through the provision of an adequate level of training with the explanation of the main drivers of product updating and demand, discussion of the issues concerning the credit, the digital economy, the insurance certificate and monthly alignments.

For the benefit of Trade there has been prepared a Guide to the Global Environment consisting of 3 volumes: the first is the economic scenario; the second focuses on the offer to products and requirements; and the third is related to the check-up of the Risk Manager – Examples, solutions and simulations.

Considerable attention has been paid to the complete revision of the Community Families and Individuals through which we note the evolution in the role of commercial activity towards a pro-active approach to the customer.

The Community is the main repository of communications, information, insights and sales support dedicated to the role, where the business can find all the news concerning its market and product information that can satisfy their customers.

As regards the updating and evolution of the product range, private sector loans has been revised; in addition, in collaboration with the Bank Insurance the product range has been updated.

Also the needs of banking were strongly provided for with the expansion of the services made available to customers and the possibilities to achieve this.

There remains central, finally, the issue of supplementary pensions, for which we continued with a precise focus on the launch of educational programs.

Business market

The Business Market primarily represents companies with a turnover of more than 2.5 million euro and/or that exceed 250,000 euro; the figure of the Business Sales is entrusted with the monitoring and the development of this segment.

Economic prospects remain uncertain, particularly for those companies that operate exclusively or almost exclusively on the domestic market, making even more strategic the monitoring of this market for the purposes of credit quality.

The role of the Business Sales figure is therefore more similar to that of a consultant, who must know the company which he followes, not only in numbers expressed by the corporate Financial Statement, but also in the future prospects and the evolution dynamics of the business.

Internationalization is one of the main areas of action in support of SMEs; to make the offer even more complete there was signed at the end of 2014 a Collaboration Agreement with the ITA-ICE, the government agency for the promotion of Italian companies abroad.

This Agreement provides, for the Business customers of the Bank, to engage the services rendered by ITA-ICE, in particular those that enable companies to enter into new foreign markets, at favorable economic conditions.

In this context, the Business Market aims to support the companies in need of such

services and, through the foreign territory Specialists or the Foreign Service Office, interface, in the first phase of inquiry, with the ITA-ICE partners, signaling the needs of the enterprise and ensuring the success of the request.

This service is combined with all the offer available to Business customers, from Foreign-Goods, to the Management Service for the foreign currency risk and the possibility of insurance coverage through

Brosel, now Brokerage Group.

As for financial solutions for companies operating abroad and intending to finance projects to improve competitiveness in foreign markets, we confirm using the products "Sella Export", assisted by the SACE guarantee, with which the Convention was renewed for 2014 and "Sella Made in Italy", which enables companies to finance expenses for the promotion of the brand and the product, such as participation in trade fairs abroad, market research, booklets, catalogs, collections, training courses for international events.

In consulting for companies, there becomes increasingly important the offer of forms of funding alternative to bank loans.

It is known how the Italian companies depend on funding granted by banks much more than in other Western European countries, not to mention the United States, where the alternatives to bank loans have long been widely used.

Banca Sella, together with the Corporate Finance division within the Holding Group, is able to give the necessary assistance and advice to the issuance of so-called "Minibond" funding instruments to support the growth of companies.

The drive toward these tools, also given by the benefits and incentives introduced in the recent past by various government decrees, results in a greater interest on the part of companies to explore this opportunity.

The Business Sales figures are assisted, in this consulting activity with high added value, not only by colleagues in the Division of Corporate Finance, but also by the structure of Banca Sella Business Finance.

The specialist in this field also propose to assist the companies in all extraordinary transactions of said companies, from the search for financial or industrial partners to finding solutions for the generational change.

In 2014 Banca Sella has participated in the auction for the allocation of ECB funds, known by the acronym T.L.T.R.O (targeted longer-term refinancing operations), obtaining the allocation of funds for a total of 280 million euro which were for the creation of a credit line dedicated to finance, with product offerings in the short and medium term, the credit needs of businesses with special prices.

To meet the different needs of enterprises, in particular new investments for growth, development and internationalization, there have been made available short-term loans with maturities up to 18 months and installment loans up to 48 months.

This initiative joins the offer of Plafond Capital Equipment, also known as "New Sabatini", thanks to the participation of the Bank Agreement that allows you to provide financing on concessional terms specified by ministerial regulations; also confirmed is the opportunity for our companies to have access to EIB funds.

The Commercial Building with these financial solutions have been able to give adequate answers to the needs expressed by the companies deserving credit arising, in particular, from investment in growth and development.

The attention to the SME segment remains high, to which is directed in particular the financing of stock, to support the supply requirements of the warehouse and the "Financing Payroll", for December 13 and to support the major financial needs related to the reduction of invoices during the summer holiday period.

This latter financing was extended to any funding requirements of the Companies to fulfill the obligation of payment of severance pay per year for employees participating in the products of the Banca Sella Group, anticipating a possible solution to a very topical theme concerning the TFR in salary payments.

The "Financing Payroll", very popular with companies, is well received every year and is becoming affirmed even outside the historic areas, confirming the interest in a formula designed for a specific need, even in repayment terms.

Finally there is confirmed the desire to be a local bank, close to the companies, especially when disasters occur in the territories where the Bank operates.

For this reason Banca Sella has promoted initiatives dedicated to companies operating in the districts affected by the floods that occurred in 2014, promoting an offer of credit dedicated to businesses who have suffered damage, at easier terms and conditions of repayment.

Also in 2014 there has been confirmed the sponsorship of the important event "Milano Unica", the international exhibition of textiles, held in Milan in February and September.

This commitment demonstrates the willingness of the Bank to support the development of the textile industry and Made in Italy excellence and saw the presence of Business Sales figures and Foreign Specialists to support these companies who have had recourse to the Desk or that have been encountered during organized visits at the booths.

In addition to internationalization, consulting in the field of special operations and financial support, the theme of digitalization of enterprises remains the central.

Together with all the offers already available on the digital world, in 2014 there has been developed with an external partner, an attractive offer for the digital processing of invoices, a compulsory service for companies that operate with some sectors of the public administration.

The Business Sales figure is now able to give appropriate advice to businesses about the benefits of adopting this solution, benefits that are expressed both in cost savings and in increased efficiency and allows the company to handle electronic invoicing to any trading partner and not only exclusively in the Public Administration.

As for training, all the Business Sales figures have been the subject, in 2014, to a major training effort, especially in the loans sector.

With the help of an outside supplier, we have organized 5 days of classroom training, focused not only on reading and interpretation of financial statements but also on the analysis of the enterprise in prospective terms, with a view to making the Commercial Companies even more aware of the ability of the company to remain on the Market and therefore to have a future.

Besides the obvious need to raise awareness on the topic of risk management, this training has wanted to grow the capacity of the company to be a true consultant, assessing and highlighting proactively, any prospective or already emerged problems, in order to mitigate and, where possible, to avoid in advance, the occurrence of situations more difficult to manage.

Affluent Market

The Affluent Market is represented by individuals with assets totaling, at the Bank, over 50,000 euro and mainly up to the amount of 500,000 Euros. The target customers served are mainly professionals, entrepreneurs, families and retirees. The segment is commercially manned by the professional figure of the Affluent Sales figure.

As previously reported, the customer has to contend with an increasing level of uncertainty in the markets and with the inevitable lowering of lending rates offered by the banking system of accounts and deposits. In addition there is completely renewed regulatory and fiscal framework that penalizes certain financial instruments and which therefore affects the decisions about the allocation of resources. Therefore the consulting needs are growing in order to preserve and increase their wealth over time, also because of weak future growth expectations.

All this has meant that in 2014 investors have often found shelter for their long-term investments in assets under management, reaching system-wide a new record for the second consecutive year (more than 100 billion of new flows and a stock exceeds 1,500 billion euro).

Accordingly, market orientation has been that of an open approach to the Customer, by providing it with the use of all possible channels (traditional and online) to decide freely when and how to report with his advisor. At the same time, strong was the attention paid to the proactive management of the customer by the Affluent Sales figure, thanks to all the tools available and to market initiatives, which aim to provide advice on all levels of requirement with the aim to support the customer in his financial planning and insurance over the entire life cycle, all the way to achieving solutions linked to generational change.

Also for the Affluent Sales figure, professional growth has been overseen through the provision of an adequate level of training with the explanation of the main drivers of updating product and demand, discussion of the issues concerning the world of investments, regulations and taxation, credit, the digital economy, the plan for the coverage of the gaps that have emerged in previous years. There also continued the external training in collaboration with SDA Bocconi through the provision of training on the part of qualified teachers on specific issues of interest to the target customers. Finally, they were confirmed the monthly meetings of alignment of the market, with the aim of constantly sharing guidelines and strategies to be pursued during the year as well as forming a team (in this sense there is also an internal Community reserved for the Affluent Sales figure).

As regards the updating and evolution of the product range, there was launched in collaboration with the Group companies (CBA, Sella Gestioni, Heritage Bank, Sella Life) a multitude of new products, in line with the demand from the market, aimed at extending the possible solutions to offer to the customer. In 2014 there was extended to commercial Affluent the possibility to provide advice on mutual funds of some select third houses, thus expanding the tools available to advisors and pursue a strategy that points strongly to the architectural opening.

Even the needs of banking were manned with the expansion of the services made available to customers and the ability to achieve this. There was confirmed the Account agreement dedicated to Affluent customers.

There remains central, finally, the issue of digitization through which innovation continues, with a focus on the launch of targeted educational and online courses but also the widespread use of the new functionality Sella.it (Mobile).

Some survey data for the market in 2014:

- Customers: +2,598 (+35.7% growth on the previous year, +4.1% on the previous year stock);
- Net new asset management: +223 million euro (+683% growth on the previous year, +16.5% of stock of the previous year);
- Interest margin: +20 million euro (+17.4% on the previous year);

- Net revenues from services: +24 million euro (+11% on the previous year);
- Net banking income (net risk): +44 million euro (+13.8% on the previous year).

Small Business Market

The Small Business Market serves and develops customers in the segment of the artisans, traders, professionals, businesses mainly of medium-small size and certain institutional traders. It relies upon the Small Business sales figures, towards customers, based on the principles of the service model, defined as part of the new commercial model.

The structure also gives indications about the organization, the address and the strategy of agribusiness and renewable energy sources and the agricultural specialists make up part of this, working in synergy with the business of the small business market, with branch offices and all other trade figures present.

Each Small Business sales figure is given a number of clients to follow. The sum of customers entrusted to the sales figures of reference defines the perimeter of the Market.

It is the task and responsibility of the structure to prepare, for their own professional community and for target customers:

- the dedicated range of offers;
- the ad hoc training plan;
- the business plan for the Market;
- the Market Community;
- business strategy;
- the communication strategy (in consultation with the marketing).

The Small Business sales figure, given the heterogeneity of the clientele it serves, uses multiple approaches. As regards the world of autonomous entities, the approach to requirements is defined primarily by the professional dimension typical of the activity performed by the customer.

From this point of view, the requirements of liquidity and credit are closely related. The expertise on credit is critical, in consulting on the planning of assets and liabilities, and on investment. The size of the banking assumes, for the target customers, importance in the provision of dedicated accounts and services for professional "segmentation" (an offer dedicated to the craftsmen, professionals, merchants), with specific responsibilities within the development system of collection and payment, especially digital.

The Small Business sales figure offers advice to the client aimed at the efficiency and the development of its sales channels, debt sustainability and investment, looking for funding including that coming from outside the bank, to cover the risks associated with its activities.

The Small Business sales figure has specific responsibilities in spreading the use of online and self-used tools for the device activities and bank statement activities at low added value.

As for the corporate world the Small Business sales figure organizes consulting services dedicated to sizing up the business customer, development of new markets and new business as well as the evolution of the business in the world of the digital revolution, and insurance coverage risks related to the business activity conducted.

Alongside the expertise on credit, there become equally significant significant those specific to the goods sector (eg. Agro-Food), and those arising from the internationalization of markets (supported by the Market of reference and the Loans Service).

For all types of customers belonging to the market in question, the Small Business sales figure offers advice on the level of insurance issues, in particular:

- the world of the self-employed: by developing awareness and acting for the protection of the risks, in particular those resulting from professional activity and the loss of productive capacity;
- the world of the self-employed, for small to medium size businesses and their employees: developing culture, service and supplementary and complementary pension products;
- for the business world: developing the offer, also extra captive, of security tools for the companies' assets and which are instrumental to the company, or related to credit insurance; developing products and services to cover the specific risk of interest and the exchange rate.

The complexity and heterogeneity of the market involves, for Small Business sales figure, and with the support of the reference market, activation of specialized skills to be integrated within the business relationship of which it is responsible. In particular, the Small Business sales figure works through collaboration with the Specialist on some issues (foreign agricultural sector and agro-food, digital economy) or with other markets (for issues related to management of liquidity, cash flow and investments) or with other Group companies (for operations of corporate finance, of capital, brokerage, leasing, etc.).

The Small Business sales figure has a responsibility to develop services and advice for the personal, private and family sphere of those carrying out activities and productive enterprise. In the event that the relationship will develop in issues of particular complexity and wealth, it collaborates with specialists of the Private and Affluent Markets. In any case, as part of dedicated service to professionals, professional firms and professional associations, the Small Business sales figure enhances the network of relationships and expertise that may result, including from the standpoint of referrals.

Where the dynamics of enterprise take on connotations and characteristics better suited to the professionalism and experience expressed by the specialists of the Business Market, it will favor the passage of the relationship and customer to the context of the service Business Market.

The Small Business sales figure uses the Workstation as an environment for managing the clientele, for the activation of contacts including multi-channel, for the planning of development activities and services, and to scrutinize the effectiveness of the relationship. The Workstation provides an integrated view of the centers of interest connected with the client, suggesting development activities. Development is not an individual attitude or the expression of their capacity, but rather stems from the vision of the client as a person placed in a professional, social and family dynamic and one rich in relationships.

The Community is the main repository of communications, information, insights and business support dedicated to the role where the business can find all the news regarding their market and find all the information about the products that can satisfy their customers. In the Community the client may point out successful business initiatives, or news of general interest, to be shared with the client. In the community the client can also report some of his lack of training. The Market, by evaluating the needs, can implement, with the training service, appropriate activities or create ad hoc training opportunities, making them known in the appropriate section in the community, always to be shared with others.

2014 saw the sales figures dedicated and not concentrated on the care of customers in their portfolios and development towards new customers.

The sectors that have most rewarded these development activities are food processing, the "green" sector understood as energy conservation and new alternative sources, and the whole sector of small artisans and professionals.

Thanks to some new product offerings and services for the accounts on line and the installation of pos (point of sale) to customers that were lacking it (in 2014 there entered into force the legislation which provides for the obligation to enable its customers to be able to pay at least with their debit cards) the number of new customers has been growing. Of note is the agreement with Agriturist (network of Confagricoltura farmhouses) and CreditAgri (signed later this year) which should give a further thrust for 2015.

During 2014 there were activated several commercial initiatives including one addressed to contacting the owners of Bed and Breakfasts who are not yet customers of the Bank, and one for customers who operate with the government offering them the service of electronic invoicing and retention of the same .

The areas of interest of the Small Business market for 2014 and that will be of reference for 2015 were those related to:

- internationalization;
- enterprise networks and networking;
- soft loans and guaranteed;
- start-ups;
- digital and payment systems;

Relevant to the business was the agreement signed with Ice-Ita to accompany small and large size companies towards new foreign opportunities by helping them broaden their horizons national.

Worthy of not is the implementation, with the support of marketing, of a series of events over the course of 2014. In particular the event of Pollenzo in the building of the University of Gastronomic Sciences, which involved small producers of wine on the theme related to marketing abroad through the e-commerce platform. Moreover, the events of Turin, Ivrea, Borgosesia, Bari, Ancona, related to energy conservation of buildings for the project ROADTO2020, which falls within the scope of Turin smart city.

Towards the end of 2014 there began an internal project that aims, over the course of 2015, at the review of the offer and the positioning of the small business market, together with a review of the internal segment of enterprises, and external communication that includes the renovation of the site and the opening of the corporate community to customers.

During 2014 there continued the supplyin gof the internal community with updates regarding news and new marketing ideas aimed at dedicated and non-dedicated businesses.

The formation of the sales figures, the fulcrum of the market growth, continued on several fronts and in particular in the legal and insurance and credit sector, thanks to a specialized course held by the School of Education CUOA, which was much appreciated by the sales figures for the quality of teaching and the topics covered.

Private banking

The year 2014 ended with a net inflow of 218.6 million euro, with a growth rate of 4% on the stock at 31 December 2013. The stock of total deposits at the end of 2014 stood at 5.039 billion of euro.

The result on asset management was significant, with inflows for 2014 totalling about 285 million euro, the majority of which for this year was to subscribe for mutual funds, bringing the component assets under management (including the component of insurance) to 44.9% of total deposits.

The acquisition of customers in 2014 also led to excellent results, with a net increase of nearly 500 openings of new relationships.

The financial results increased compared to last year, with a net banking income of more than 25.7 million euro, +14.2% over the previous year. To be underlined is the trend in revenues from services, which reached 20 million euro with all components of income increasing, not only those from investment services.

In short, there was confirmed the growth trend on volumetric and economic aggregates initiated since 2009, with an income which stood at just over 16 million euro.

From an organizational point of view, there has continued the expansion of specialist facilities in the Territory, notably through the entry by acquisition of 3 additional resources in Rome and three resources for internal lines. Other negotiations are underway to increase the workforce in other places.

There continued specialized training activities dedicated to colleagues of Private Banking, according to the three-year strategic plan.

Asset management

31 December 2014 the volume of managed assets of Banca Sella, including liquid assets, amounted to 1,683.8 million euro, of which 1,147.8 million (68.2%) are placed by the Private Banking service and 536.0 million (31.8%) are placed by the network branches and advisors. The aggregate volumes show an increase of about 10.5% compared to 31 December 2013 due to the positive level of collection and the positive effect of the markets.

For 2014 the collection on Asset Management has been characterized by the following 3 extraordinary events that had a considerable impact on the global data: closure of policies managed by Sella Personal Life in exchange for 103.5 million; closures via Clients transferred in the Sparkasse operation for 8.4 million; a contribution of 71.1 million to sole management of low profitability followed by Private banking.

Net of these data, the collection was positive thanks to the branches that have achieved a +54 million, the Promoters with +75.9 million and Private Banking with +1.4 million.

2014 was characterized by further growth of the stock markets, which reached new highs. This strengthening was supported by the maintenance of ultra-expansionary monetary policies by all central banks, which have placed huge amounts of liquidity, pushing the yield on bonds to historic lows. The spread of government bonds of peripheral countries shrank, reaching the levels prior to the outbreak of the crisis. Economic growth is still weak in the Euro zone, with price levels rising sharply; for this reason, the European Central Bank has put in place a series of quantitative easing measures which resulted in a depreciation of the euro against all major currencies. Emerging markets fared in varied fashion, but we note the good performance of the Chinese and Indian markets.

Markets have been seen at times with increased volatility as a result of strong international tensions related to the crisis areas in the Middle East and the Ukraine.

In this market environment there have had a positive performance, both of volumes and revenues, the management of the Balance Private range and above all the Retail Funds range (Global GPF 0-15 shares, Global GPF 10-30 shares, Profile GPF 0-30 shares being the most subscribed) reserved to branches that provide investments in the stock market. These positives have far outweighed the decline in revenues on the Short-term Bond management which by now offer very contained yields and on the Multiline management that, given the particulary quality of being split at the discretion of the customer, the investment in very specific sectors, markets and financial instruments and the minimal investment amount on the medium-high target, have never been particularly successful. There was a very positive impact also on the entry fees applied on new openings.

As for yields, 39.5% of accounts (25.7% of assets) for the year 2014 had a gross yield from the tax effects and commissions higher than the benchmark and 3.9% of accounts (7.1% of assets) a net return above the benchmark.

In 2014, the range of Private and Retail Balance asset management were enriched respectively by the Alpha line and the GPF line Global bond 10/40. The main feature of these lines is that they provide for the automatic credit in the current account of a part of the increase of the portfolio, if the value thereof exceeds the level recorded at the end of the previous year. The percentage distributed is announced at the beginning of each year or the opening of the relationship and the distribution takes place half on June 20 and half on December 20.

There has continued the rationalization of the lines that led to changes mandated by old lines no longer ascribable to new products in the range.

The management activities relating to the portfolios of Banca Sella is delegated to Heritage Bank Sella & C.

Online trading

Banca Sella recorded a gross income for Online Trading that was up 10% over the previous year, with the compartments Equity Italy Derivatives Italy that were up over the previous year by 14% and 4%, despite the Online Trading market in 2014 being characterized by the entry of several new *competitors* who, to gain market share, offered very aggressive pricing policies. Even at the system level, there was a partial increase in the volume of the market;

The activities of the Online Trading Service has developed mainly in the following directions:

- Further improvement of the levels of service offered to customers both in terms of stability of the system and performance of order submission;
- innovation of the range of products offered;
- realization of commercial initiatives aimed at acquiring new Trader customers.

In reference to the development of applications in 2014 we paid particular attention to the expanded offering for customers who make algorithmic trading, introducing to the platform SellaExtreme specific algorithmic and automatic functions and allowing the connection of our online trading platform to external Multicharts platform, considered a reference point for independent traders operating with *trading systems*.

In reference to activities in the development of commercial customers, in 2014 an online campaign was made to promote Income Trader and Trading services online via external sites, search engines and sending mail to users outside the Banca Sella Group basin.

As in previous years, we have continued to provide quality training on topics related to online trading. 54 training courses were carried out in the classroom in which for the first time were also added distance learning courses, in particular 30 *webinars* (online seminars live streaming), 23 online courses and 44 prerecorded video-tutorial on the platforms.

Mutual funds and Sicav

In 2014 the data collection for placement on asset management were further and significantly improved compared to those already positive from the years 2012 and 2013. As early as 2013, the net inflow was well distributed on the various asset classes, without a particular concentration of bond and monetary funds that was recorded in the past and in line with the needs of diversification of customer portfolios. A growing contribution to the collection was given by electronic channels.

Revenues from the placement of funds therefore increased compared to 2013 (+27%). Total net inflows in 2014 amounted to 445 million euro, with 327 million on the UCITS product companies not belonging to the Group, and 118 million collected in funds managed by Sella Gestioni, the savings management company of the Group.

Net new UCI Banca Sella

Category	2014			2013		
	UCI GBS	UCI third party	Total	UCI GBS	UCI third party	Total
Equity	3.3	23.5	26.8	-9.5	68	58.5
Balanced	39.4	175.6	215	-2.5	103.8	101.2
Flexible	5.2	13	18.2	-2.6	3.7	1.1
Monetary	-17.5	11.2	-6.3	-20.7	3.4	-17.3
Bonds	87.4	104	191.4	26.8	74.9	101.7
TOTALE	**117.8**	**327.3**	**445**	**-8.5**	**253.8**	**245.3**

Figures in millions of euros

Assets under administration

The aggregate of the securities held on deposit, excluding asset management, mutual funds, SICAVs and financial insurance savings, reached at 31 December 2014 an amount of EUR 8.305 million, down -1.5% from in 2013, which amounted to 8,430 million euro. As for the main underlying dynamics there was a decrease in the bond component (-238 million euro compared to 2013) and an increase in the equity component (+114 million euro compared to 2013).

Marketing and sales organization

Sales organization

The year was mainly focused on the adoption of the model of allocating customers to portfolios, with which there was attributed to each colleague with a Sales role, with direct responsibility for a portfolio of clients, with the aim to support the change in mode of relationship between customer and bank from a transactional approach to a consultative model.

Also in December, having received the authorization of the Authority for the Protection of personal data, there was launched, after a long and complex project activity, the pilot of the so-called graphometric signature: a solution that allows the signing of documents (contracts and accounting) at the counter in a completely dematerialized manner; the electronic document is signed by the Client by affixing the signature on special tablet that detects the unique characteristics of the signature itself (speed and pressure) and memorizes them, in a secure manner, within the electronic document. The project will be extended to all branches over the next year.

There continued the development of the new Sales Workstation, which is the main working environment for the network. The innovative tool that promotes and enhances the new consulting service model that was begun with the allocating of portoflios to the customers, has been enhanced in order to better represent the types of customers and to better adapt to the needs of various commercial customer segments. There was also strongly enhanced the CRM and the Product catalog section was created, fully integrated into the new environment.

Thanks to an innovative new digital signature solution has been revised the underwriting process, by a new customer, of the online account Websella and user experience has been simplified; this has allowed us to dramatically reduce the time of opening of the product, not having to wait for the arrival of the paperwork.

There continued the adoption of the new territorial organization which provides for “unification” of more branches, close together, with the aim of forming a single structure and single organization, with more operating points within the territory, in order to increase the level of advice and expertise for customers: there was increased the number of unified branches in the territory and modification of computer procedures was completed to better adapt to this new organization.

In 2014 we followed up the project that involves the entire Bank, coordinated by the Service Trade Organization, aimed at reducing the burden of administrative branches both due to process optimization and innovation of solutions, and through an increase in transactions carried out autonomously by customers through electronic channels. A particular focus has been given to this increased efficiency through increased operating delegation to the Net.

Contact center

Also in 2014 there continued the upward trend of the contacts to the Contact Center, an increase of 9% compared to 2013. For the telephone banking service there has remained stable the percentage of provisions made by operator, which stands at 74%.

The SAS service (Support for Development) has enhanced the business development activities, increasing by 14% over the previous year processed products and programs in place to support the network.

In addition, starting from last July, telephone calls made by customers of branches are centrally managed; the Customer caller can choose to speak directly with the branch for insurance issues, loans or investments or take advantage of the centralized assistance at SAS, to receive information on the accounts or our products. The service is still experimental and limited to 4 branches.

As for the SAS Insurance service, during the year there were carried out activities of contact and engagement of customers with the aim of making appointments in the branch; since March customers have been offered the booking of the automobile liability insurance on the phone without having to go into a branch.

Marketing

The marketing department has worked in 2014 towards the achievements of the following strategic objectives:

- Acquisition of private customers;
- Acquisition of corporate customers;
- Customer loyalty in the portfolio.

Based on these objectives, the actions of the year focused on the acquisition of new customers, the focus on customers and the importance of the relationship with the same.

Acquisition of new customers

In order to acquire customers we have launched various advertising campaigns for both the private world and for the business world.

The most important, in terms of dedicated resources and existing customers, is the private campaign "We take into account your future." The peak product of the campaign, totally online, was the current account WebSella.it. Associated objectives of the campaign were those of branding, namely strengthening brand awareness of Banca Sella.

Banca Sella has launched a campaign to acquire new customers with very interesting mortgages for private customers. The communication campaign has used online and offline channels and brought excellent results both in acquistions and in customer loyalty.

For more advanced customers, there was presented with the online campaign the offering Income Trader and innovative services associated with it, such as the new platform Sella Extreme 5: to assist the campaign there were organized numerous training events in the area to illustrate the tools to customers and present the techniques of online trading.

In 2014 Banca Sella was very close to the companies signing new partnerships and serving as a facilitator to help businesses seize the opportunities offered by the digital economy: e-commerce, mobile payment, invoicing, foreign goods service; these are the themes treated in the numerous events organized throughout the country.

The online communication campaign for companies has been focused on the promotion of the e-Commerce Gestpay, flagship offering of economic digital services of Banca Sella.

The Second strategic objective of the marketing for the year 2014 was the centrality of the customer with regard to our way of doing banking. All actions taken, the events organized, the collaborations formed, the products and services created, in fact, have been designed and built based on the needs that customers have expressed through various relationship channels available.

As for the events organized by Marketing, a very important part focused on events in the area, mainly dedicated to companies on issues of the digital economy and the internationalization of business. These have been joined by other events dedicated to the world of business which always focused on innovation.

As for the sphere of private customers, most events were dedicated to online trading. These have been joined by several initiatives dedicated to private customers and, the end of the year saw the start of the first training sessions devoted to the issues of autonomous operations and pensions.

Another important aspect, which emphasizes the desire of Banca Sella to act as a partner of the business projects of its clients, is represented by the tight collaboration with industry associations. It focuses in particular on the continuation of the collaboration with Milano Unica, the collaboration with the Industrial Association of Biella, with netComm, with Maggiora Motocross and Confindustria Salerno.

Direct channels

The service Direct Channels, which has as main mission to promote and foster the development of multi-channel and customer relations through all available channels, in 2014 has carried out numerous projects of expanding services for them.

As for mobile banking, the APP Sella.it introduces additional enhancements to user experience and the speed of the application; the app has also been enhanced with new features, the most important of which are the ability to:

- apply for renewal of one’s expiring TPL Inchiaro policy;
- make bill payments through the use of the camera of the smartphone/tablet;
- make payments for the car tax.

There were also strengthened the services available to Windows Phone customers.

Besides that, during last July there the new completely renewed version was made available, as was the Family Budget, renamed "My Accounts", which allows one to keep under control the expenditure and revenue on one’s accounts and cards, set a budget and general category, and monitor one’s progress over time.

In terms of growth, the mobile channel has increased by 35% over the previous year of the customers who have made at least one transaction via device.

There also continued the expansion of the functions available within the Internet Banking service and the improvement of the user experience of some sections; among the most important activities we highlight the valuation of the securities account in real time with quick access to operations and CBILL payment bulletins.

On the other hand to the free Group portals, among the most significant changes, include:

- customizing the banner in the Home Page of this site Sella.it for all customers who have authorized the acquisition of cookies;
- revision of the site Websella.it, also in concert with initiatives and investments marketing in advertising terms.

Together with the new website Websella.it, with the aim to make product subscription easy and pleasant and thus increase conversions, there was also redefined the process of applying for associated product subscription: in particular, since November, the customer has been able to complete his request entirely online using the digital signature, without having to print any document.

Social Media Banking

During 2014, the service has been involved in the identification of new business generated by the combination of services, digital products and the potential of social media.

2014 saw an increase in both the base fans/followers and of the interactions; in consequence there were created specific projects that have allowed to increase the degree of visibility of the brand.

There have been actions of repositioning the total, and of changes in the structure of communication, promotion and delivery of care to customers.

The social customer care service on all social channels manned saw an evolution: the adoption of new platforms, between 2014 and 2015, that will organize a process similar to that of other traditional and digital channels of assistance.

Ongoing projects will allow to identify and implement banking products and services to be displayed directly on social media such as, for example, the evolution at Home Banking Sella.it on Facebook.

SellaLab

It is an initiative in support of Start Up and SMEs which aims to bring (useful / effective) innovation within the Banca Sella Group and, more generally, induce and promote the economic development of the territory; Sellalab conducts research, development and innovation in support of the business areas of the Banca Sella Group to help capture fast emerging innovations and development opportunities and accelerators of ideas, supporting start-ups and SMEs, helping them to reap the benefits of the digital economy.

Sellalab aims to create a network of knowledge and ideas in order to contribute to the development of the Group and its human capital.

In pursuing these objectives, the service aims to build a strong network of relationships, consisting of incubators, accelerators, venture capitalists, start-ups, entrepreneurs, universities and research centers. The "value proposition" that sees mostly mentoring, networking, and banking, strengthens the local area with the space of co-working. In 2014 the activities of SELLALAB had about 350 business plans reviewed, managing to create a formalized relationship with 21 of them, including 18 in the Biella area, 1 in Milan, 1 in Catania and 1 in Rome.

A startup has entered the production cycle of the Banca Sella Group (hype) and two other projects are in the prototype stage. The local promotion of digital literacy in 2014 saw more than 18 evening events, with an average attendance of 70 people per event and a total of 650 unique names towards which today there is carried out an upselling and crosselling activity by Social and Email Marketing communication channels. At another 20 events SELLALAB actively participated, by its presence and by making speeches on the national territory, as well as two away on international territory (London and San Francisco).

The startup entry into the production cycle has participated in the design and implementation of the project Hype which has the mission to position itself on the digital market with a new way of banking smarter, more informal, more simple, in which the experience of the customer becomes the central element for the acquisition, retention and satisfaction of the same. It appeals to the target of digital enthusiasts, as well as specific targets such as persons who are not yet banking.

Risk management and internal control system

The attention to the management and mitigation of risks continued in 2014 thanks to constant monitoring by the control structures at the parent company and with the help of the service "Checks and Follow Up".

Operational risk

With the goal of continuously improving culture and operational risk management and to ensure the adequate flow of information, Banca Sella uses, for several years, similar to other Group companies, the so-called "Cycle of Control", which regulates the organizational process treatment of anomalies/observations, and the removal of the effects and causes that generated them.

Also during 2014 Banca Sella has paid special attention to the management of operational risks, through the constant strengthening of organizational garrisons and tools to mitigate and control, including the following:

- continuation of the mapping and validation of business processes in an *end to end*[1] optic;
- certification and calculation of service levels and line controls;
- checks carried out through so-called "red flags" (automatic processing with the purpose of identifying and / or preventing any internal and / or external anomalies).

The risk monitoring also means reporting capabilities targeted at all levels of the organization, in accordance with the rules that expect the timely assurance of information concerning operational risks. The Cycle Control provides the basic information that, at the occurrence of abnormal event / observation signalled and according to precise escalation, generates streams of communication to stakeholders.

In addition, in order to enable an assessment of performance of the operational risk management service Group Risk Management regularly produces condensed and detailed financial statements reporting to the Bank the degree of risk taken concerning:

- unusual occurrences / observations and operating losses reported in the database of the control cycle, highlighting the anomalies with higher gravity;
- the outcome of line controls;
- trend in service levels;
- the performance of the "internal operational risk rating" calculated based on the analysis of some KPIs (*Key Performance Indicators*) and KRIs *(Key Risk Indicators)*.

The management of operational risk is treated in detail in the notes to the financial statements, Part E.

Credit risk

Credit policies and delivery processes and credit monitoring are defined by combining positive responses to customer needs and business with the need to ensure the maintenance of high quality of lending operations in a difficult economic climate.

[1] The process is defined end to end when it is set so as to be a "value flow" in total logic of the fulfillment of the function of use of the client, internal or external to it, starting from its request until disbursement of the service.

The activities of measurement and control of credit risk are delegated to the Risk Management of the Parent Company and the quality and controls service Credito Banca Sella.

The Risk Management of the Parent Company has the task of monitoring and quantifying the credit risk assumed by the Group companies, to assess its sustainability and, through the use of monitoring tools and operational support, promote effective and proactive management. The credit control service of Banca Sella is instead focused on a more traditional monitoring, mainly oriented to risk analysis of credit quality.

With specific reference to following the Risk Management of the parent company, there continued in 2014, the evolutionary maintenance of processes and procedures to support the assessment of credit risk, among which are cited:

- the activation of the second level controls on credit risk, according to the 15th update of the Bank of Italy Circular n. 263/2006;
- the annual update of the risk parameters such as LGD (Loss-given-default), PD (probability of default), rates of decay, Loss Identification Period;
- the methodological refinement of write-downs on performing loans, aimed among other things to assess properly the customers subject to tolerance measures falling between *performing* loans *(so-called forborne performing)*;
- the assessment of consistency with the RAF (risk appetite framework) of the most significant transactions and disbursement/renewal practices of loans to the Board of Directors;
- integration in the IT procedure for identifying legal and economic ties of the customers of the company Biella Leasing and Consel;
- monitoring the management of the risk-adjusted profitability;
- procedures to support the verification of eligibility of mitigation techniques for credit risk.

Monitoring and management of credit risk, concentration risk and residual risk are formalized in the respective Policy, which contain both detailed risk indicators and the actions to be taken in case of exceeding the thresholds identified within the RAF (risk appetite framework).

Banca Sella is also present in the problem loans management service, now incorporated in the non-performing exposure service, which has the mission of supporting the area of the Bank's loan guaranteeing the quality of the loan, by directly intervening in the management and risk control, defining rules, tools and processes.

This happens through a dual structure:

- a core team, which is responsible for monitoring customers' exposure and intercepting positions with clear signs of potential or actual credit deterioration;
- a team in the area that deals with both the management of the positions intercepted, to provide support and advice to all the commercial structure of the reference from which each employee lends his work.

All this in order to facilitate the definition of problem loans in a predefined modes, times and constraints in order to start the most appropriate actions for the protection of the creditor Bank.

Credit risk finds the most extensive and comprehensive discussion in the notes to the financial statements, Part E – Credit Risk.

Interest rate risk, market and liquidity

Interest rate risk, ie the risk that a change in interest rates is reflected negatively on the financial and economic situation of the Bank, is monitored internally both within the banking book and as part of the trading book.

The market risk, defined as potential loss linked to adverse changes in stock prices, interest rates and exchange rates, and their volatility, is measured using the standard methodology of the Bank of Italy.

The management and control of market risk is evidenced by a Group Regulation and Policy specification, documents that define the rules by which the individual Group companies can be exposed to these risks.

The service of Group Risk Management performs checks on compliance with the limits set out in those internal regulations and also performs, for management purposes, the reporting VaR (value at risk) of the portfolio owned by the Bank (horizon 10 days and 3 months and 99% confidence margin) and the analysis of sensitivity factors such as: portfolio duration and effects of instantaneous rate shocks.

The monitoring and management of liquidity for Banca Sella are formalized in the Group's Liquidity Policy, which contains both the guidelines for the management of liquidity risk and the strategies to be taken in critical moments.

Also the process of managing and controlling the interest rate risk on the banking book is formalized in a policy, which aims to regulate the rules and procedures for managing, measuring and monitoring the interest rate risk to ensure effective management of the conditions of economic and financial equilibrium of the Banca Sella Group.

The policies have been implemented by the Board of Directors of the Bank.

The topic is treated in detail in the notes to the financial statements, Part E.

Legal Risk

The internal regulations of Banca Sella, implemented by the Board of Directors of the Bank, establishes the obligation to use contractual arrangements whose contents meet, as much as possible, the standardization features previously assessed by the responsible structures at Group level. The Legal Services office of Banca Sella is the reference point regarding the preparation and examination of draft contracts, the preparation of legal opinions, the discussion of legal issues and related consulting for companies of Gruppo Banca Sella.

With regard to legal disputes it should be noted that the Bank is the defendant in several lawsuits arising from the ordinary course of its business. While it is not possible to predict with certainty the final outcome, it is considered that an unfavorable conclusion of these proceedings would not have, either individually or as a whole, a significant adverse effect on the financial and economic situation of the Bank.

The risks related to possible unfavorable outcome of lawsuits have been carefully analyzed and steps were taken, where it was possible to make a reliable assessment of their consistency, recording a subsequent allocation in the special fund.

We also inform shareholders that in the proceedings brought, before the Court of Lecce, by certain minority shareholders of Banca Sella Sud Arditi Galati spa, companies now merged into Banca Sella SpA, aimed at ascertaining the legitimate exercise of the right of withdrawal by the actors, the Bank has filed an appeal against the judgment of the Court of First Instance, not agreeing with the decision of the court system.

The Court of Appeal of Lecce has decided not to use the conditions for declaring the inadmissibility of the appeal and referred the case for a clarification of the conclusions in November 2015.

Finally we inform you that the Bank has been the recipient of a request for payment by Cassa Depositi e Prestiti SpA (hereafter CDP) for approximately 18.4 million euro in relation to a loan granted by CDP in favor of a municipal entity with repayment by installments, but with installments still to expire. Such a request should be based on the delegation of payment by the Bank signed as treasurer of CDP and, according to the CDP, of the nature of the surety of the delegation.

The Bank has proceeded reject the request, evaluated, also in the light of discussions carried out with external legal experts, as being totally unfounded, and we reserve for ourselves the protection of our case before the competent bodies.

However, if the delegation which had been issued were to result in some degree of co-obligation of the Bank, an act of recovery may be exercised against the municipal entity.

Compliance risk

The Compliance Function, set up to cover compliance risk, is appointed to ensure that internal procedures are consistent with the objective of preventing the violation of mandatory rules (laws or regulations), or rules of self-regulation (eg. statutes, codes of conduct, codes of conduct).

The function governs a traversal and multipurpose process affecting many aspects of business life. The tasks of compliance, including in large part activities already carried out by other functions, involves, in fact, distributed responsibility within the company, it requires different skills and can lead to the need to deal with external parties, including the Supervisory Authorities.

The Compliance process is necessary in order to:

- guard against the risks of non-compliance resulting from an introduction of new regulations or changes in the existing relevant regulations;
- transform the new regulatory environmentinto opportunity and a benefit for customers and for the company;
- make an effective and efficient organizational and cultural adaptation.

The steps that comprise the process of compliance of the Banca Sella Group are:

1) recognition of the legislation;

2) alerting activities;

3) gap analysis;

4) planning organizational changes and subsequent start of production of the same;

5) control adjustments (deadlines);

6) control of effectiveness and adequacy.

In detail, the application of the Compliance process includes, within its scope of responsibility, the responsibilities described below:

- continually identify the applicable rules and measure / evaluate their impact, in terms of risk of non-compliance, on corporate processes and procedures;
- ensure that the processes, procedures, products and services comply with the rules of hetero and self-regulation;
- also through direct checks carried out in the scope of the annual plan of activities or unscheduled requests by the Senior management bodies, verify that the legislation has been transposed from the areas involved in the procedures, processes and internal regulations as well as checking the effectiveness of the organizational solutions (structures, processes, procedures, including operational and commercial) suggested for the prevention of compliance risk;
- ensure its advisory assessment to senior management on the legislative Compliance of innovation projects and on the prevention and management of conflicts of interest;
- advise and assist the relevant persons in charge of services for the purposes of fulfillment of the obligations imposed by regulations;
- check the consistency of the bonus system (in particular pay and staff incentives) with the objectives of compliance with regulations;
- assess the risk of non-compliance underlying the strategies adopted;
- agree with the Human Resources courses and seminars on the subject of Compliance, both in general and on specific issues, in order to ensure the promotion and dissemination of a culture of legality and compliance and to prevent the Compliance risk;
- present, at least annually, reports to the governing bodies on activities conducted subject to the provisions of the relevant legislation;
- prepare periodic reports on any non-compliance detected.

In Banca Sella the function BSE Compliance is operational: a permanent and independent and integral part of the internal control system, located in the General Management.

Anti-Money Laundering

Sella Bank conducts its business in accordance with the regulations on money laundering and counter-terrorism, in accordance with the ethical standards in order to prevent events that could damage the reputation and stability of the Bank and the Group as a whole.

The measures against money laundering and terrorist financing are based on the active cooperation by the financial system in the implementation of the following directives:

- provisions of the legislature at national level;
- measures and circulars of the Bank of Italy;
- recommendations of the FATF (Financial Action Task Force against money laundering);
- provisions of Community law;
- decrees and clarification of the Ministry of Economics and Finance;
- communications of the Financial Intelligence Unit;

- indications of the Financial Security Committee of the Treasury Department - Ministry of Economics and Finance.

In the current context, in which financial intermediaries are called to form professionals and create appropriate procedures to detect increasingly complex phenomena, in Banca Sella there have continued training sessions both in e-learning and in the classroom, to train staff and test the level of content acquisition.

The course delivered through e-learning is designed by ABI and provides insight into the legal requirements needed to understand the role of the Bank in the financial system. The lessons delivered in classrooms and programs have different objectives according to the recipients and provide insight into the internal organizational measures taken by the Group's banks in order to comply with all regulatory requirements to which it is subject. By virtue of the updates of the provisions of Law, the internal regulations of reference in anti-money laundering has been reviewed.

In 2014 there ended the project activities aimed at implementing and adjusting procedures and processes with the provisions of the Bank of Italy regarding the customer due diligence and the proper keeping of a single computerized archive.

Checks and follow up

The Control and Follow up Service of Banca Sella, in 2014, has continued and expanded the activities of second level control also by carrying out outsourcing, for the Group companies, of controls aimed at reducing operating risks, continuing also the optimization of the processes and activities of the service aimed at reducing the overall costs.

In the scope of rationalizing second-level controls, there continued the implementation of the system of risk indicators, introduced in the first quarter of 2014, designed to detect non-compliant behavior to the internal procedures and the overall assessment of the risk taken by branches, with referring in particular to issues concerning operational risk and the risk of fraud.

Among the major projects we note the automated management of the contents of expedited correspondence and the creation of a new process on privacy controls, in compliance with the decision of the guarantor 192/2011.

Information technology and research and development

During the year the activities of Information Technology have been oriented towards updating existing applications and developing new applications, with particular attention to the flexibility of the architecture of the Information System, of skill development of staff, the availability of resources for analysis and planning and the constant improvement in productivity both inside and outside the IT organization.

Among the numerous activities carried out during the year, there are set out below the most significant:

- in the 'scope of “Mobile” solutions we highlight the expansion of functionalities usable by customers through the platform of Mobile Banking, in particular the function of "FondiOnline" was integrated into the same; there have also been given specific functions for use within the "Mobile" solutions, the platform TradingOnLine and Mobile Payment;
- in the field of media development business, there has been expanded the business desk solution destined for the sales network; logic and processes for customer management were revised and re-organized with the same criteria used for the management of the portfolios assigned to each sales figure; there has been extended the depth of data of economic performance of customer portfolios managed by each sales figure;
- within TradingOnLine there was released the final version of the professional trading platform called "SellaExtreme5", reviewing the interface dedicated to trading activities from tablets and, more generally, with the mobile devices of intermediate size between the traditional tablet and the smartphone. There were also finalized the planning activities that will bring, at the beginning of 2015, the release of the functionality for Forex market access plus a series of advanced functions such as the MultiDay lever;
- the continued evolution of the Multibank Information System aimed at maintaining the compliance with the new regulatory requirements;
- in the field of Green IT there continued the activities of a virtualization / migration of physical servers related to Windows and Linux environments to the internal Private Cloud structure; this activity combined with the other actions falling in this area has led to a total saving of 31% on energy absorption of the data center compared to 2012 and a simplification and optimization of procedures for Disaster Recovery and Business Countinuity;
- the continuation of the activities of a process optimization of printing, with particular reference to increase of use by customers of electronic versions of documents available on the SellaBox application and the review of mechanisms of aggregation of communications aimed at optimizing the production of paper documents, has led to an overall reduction of 4% of the printed volumes compared to last year and a consequent reduction of environmental impact;
- the use of new printing systems for the offices of the Head Office and branches, as well as having introduced several new features, allowed to rationalize the printer fleet by reducing it in terms of the number of pages printed, and thanks to better control of work volumes;
- the expansion of solutions that promote the use in mobility for colleagues of some components of the

information system have led to an increase of mobile stations at the expense of fixed locations, in this area there was initiated a program of extensive refurbishment of all infrastructure and solutions related to mail, video and documentary systems that will be released during 2015 and will address in a timely manner the sphere of mobility allowing to improve and increase the use of company resources in this context;

- the continuous monitoring of the response time of applications used either through the internal network or through the Internet channel, combined with the technological renovation work on the central components and projects of continuous improvement of applications, including in particular those relating to the online components of Trading and Home/Mobile Banking, have helped to improve the average response times especially during periods of peak usage;
- the regular management of service levels per all paid functions, the identification of the causes of malfunctions and correcting them combined with proactive management of infrastructure has led to an improvement in quality and a continuity of a service on all online platforms;
- the recurring activity of the search for innovative solutions and implementation of the same in the field of infrastructure, combined with the actions taken for the increase in productivity of internal software development teams, have enabled us to contain the overall costs of operation;
- the increase in the number of software services exposed by the Corporate Information System in order to pursue the line of applicative development to decouple uncouple that which is logic of use and navigation (User and Customer Experience) from that which is business logic; this architectural choice will favor a new initiative for the exposure of a structured and arranged API banking ecosystem for extensive use;
- the introduction in the production environment of an instrument of BPM (Business Process Management), which is being implemented with an initial pilot scope which then will be followed by others in the course of next year; this instrument will allow to support the activities of a structural review of processes allowing to highlight the actual measurement of the times of "traversing" the process itself; the project submission process instrument and BPM revision will proceed gradually over 2014-2017;
- the adaptation of the Data Center by the renewing of the technological infrastructure of the central server, in order to maintain adequate infrastructure and technology such to make them suitable to support the growth in volumes, allowing, among other things, the reduction of energy consumption in optical Green IT;
- the progressive adoption of open source software in field production environments;
- continuing the process of adoption of an organizational model in the scope of the sector of Application Development aimed at making a sharper distinction between the activities of a managerial character from those of a project with a consequent improvement in the time of delivery of the projects and an increase of efficiency and quality in the field of the management of application procedures;
- the orientation to the growth of new roles and responsibilities at foreign companies of the Group, in order to allow a more efficient implementation of design solutions as well as to maximize the skills created over time;

- the investment in training on techniques of engineering requirements, based on best market practices, and other areas necessary for the harmonious development and maintenance of proper internal expertise in relation to the objectives of architectural evolution;
- the extension of the inland areas to the locations covered by the WiFi network to which were gradually enabled mobile business devices;
- the definition of a methodology and a process for measuring Computer risk, the activity has resulted in a harmonization of already pre-existing processes leading to their simplification and introducing the objective measurement of the new indicator of risk;
- the definition of a Policy for the Data Quality and Data Governance which was followed by the introduction of specific software tools for ETL (Extract, Transform, Load) in support of the implementation of the same in an efficient manner;
- the revision of national legislation on the issue of Change Management where there was carried out a harmonization of what is already in place and an enlargement of the use of the company's CMDB (Change Managemet Data Base) to all the companies of the Group and the components infrastructures that were previously excluded.

Human resources

Management and development

On 31 December 2014 the total personnel of the Bank amounted to 2,963 employees (including 213 employees of BSE Chennai Branch). In reference to the total, 79 employees (none of the BSE Chennai Branch) are not in force as a result of maternity leave.

The net growth of the number of employees at 31 December 2013 was 51 units. During 2014 no extraordinary operations took place; the change in the workforce was influenced mainly by:

- actions to strengthen the distribution network in order to increase the business capacity;
- upgrading of some facilities that needed of the insertion of staff with expertise in the area of organization to meet activities arising from regulatory changes.

In 2014 the company was also compensated mainly with internal staff to compensate for employees leaving due to natural turnover.

The hirings during the year amounted to 121, of which 45 occurred in the BSE Chennai Branch. 76 of the hirings made in Italy, 30 were formalized with permanent contracts (including 18 for steps other Group companies), 12 with fixed-term contracts and 34 with a contract of apprenticeship.

Terminations have instead involved 70 people (of which 31 related to the BSE Chennai Branch) of which:

- 54 resignations (of which 31 related to the BSE Chennai Branch);
- 4 for retirement;
- 4 for transfers to other companies of the group;
- 2 for severance pay in the end;
- 2 for failure to pass the probation period;
- 1 for dismissal for a just cause;
- 3 for other reasons.

At year end, the average age of employees, excluding the Company BSE Chennai Branch, stood at 42 years and 9 months (the average age, over the years, is increasing also in part to the slowdown in hiring) while the average length of service (considering the date of employment in the Group) stood at 15 years and 2 months.

Training

In 2014, the activities of the Company University, located at the former Sella woolen mill in Biella, with volumes in line with those of the previous year: a total of 107,718 man-hours were provided (+3% compared to 2013). In particular, classroom training, which accounted for 68% of the training, decreased by 11% over the previous year (74,436 hours-man), while that delivered through e-learning platform has grown by 66% and the hours of training in a virtual classroom decreased by 21% (about 26,692 man-hours). Employees involved in training courses during the year totaled 2,743 (including employees of BSE Chennai Branch), of which 2,739 in force at 31 December 2014 (92% of the workforce).

The average training hours per employee was about 36 hours; the most developed areas of training were:

- insurance, credit and financial advice;
- regulatory update, with particular reference to anti-money laundering, security, transparency, privacy;
- sales;
- development of individual skills, in particular self-efficacy and integration of different generations in the company;
- digital economy and payment systems;
- digital channels, with particular reference to the impact of new digital paradigms on the business, on the organization and on the people;
- information technology.

Of particular note during the year were the following courses:

- the specialized training aimed at all employees who work in the loans sector: provided by qualified external lecturers downstream of an assessment of the technical knowledge, it developed the theme of managing the relationship with businesses by introducing an advanced cultural and professional approach to dialogue and assist businesses;
- the training for the employees dedicated to the role of Affluent sales figure: delivered by qualified external teachers in continuity with the training plan launched last year, it developed the technical skills of Tax Planning of financial activities and insurance planning;
- the training of the exploitation of the experience of colleagues with greater seniority (aged over 55): in the light of the results of research conducted in late 2013 by the University of Milan, there have been set up different training programs in relation to the expectations of updating colleagues (elective courses enrollment) and the skills possessed (courses of experience enhancement);
- the training program, curated internally, addressed to the Territory Heads and District Heads, on the issue of human capital management, aimed at sharing models and tools used by the Group;
- the depth of expertise in money laundering, made through a pragmatic analysis of practical cases and shared reflection on operational impacts of enforcement in daily activities.

Business outlook

The scenario

The world economy should show a moderate acceleration of growth in 2015.

In the US, the gradual strengthening of private demand and the prospects for a gradual adjustment of monetary policy justify the expectations of expansion of GDP to more sustained levels than in 2014, shared by most professional forecasters. The Eurozone economy should see a consolidation of the economic recovery thanks to the stimulus provided by the expansionary measures of the ECB, the weakening of the euro and the benefits arising from the fall in oil prices. However, there remain factors that brake the intensity of the recovery in the monetary union, such as the necessary budget adjustments in the public and private sectors, the widespread conditions of fragility of the labor market and the risks that affect the growth prospects of overseas economies. The exit from the recession for Italy will be supported by the factors mentioned above for the Eurozone, as well as a moderately expansionary intonation of fiscal policy. Emerging countries should record, while in the wide diversity of perspectives on individual economies, growth rates of GDP in modest deceleration, at levels that will remain however superior to those of the advanced economies.

In terms of consumer prices, the excess of spare capacity and the expected absence of pressure on commodity prices should lead to the persistence of inflation at low levels in advanced countries, especially in the Eurozone. The ECB will maintain a very accommodative monetary policy stance and the implementation of the program of purchases of government bonds will contribute to the maintenance of government yields at very low levels. The Federal Reserve should start the cycle of raising the policy rate over the course of 2015 subject to the occurrence of conditions for growth and inflation consistent with the provisions of its mandate.

After a three-year period characterized by an extraordinarily high cost of credit, 2015 should be the year of the Italian banking sector’s return to positive profitability, albeit low, due to the reduction in the flow of net adjustments that would still be of sufficient magnitude to keep the cost of borrowing well above the pre-crisis levels. Though in a context of credit volumes that are expected to be in a slight recovery, low interest rates will not create the conditions for an adequate increase in net interest income; consequently banks will support growth of the component of service revenues by diversifying activities outside credit. The efficiency of the operating structures and cost containment will represent the other lever necessary to maintain profitability.

Strategic Plan

The Strategic Plan 2015-2017 is the first plan to be developed in Europe following the start, in November 2014, of the Banking Union and is characterized by a scenario that both externally and sectorially, is of a major break with the past.

In this context, the whole plan of Banca Sella has growth as its main driver, to be carried out as usual through the diversification of risks as described by the RAF models – Risk Appetite

Framework and primarily through the strengthening of capital thanks to the self-financing and to a capital increase operation.

The growth will be funded by investments to support innovation and change and will be achieved by adopting a new business model that aims at the development of the integrated relationship and quality advice. The improvement of the Customer and User Experience and openness to new technologies (including the offer of light banking - Hype) will be the drivers for the increase in the customer base, provided that, together with the review process, it is deemed necessary also to increase internal efficiency.

The implementation of the Plan in terms of achieving the objectives and targets will take place mainly through initiatives and projects, classified according to four guidelines:

- Strengthen capital;
- New business models and improving the efficiency;
- Regulatory changes and infrastructure;
- "Ordinary" Business projects;

The first three are closely related to discontinuities induced by the external scenario and the Strategic Plan and pursue objectives very relevant and valid for the medium / long term, while the fourth focuses on projects that involve the various organizational units within the development framework to support the ordinary corporate development often in the short-term horizon. The following table shows the main initiatives related to the first three lines.

As concerning the <u>strengthening of capital</u> the main Bank initiative concerns the operation of capital increase.

In terms of <u>development of the business model and improved efficiency</u> the main initiatives are:

- *New business model:* the initiative to realize the integrated relationship model aims to review the territorial presence of Banca Sella, setting as central activities a quality counseling through dedicated sales figures and where the transactional “window” service is always given but in a support measure. In relation to this new model it will be necessary to rethink the current structure of the markets by bringing together the totality of Clients from the current 5 (Individuals, Affluent, Families, Small Business and Enterprise) to 4 markets (Families, Individuals, Small Business, Companies), that is, merging existing "Affluent" customers with the Families and Individuals market if possessing total deposits of less than 300k, to the Individuals market if higher.
- *Indirect credit exposures:* consists in implementation of organizational procedures / processes designed to achieve the initiation of offer towards customers of loans granted to operators outside the Banca Sella Group, all in the scope of the overall 360° consulting service to customers and with a particular focus on risk management in terms of choice of counterparties, reputational risk and compliance with the principles of supply and credit management.
- *Open Bank:* provides the definition of an architecture, a methodology and a framework of governance that allows one to industrially manage the exposure to the outside of a set of interfaces (API)

designed to allow the controlled access to services of the Information System Group by third parties such as Startup, companies or other entities. The initiative also will introduce a model of a different management of innovative projects through the wide use of Agile methodologies and the creation of mixed project teams consisting of staff from both external and internal derivation.

- *Multiacquiring:* refers to the signing of a partnership agreement between Banca Sella and a global acquirer based in a foreign country that gives the possibility to apply a reduced Interchange Fee.
- *Business process reengineering:* has as its objective the revision and improvement of the processes by which we expect recoveries of FTE and the improvement of the quality of the service.
- *HR 2015:* consists in the realization of actions of change management in the management of human capital in the Banca Sella Group.
- *Global company:* foresees the adoption of organizational forms of collaborative work, to leverage on the expertise accumulated in the foreign companies of the Group, in order to involve workers in terms of the development of business not only at the level of implementation of activities designed in Italy.

Regarding regulatory and infrastructural topics the major initiatives are as follows:

- *Circular 263 New provisions of prudential supervision in banks*: it consists in adjustment to the new provisions of the Internal Control System, Information System and Operative Continuity to complement the "Supervisory Requirements for Banks", prepared by the Bank of Italy.
- *IRB:* includes the methodological, operational and applicative set of interventions whose goal is to ensure better oversight of credit risk management and, ultimately, to adopt their own internal calculation model for regulatory purposes.
- *2015 Anti-money laundering and Adjustments AR/AUI 2014/2015*: includes the projects necessary to ensure compliance with money laundering legislation both in terms of organization and as regards the adaptation of supportive IT tools.
- *FATCA Reform (Foreign Account Tax Compliance ACT):* includes the projects necessary for the adjustment to the American FATCA tax reform which aims to combat avoidance and tax evasion by US citizens working outside their country
- *MiFID 2*: includes the projects necessary in order to comply with MiFID II.
- *Financial reform and European reports (ITS)*: initiative to complete alignment with the requirements laid down by European EBA regulations (European Banking Authority) in terms of sending the new statistical reporting of the budget, with the new information requirements, on time and with the quality required by the Italian and European supervisory authorities.
- *Convergence H2O:* it involves rewriting the remaining Cobol/Host procedures in H2O environment with a contextual revision of the processes in order to eliminate the operational and management burdens as well as the need of maintaining the compatibilities on these procedures.
- *SEPA End Date*: foresees the adoption of instruments of payment and collection in line with the standard used by all countries that are part of SEPA.

- *Dematerialization checks*: aims at the adaptation of processes, procedures and checks issued by Banca Sella to the transposition of the legislation "Cheque Dematerialization" (Decree of the Ministry of Economics and Finance 3 October 2014, n. 205), providing for the negotiation of checks between banks, in the form of digitized data and images instead of paper.
- *Data Quality*: is the set of projects to be activated to increase the quality and data from the point of view of the relevance, accuracy, timeliness, accessibility and confrontability over time.
- *AQR and EBA Stress Test*: provides for the preparation in a short time of the "organizational machine" necessary at Group level to address in the best way AQR and Stress Tests, and the conduction before the actual inspection of “internal” AQR and Stress tests useful to know in advance the effects on our heritage of CA.
- *Technological adjustments:* includes the set of planning activities designed to maintain the adequate level of service and adequacy of infrastructure and middleware solutions to business needs in total alignment with the strategic evolution and in compliance with the best practices of proactive management and anticipation of needs.

Going concern: strategy, volumes and profitability of the Bank

With reference to the documents the Bank of Italy, Consob and Isvap n. 2 of 6 February 2009 and n. 4 of 3 March 2010, for information to be disclosed in financial reports on the business prospects, with particular focus on business continuity, financial risks, on the checks for reduction in value of assets (impairment test) and uncertainties in the use of estimates, the Board of Directors confirms that it has the reasonable expectation that the Bank will continue its operations in the foreseeable future and therefore attests that the budget year has been prepared in this perspective of continuity.

In the capital and financial structure of the Bank and the performance of operations there is no evidence or signs that can lead to uncertainty regarding the bank’s continuity.

For disclosures relating to financial risks, the checks for reduction in value of assets and uncertainties in the use of estimates, please refer to the information provided in this report, in the comments of management trends, and / or in the specific sections of the notes.

Significant events after the balance sheet

Monday, February 9, in the normal course of Supervision, the Bank of Italy began an inspection in Banca Sella Holding having as its object: "Analysis of the quality of the loan portfolio of the group and the functionality of its lending processes", which followed the previous inspection held on these issues in 2010 and the most recent general inspection which took place in 2012. The audit also covered the credit of Banca Sella.

In February 2015, the Board of Directors of Banca Sella has approved changes to the organization chart below:

<u>Areas and support services for the General Management</u>

- The responsibility of a Director regarding Security (DDL) refers directly to the Managing Director;
- The Security, Controls and Operational Risk Management Area takes on the following organization: the existing Controls and Follow Up service is flanked by the Physical Security service with the mission to manage the processes and policies concerning the risks of physical security.

Network Area

There is established the Organization and Human Resources Network area, whose mission is to contribute to the better functioning of the Banca Sella Network, overseeing the business processes and the organization of work, to improve the achievement of development and the effectiveness of sales and to increase the quality of service perceived by customers. It also handles, in close collaboration with the Human Resources Department of Banca Sella, the constant training, career and professional growth and satisfaction of the Colleagues of the Network.

In order to provide consistent internal organization with the new Strategic Plan and to make resources and *skills* more synergistic, the services areas of Banking and Investment Services, Payment Systems and Marketing and Sales Organization are inserted in the areas of Digital, Marketing and Banking Solutions and Investment Services. The Digital Solutions and Marketing Areas is established. The mission of the area is to seize the opportunities offered by digital both to evolve the ways of interacting with customers and improve the customer experience, and for acquiring new customers, positioning us as a bank that can create innovative services that are useful and cutting edge for customers.

Own shares and those of the parent company

During the year, the Bank did not hold, nor does it currently hold, any of its own shares or shares of the parent company Banca Sella Holding.

Equity investments and dealings with Group companies

The following tables list the relations between Banca Sella and other Group companies in terms of equity and and from an economic standpoint. Banca Sella provides most of its outsourcing services to other group companies; it receives outsourcing from the parent company in respect of the services on its part, ie in particular: Inspectorate, Information Security and issuing bonds.

Relations of Banca Sella with the Group companies: Equity data

Company/items	OTHER ASSETS	OTHER LIABILITIES	FINANCIAL ASSETS HELD FOR TRADING	LOANS TOWARDS BANKS	LOANS TOWARDS CUSTOMERS	DEBTS TOWARDS BANKS	DEBTS TOWARDS CUSTOMERS	DERIVATIVES FROM HEDGING	FINANCIAL LIABILITIES FROM TRADING
Banca Sella Holding	3,011	3,777	10,145	1,189,546	-	1,107	-	122,499	13,375
Sella Gestioni	2,050	-	-	-	3	-	6,863	-	-
Sella Capital Management	10	-	-	-	-	-	1,031	-	-
Biella Leasing	83	9	-	-	640,306	-	4,083	-	-
Immobiliare Lanificio Maurizio Sella S.p.A.	3	4	-	-	-	-	6,001	-	-
Immobiliare Sella S.p.A.	-	156	-	-	-	-	7,524	-	-
Selfid	39	-	-	-	-	-	1,511	-	-
Consel	182	7	-	-	585,361	-	2,440	-	-
Banca Patrimoni Sella & C.	1,356	3,724	-	20	-	1,185	-	-	-
Easy Nolo	348	584	-	-	2,207	-	-	-	-
Brosel	40	18	-	-	-	-	1,785	-	-
CBA Vita	1,322	4	-	-	-	-	30,516	-	-
Sella Life	462	-	-	-	-	-	1,733	-	-
Selir	-	468	-	-	-	-	1,304	-	-
Family Advisory SIM S.p.A. - Sella & Partners	17	-	-	-	2	-	474	-	-
Miret	-	-	-	-	184	-	-	-	-
Finanziaria 2010	-	-	-	-	-	-	9,542	-	1
Total	**8,924**	**8,750**	**10,145**	**1,189,566**	**1,228,064**	**2,293**	**74,807**	**122,499**	**13,376**

Relations of Banca Sella with Group companies: Economic data

Companies/items	OTHER OPERATING INCOME	COMMISSION INCOME	COMMISSION EXPENSE	INTEREST AND SIMILAR INCOME	INTEREST PAYABLE AND SIMILAR CHARGES	NET INCOME FROM HEDGING	NET INCOME FROM TRADING	ADMINISTRATIVE EXPENSES: others administrative expenses	ADMINISTRATIVE EXPENSES: personnel expenses	Recoveries of expenses for employees seconded to other companies	Reimbursement of expenses for personnel detached at other companies of the group
Banca Sella Holding	5,134	1,101	7,535	16,572	31,805	-38,004	-3,830	2,408	-	-1,217	2,167
Sella Gestioni	230	7,717	-	-	95	-	-	-	-	-6	-
Sella Capital Management	17	0	-	-	4	-	-	-	-	-	-
Biella Leasing	448	281	-	13,746	5	-	-	-1	-	-58	38
Immobiliare Lanificio Maurizio	24	0	-	1	2	-	-	2,038	-	-6	-
Immobiliare Sella S.p.A.	33	0	-	-	2	-	-	1,848	-	-	-
Selfid	45	1	-	-	6	-	-	-2	-	-131	-
Consel	295	2,082	-	14,461	-	-	-	-	-	-2	19
Banca Patrimoni Sella & C.	3,079	-1	13,399	1	49	-	-	353	-	-65	53
Easy Nolo	304	22	-	28	-	-	-	6,514	-	-355	-
Brosel	59	4	-	-	2	-	-	21	-	-28	10
CBA Vita	197	2,591	-	-	895	-	-	-2	-	-47	-
Sella Life	18	1,162	-	-	15	-	-	-	-	-	-
Selir	91	-	-	-	1	-	-	3,834	-	-	-
Family Advisory SIM S.p.A. - Sella & Partners	23	-	-	-	3	-	-	280	-	-6	-
Miret	-	-	-	-	-	-	-	-	-	-	-
Finanziaria 2010	15	-	-	-	24	-	48	-	-	-	-
Total	**10,012**	**14,959**	**20,934**	**44,809**	**32,906**	**- 38,004**	**- 3,782**	**17,292**	**-**	**- 1,921**	**2,288**

Project allocation

Dear Shareholders,

the Balance Sheet and Income Statement as at 31 December 2014, drawn up in euro in accordance with current regulations, after all the necessary depreciation and provisions showed a net profit of 64,230,089.61 euro, which we propose to distribute as follows:

Profit for the period	euro 64,230,089.61
- the "Legal reserve", as per Statute	euro 7,707,610.75
- the "Statutory reserve", as per Statute	euro 25,692,035.84
remaining	euro 30,830,443.02
Shareholders:	
- Dividend of 0.013670 euro each of	
n. 563,193,010 shares	euro 7,698,848.45
the "Fund for charity and various disbursements"	euro 70,000.00
and the remainder to the "Extraordinary reserve"	euro 23,061,594.57

Biella, March 31, 2015

In the name and on behalf of the Council

The Chairman of the Board of Directors

(Maurizio Sella)

Financial Statements at 31 December 2014

Balance Sheet

BALANCE SHEET ASSETS

Assets	12/31/2014	12/31/2013	% change
10. Cash and cash equivalents	130,631,721	130,208,125	0.33%
20. Financial assets held for trading	50,194,134	59,429,644	-15.54%
40. Financial assets available for sale	1,288,110,897	493,759,148	160.88%
50. Financial assets held to maturity	-	708,500,158	-100.00%
60. Due from banks	1,577,495,448	1,023,739,730	54.09%
70. Loans to customers	6,961,360,565	7,200,550,419	-3.32%
80. Hedging derivatives	14,177,393	16,403,317	-13.57%
90. Fair value of financial assets in hedged (+/-)	133,802,548	96,400,279	38.80%
110. Tangible assets	40,192,362	33,102,641	21.42%
120. Intangible assets	48,223,518	42,915,540	12.37%
of which:			
- Goodwill	14,196,993	15,245,335	-6.88%
130. Tax Assets	168,702,329	155,484,489	8.50%
a) current	52,012,442	56,229,205	-7.50%
b) deferred	116,689,887	99,255,284	17.57%
pursuant to Law 214/2011	106,251,121	90,940,240	16.84%
150. Other activities	153,863,007	127,749,856	20.44%
Total assets	**10,566,753,922**	**10,088,243,346**	**4.74%**

LIABILITIES

Liabilities and shareholders' equity	12/31/2014	12/31/2013	% change
10. Due to banks	26,851,420	195,488,050	-86.26%
20. Due to customers	8,554,816,925	7,850,415,816	8.97%
30. Outstanding securities	954,848,167	1,113,781,554	-14.27%
40. Trading liabilities	24,250,051	25,500,760	-4.90%
60. Hedging derivatives	136,676,073	99,548,092	37.30%
80. Tax liabilities	69,994,677	50,931,752	37.43%
a) current	57,847,417	40,608,861	42.45%
b) deferred	12,147,260	10,322,891	17.67%
100. Other liabilities	131,838,118	155,542,852	-15.24%
110. Provision for severance indemnities	35,504,668	30,530,814	16.29%
120. Provisions for risks and charges:	14,753,896	11,316,298	30.38%
a) pensions and similar obligations	-	-	0.00%
b) other provisions	14,753,896	11,316,298	30.38%
130. Valuation reserves	4,816,620	3,860,679	24.76%
160. Reserves	(32,145,349)	(49,400,625)	-34.93%
170. Share premium	298,722,062	298,722,062	0.00%
180. Capital	281,596,505	281,596,505	0.00%
200. Profit (loss) for the year (+/-)	64,230,089	20,408,737	214.72%
Total liabilities and shareholders' equity	**10,566,753,922**	**10,088,243,346**	**4.74%**

Income Statement

INCOME STATEMENT

Items	12/31/2014	12/31/2013	% change
10. Interest and similar income	305,076,545	333,462,772	-8.51%
20. Interest payable and similar charges	(107,492,114)	(136,333,352)	-21.15%
30. Net interest income	**197,584,431**	**197,129,420**	**0.23%**
40. Fee and commission income	238,983,508	235,396,594	1.52%
50. Commission expense	(76,260,901)	(72,794,077)	4.76%
60. Net commissions	**162,722,607**	**162,602,517**	**0.07%**
70. Dividends and similar income	79,839	275,595	-71.03%
80. Net income from trading	7,565,907	5,660,611	33.66%
90. Net income from hedging	3,370,143	395,299	752.56%
100. Gains (losses) from sale or repurchase of:	80,770,265	3,401,277	2274.70%
a) loans	-	(200,028)	-100.00%
b) financial assets available for sale	9,410,087	2,774,084	239.21%
c) financial assets held to maturity	75,124,564	-	0.00%
d) financial liabilities	(3,764,386)	827,221	-555.06%
120. Operating income	**452,093,192**	**369,464,719**	**22.36%**
130. Net losses / recoveries on impairment of:	(104,619,178)	(107,668,297)	-2.83%
a) loans	(103,505,056)	(105,726,044)	-2.10%
b) financial assets available for sale	(600,000)	(2,564)	23300.94%
c) financial assets held to maturity	-	-	-
d) other financial transactions	(514,122)	(1,939,689)	-73.49%
140. Net income from financial	**347,474,014**	**261,796,422**	**32.73%**
150. Administrative expenses:	(283,604,805)	(273,400,982)	3.73%
a) staff costs	(153,330,547)	(150,354,306)	1.98%
b) other administrative expenses	(130,274,258)	(123,046,675)	5.87%
160. Net provisions for risks and charges	(6,079,002)	(3,552,835)	71.10%
170. Impairment / write-backs on tangible assets	(7,024,851)	(7,003,717)	0.30%
180. Impairment / write-backs on intangible assets	(10,983,913)	(11,721,059)	-6.29%
190. Other expenses / income	62,726,279	73,634,335	-14.81%
200. Operating expenses	**(244,966,292)**	**(222,044,258)**	**10.32%**
230. Goodwill impairment	(1,048,342)	-	0.00%
240. Gains (losses) on disposal of investments	4,732	(20,384)	-123.21%
250. Profit (loss) from continuing operations before tax	**101,464,111**	**39,731,780**	**155.37%**
260. Income taxes from continuing operations	(37,234,022)	(19,323,043)	92.69%
270. Profit (loss) from continuing operations, net of tax	**64,230,089**	**20,408,737**	**214.72%**
290. Profit (loss)	**64,230,089**	**20,408,737**	**214.72%**

Comprehensive income

STATEMENT OF TOTAL INCOME

		12/31/2014	12/31/2013
10.	**Profit (loss)**	**64,230,089**	**20,408,737**
	Other comprehensive income after taxes without transfer to income statement		
40.	Defined benefit plans	(4,105,776)	436,427
	Other comprehensive income after tax with reversal to income statement		
100.	Financial assets available for sale	5,061,717	5,278,534
130.	**Total other comprehensive income, net of tax**	**955,941**	**5,714,961**
140.	**Comprehensive income (Item 10 + 130)**	**65,186,030**	**26,123,698**

Statement of changes in shareholders' equity at December 31, 2013

STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY AT 31 December 2013

	Balance at 12/31/12	Modifications to opening balances	Balance at 01/01/13	Allocation of previous profits		Changes of reserves							Redditività complessiva 2013	Equity at 12.31.2013
				Reserves	Dividends and other allocations	Changes during the year	Equity transactions							
				Reserves	Dividends and other allocations		Emission of new shares	Purchase of own shares	Extraordinary dividend	Change of capital instruments	Derivatives on own shares	Stock options		
Capital:														
a) Ordinary shares	281,596,505	-	281,596,505	-	-	-	-	-	-	-	-	-	-	**281,596,505**
b) Other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Premium shares	298,722,062	-	298,722,062	-	-	-	-	-	-	-	-	-	-	**298,722,062**
Riserves:														
a) From profits	80,683,822	-	80,683,822	3,634,515	-	-	-	-	-	-	-	-	-	**84,318,337**
b) Other	(133,822,834)		(133,822,834)	-	-	103,872	-	-	-	-	-	-	-	**(133,718,962)**
Valuation reserves:														
a) Available for sale	(389,411)	-	(389,411)	-	-		**-**	**-**	**-**	**-**	**-**	**-**	5,278,534	**4,889,122**
b) Hedging of financial flows	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
c) Special revaluation laws	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
d) Other	(1,464,871)	-	(1,464,871)	-	-		-	-	-	-	-	-	436,428	**(1,028,443)**
Capital instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Own shares	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Profits (loss) of the year	6,982,298	-	6,982,298	(3,634,515)	(3,347,783)	-	-	-	-	-	-	-	20,408,737	**20,408,737**
Shareholders' Equity	**532,307,571**	**-**	**532,307,571**	**-**	**(3,347,783)**	**103,872**	**-**	**-**	**-**	**-**	**-**	**-**	**26,123,698**	**555,187,359**

Statement of changes in shareholders' equity at December 31, 2014

STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY AT 31 December 2014

				Allocation of previous profits		Variations of reserves								
				Reserves	Dividend and other allocations		Equity transactions							
	Balance at 31/12/13	Modifications to opening balances	Balance at 01/01/14	Reserves	Dividends and other allocations	Changes during the year	Emission of new shares	Purchase of own shares	Extraordinary dividend	Change of capital instruments	Derivatives of own shares	stock options	Total Profitability 2014	Equity at 31.12.2014
Capital:														
a) Ordinary shares	281,596,505	-	281,596,505	-	-	-	-	-	-	-	-	-	-	**281,596,505**
b) Other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Premium shares	298,722,062	-	298,722,062	-	-	-	-	-	-	-	-	-	-	**298,722,062**
Riserves:														**-**
a) From profits	88,861,048	-	88,861,048	17,286,231	-	-	-	-	-	-	-	-	-	**106,147,278**
b) From profits previous year	(4,542,710)		(4,542,710)	-	-	-	-	-	-	-	-	-	-	**(4,542,710)**
b) Other	(133,718,962)		(133,718,962)	-	-	(30,956)	-	-	-	-	-	-	-	**(133,749,918)**
Valuation reserves:														**-**
a) Available for sale	4,889,122	-	4,889,122	-	-		-	-	-	-	-	-	5,061,716	**9,950,838**
b) Hedging of financial flows	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
c) Special revaluation laws	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
d) Other	(1,028,443)	-	(1,028,443)	-	-		-	-	-	-	-	-	(4,105,776)	**(5,134,219)**
Capital instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Own shares	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Profits (loss) of the year	20,408,737	-	20,408,737	(17,286,231)	(3,122,506)	-	-	-	-	-	-	-	64,230,089	**64,230,089**
Shareholders' Equity	**555,187,359**	**-**	**555,187,359**	**-**	**(3,122,506)**	**(30,956)**	**-**	**-**	**-**	**-**	**-**	**-**	**65,186,030**	**617,219,927**

Statement of cash flows – Direct Method

A. OPERATIONAL ACTIVITIES	12/31/2014	12/31/2013
1. Management	**107,084,042**	**119,668,472**
Interest income (+)	309,781,958	331,381,216
Interest paid (-)	(107,492,114)	(136,333,352)
Dividends and similar income	-	-
Net commissions (+/-)	162,722,606	162,602,516
Staff costs	(153,146,407)	(150,220,334)
Other costs (-)	(130,274,258)	(123,046,675)
Other income (+)	62,726,279	54,608,144
Taxes and fees (-)	(37,234,022)	(19,323,043)
2. Cash flow from (used in) from financing activities	**(1,057,621,997)**	**45,394,869**
Financial assets held for trading	16,801,418	34,689,459
Financial assets available for sale	(600,393,965)	(113,118,211)
Loans to customers	98,282,530	235,965,363
Loans to banks	(553,755,718)	(92,250,821)
Other activities	(18,556,262)	(19,890,921)
3. Cash generated (absorbed) by financial liabilities	**384,131,497**	**114,635,944**
Due to banks	(168,636,630)	172,869,115
Due to customers	704,401,109	86,858,227
Outstanding securities	(158,933,387)	(126,425,261)
Trading financial liabilities	(1,250,709)	1,602,016
Other liabilities	8,551,114	(20,268,153)
Net cash (absorbed) by operating activities	**(566,406,458)**	**279,699,285**

B. INVESTMENT ACTIVITIES	31/12/2014	31/12/2013
1. Cash flow from:	**601,691,918**	**21,968,031**
Sales of investments	-	-
Dividends from equity investments	79,839	275,595
Sales / redemption of financial assets held to maturity	601,322,795	-
Sales of property and equipment	45,139	376,659
Sales of intangible assets	244,145	2,289,586
Sales of subsidiaries and of business units	-	19,026,191
2. Cash (absorbed) by:	**(31,739,358)**	**(310,241,719)**
Purchases of investments	-	-
Purchases of financial assets held to maturity	-	(292,530,565)
Purchases of property and equipment	(14,154,980)	(5,586,388)
Purchases of intangible assets	(17,584,378)	(12,124,766)
Acquisition of subsidiaries and business units	-	-
Net cash (absorbed) by investing activities	**569,952,560**	**(288,273,688)**

C. FUNDING ACTIVITIES	31/12/2014	31/12/2013
Issue / purchase of own shares	-	-
Issue / purchase of capital instruments	-	-
Distribution of dividends and other	(3,122,506)	(3,347,783)
Net cash (absorbed) by funding activities	**(3,122,506)**	**(3,347,783)**

LIQUIDITY NET INCREASE (INPUT) FOR THE PERIOD	**423,596**	**(11,922,186)**

RECONCILIATION	31/12/2014	31/12/2013
Cash and cash equivalents at beginning of period	**130,208,125**	**142,130,311**
Total net cash generated from (used) in the period	423,596	(11,922,186)
Cash and cash equivalents at end of period	**130,631,721**	**130,208,125**

Notes to the Financial Statements

Part A – Accounting Policies

A.1 - General

Section 1 - Statement of compliance with international accounting standards

These financial statements are prepared in accordance with IAS / IFRS (including all interpretations of SIC and IFRIC) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union until 31 December 2014, as established by Community Regulation 1606 of 19 July 2002. With regard to the schemes and the notes to the Financial Statements, the financial statements are prepared in accordance with what has been decreed by the Bank of Italy, in exercise of powers conferred by Article 9 of Legislative Decree n. 38/2005, with the Order dated 22 December 2014 which was issued on the third update to the circular n. 262/05.

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

The budget, therefore, it has been clearly stated and reflects a true and fair view of the economic and financial situation of Banca Sella.

Section 2 - Basis of preparation

The financial statements consist of the Balance Sheet, the Income Statement, the Comprehensive Income, Statement of Changes in Equity, Cash Flow Statement and these notes, and are accompanied by the Directors' Report on operations, in total continuity with respect to December 31, 2013; the notes are presented in thousands of euros.

The financial statements have been prepared clearly and give a true and fair view of the assets, financial position and results of operations.

The preparation takes place in accordance with the general principles of IAS 1 and in compliance with the assumptions set out in the Framework.

The Notes contain the information needed in order to give a true and fair view, integrating the information required by international accounting standards and the provisions contained in the Order dated 22 December 2014 which was issued on the third update to the circular n. 262/05.

If, in exceptional cases, the application of a provision under the international accounting standards is incompatible with the true and fair view of the assets, liabilities, financial position and results of operations, it is not applied. In the Notes are explained the reasons for any derogation and its influence on the representation of the equity, financial position and results of operations.

The financial statements were prepared according to the same principles and accounting policies used in the previous year.

IFRS Accounting standards, amendments and interpretations effective from 1 January 2014

For the following IFRS accounting standards, amendments and interpretations applicable from 1 January 2014, the Bank has verified the applicability of:

- **IFRS 10 - *Consolidated Financial Statements*** which replaces IAS 27 - *Consolidated and separate,* for the part relating to the consolidated financial statements, and SIC-12 *Consolidation - Special Purpose Vehicle.* The previous IAS 27 has been renamed *Separate Financial Statements* and will regulate only the accounting treatment of investments in separate financial statements. The main changes established by the new standard for the consolidated financial statements are as follows:
  - l'IFRS 10 establishes a single principle basis for consolidating all types of entity, and this principle is based on control. This change removes the perceived inconsistency between the previous IAS 27 (based on control) and SIC 12 (based on the transfer of risks and benefits);
  - It introduces a more solid definition of control than in the past, based on the simultaneous presence of the following three elements: (a) power over the company acquired; (b) exposure, or rights, to variable returns from involvement with the same; (c) ability to use the power to influence the amount of these variable returns;
  - The IFRS 10 requires an investor to assess whether it has control over the acquired company, focuses on the activities that affect in a significant way the yields of the same (the concept of a relevant activity);

- The IFRS 10 requires that, in assessing the existence of control, one consider only substantive laws, ie those that can be exercised in practice when important decisions must be taken regarding the acquired company;
- The IFRS 10 provides practical guidelines to assist in the evaluation of the existence of control in complex situations, such as the de facto control, the potential voting rights, the structured entity, the situations where one must determine whether the person who has the power of decision is acting as agent or principal, etc.

In general terms, the application of IFRS 10 requires a significant degree of judgment on a number of implementation issues.

The standard is applicable retrospectively from 1 January 2014. The new standard is not applicable to Banca Sella.

- **IFRS 11 - *Arrangements,*** which replaces IAS 31 - *Interests in Joint Ventures* and SIC-13 - *Jointly controlled entities* - *Contributions in kind by venturers.* The new standard, subject to the criteria for the identification of the presence of joint control, provides the criteria for the accounting of joint arrangements by focusing on the rights and obligations arising from such agreements rather than on the legal form, distinguishing such agreements between *joint ventures* and *joint operations.* According to the IFRS 11, unlike the previous IAS 31, the existence of a separate vehicle is not sufficient to classify a joint arrangement as a *joint venture.* For *joint ventures,* where the parties have rights only to the net assets of the agreement, the principle requires a single method of accounting in the consolidated financial statements using the equity method. For the *joint operation,* where the parties have rights to the assets and obligations for the liabilities of the agreement, the standard requires the direct entry in the consolidated financial statements (and in the separate financial statements) of the pro-rata of the activities, the liabilities, the costs and revenues from the *joint operation.*
  In general terms, the application of IFRS 11 requires a significant degree of judgment in certain areas of the company with regard to the distinction between *the joint venture* and *joint operation.*
  The new standard is applicable retrospectively from 1 January 2014.
  Following the issuance of the new IFRS 11, the IAS 28 - *Investments in associates* was amended to include in its scope, from the effective starting date, also investments in joint ventures. The new standard is not applicable to Banca Sella.

- **IFRS 12 - *Disclosure of Interests in Other Entities,*** a new and comprehensive standard on disclosure requirements in the consolidated financial statements for all types of investments, including those in subsidiaries, joint arrangements, associates, special purpose entities and other non-consolidated special purpose vehicles. The standard is applicable retrospectively from 1 January 2014. The adoption of this new standard had no impact on the information provided in the notes, as there are no investments.

- Amendment to **IAS 32 *"Offsetting Financial assets and liabilities",*** aims to clarify the application of the criteria needed to compensate for financial assets and liabilities (I.e. the entity currently has a legal right to offset the recognized amounts and intends either to settle on a net basis, or to realize the activities and a simultaneously pay off the liabilities). The amendments apply retrospectively from 1 January 2014. The adoption of these amendments had no impact on the financial statements of the Bank.

- Amendments **to IFRS 10, to IFRS 12 and to IAS 27 *"Investment Entity"*** which, for a company investment, introduces an exception to the consolidation of subsidiaries, except in cases in which these subsidiaries provide accessory services to the investment activities carried out by an investment company. Pursuant to those amendments, the investment company should consider their investment in subsidiaries at *fair value.* The following criteria have been introduced for the qualification as investment companies and, therefore, have access to this exception:
  - To obtain funds from one or more investors in order to provide their services to the investment management;
  - To commit itself towards its investors to pursue an aim to invest funds only to get returns from capital appreciation, from the proceeds of investment, or both; and
  - To measure and evaluate the performance of substantially all investments at *fair value.*

These amendments apply, with the principles of reference, from 1 January 2014. These amendments are not applicable to the financial statements of Banca Sella.

- Amendments to **IAS 36 *"Impairment of assets - Disclosures on the recoverable amount of a non-financial activities"*.** The changes are intended to clarify that the additional information to be provided about the recoverable amount of the assets (including the goodwill) or a cash generating unit subject to impairment testing, if the recoverable amount is based on *fair value* net of disposal costs, only concern the activities or the cash-generating unit to which have been recognized or reversed a loss in value, during the year. In this case the idea will be to provide adequate information on a hierarchy of fair value level which covers the fair value and the valuation techniques and assumptions used (in the case of level 2 or 3). The amendments are effective retrospectively from 1January 2014. The adoption of these amendments had no impact on the disclosure of the financial statements of the Bank.

- Amendments to **IAS 39 *"Financial Instruments: Recognition and Measurement - Novation of derivatives and continuation of hedge accounting".*** The amendments concern the introduction of certain exemptions from the requirements of *hedge accounting* under IAS 39 in the circumstance in which an existing derivative should be replaced with a new derivative in a specific case where this substitution is against a Central Counterparty (CCP) following the introduction of a new law or regulation. The amendments are effective retrospectively from 1 January 2014. The adoption of these amendments had no impact on the financial statements of the Bank.

Section 3 - Events subsequent to the balance sheet

There are no significant events to be reported in addition to the information already provided in the Management Report.

Section 4 - Other aspects

There are other important aspects to report.

A.2 - The Main balance sheet items

1 - Financial assets held for trading

Classification criteria

There are classified in this category only debt securities and equities and the positive value of derivatives held for trading purposes. Derivative contracts include those embedded in complex financial instruments that have been separately recognized because:

- their economic characteristics and risks are not closely related to those of the host contract;
- the embedded instruments, even if separate, meet the definition of derivative;
- the hybrid instrument is not measured at *fair value* with changes recognized in the income statement.

In rare circumstances and which are unlikely to recur in the near term it is possible to reclassify debt securities and equities not held for trading into other categories established by IAS 39 if the conditions for recognition exist (Financial assets held to maturity, Financial assets available for sale, Loans). The transfer value is the *fair value* at the time of the reclassification. Upon reclassification tests are carried out on the possible presence of any embedded derivative contracts to be separated. For further details please refer to section A.3 of this section.

Recognition

Initial recognition of financial assets occurs at settlement date, for debt securities and equities and on the subscription date for derivative contracts.

On initial recognition, financial assets held for trading are measured at cost, being the *fair value* of the instrument. Any derivatives embedded in contracts that are not closely correlated to the latter and with the characteristics to meet the definition of derivative are recorded separately from the host contract and valued at *fair value,* while the host contract is applied the accounting criteria of reference.

Evaluation criteria

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

To determine the *fair value* of financial instruments traded on an active market, the market price *(bid price)* is used*.* In the absence of an active market, estimation methods and valuation models are used that take into account all risk factors related to the instruments and that are based on market data such as methods based on the valuation of listed instruments with similar characteristics, calculations of discounted cash flows, models for determining option prices and values recorded in recent comparable transactions.

Equity securities and related derivatives, for which it is not possible to determine *fair value* reliably in accordance with the above guidelines, are maintained at cost.

Derecognition

Financial assets are derecognised when the contractual rights to the cash flows from the assets or when the financial assets are sold transferring substantially all the risks / benefits associated with it.

If a financial asset is no longer held for the purpose of selling or repurchasing in the short term, this financial asset may be reclassified out of at *fair value* (fair value) recognized in the statement of comprehensive income only if they meet the following requirements:

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

2 - Financial assets available for sale

Classification criteria

There are included in this category non-derivative financial assets not otherwise classified as loans, assets held for trading or assets held to maturity.
In particular, this category includes equity interests, not held for trading and that are not subsidiaries, associates and joint ventures.

Where allowed by the accounting standards, reclassifications are only permitted towards the category Investments held to maturity, except in cases where it is in the presence of unusual events that are unlikely to recur in the near term. In such cases it is possible to reclassify debt securities in the categories, established by IAS 39, Financial assets held to maturity and receivables if the necessary conditions for registration exist. The transfer value is the *fair value* at the time of the reclassification. For further details please refer to section A.3 of this section.

Recognition

Initial recognition of financial assets occurs at settlement date for debt securities and equities and at the disbursement date in the case of other financial assets not classified as loans.

On initial recognition, assets are recorded at cost, being the *fair value* of the instrument, including costs or income directly attributable to the instrument. If recognition follows a reclassification of Assets held to maturity or the assets held for trading, the recognition value is the *fair value* upon transfer.

Evaluation criteria

After initial recognition, assets available for sale continue to be measured at *fair value,* while gains or losses arising from changes in *fair value* are recorded in a specific equity reserve until the financial asset is canceled or there is a permanent impairment in value. On disposal, the cumulative gain or loss is recognized in the income statement.

To determine the *fair value* reliably, in cases that are not listed on active markets, there are taken into account recent transactions corroborated by transactions that occurred subsequent to the closing date of the financial statements to confirm the values of *fair value.*

With reference to equities not qualify as subsidiaries, associates and joint ventures, in the case of equity instruments that do not have a quoted market price in an active market and if no recent transactions are observable, being unable to determine the *fair value* reliably they are carried at cost and written down in detected impairment losses *(impairment).*

According to IAS 39, paragraph 58, the company, at any date of the financial statements or interim financial statements, checks whether there is any objective evidence that a financial asset or group of financial assets have suffered an impairment loss.

In particular, for debt instruments there is evidence of impairment loss, if there is the existence of information, qualitative and quantitative, indicative of financial difficulties which could prejudice the collection of the principal or interest as indicated by the provisions of IAS 39, paragraph 59.

For equity instruments there is also considered objective evidence of impairment a significant or prolonged decline in the *fair value* of the financial asset in question to below its cost.

Specifically, the significance of the reduction in value (so-called *"Severity")* must be assessed both in absolute terms in the sense of a negative performance of the title and in relative terms compared to the performance of the markets / sectors of membership of the company being analyzed; a reduction in the *fair value* of over 50% is considered a significant.

The persistence over time of the impairment (so-called *"Durability")* is measured by reference to the length of the time period during which these reductions have consistently and unequivocally remained continuously for a period longer than 15 months.

The negative characteristic of certain qualitative and quantitative criteria (so-called "Relativity") results in a significant loss in value of the minority interest.

The limits of *severity, durability* and *relativity* are intended as alternatives to each other: it is sufficient that one of the three criteria indicating impairment occur to the *impairment* of the investment.

It follows that, if the reduction in value compared to the cost of loading of an investment is greater or more prolonged than the limits of *severity* or *durability* or there occurs the non-existence of the elements of *relativity,* the loss is proceeded to be registered in the income statement.

The existence of objective evidence of impairment is carried out at each year or half-year. If the reasons for impairment losses cease to exist following an event occurring after recognition, writebacks are recognized in the income statement in the case of debt securities, or in shareholders' equity in the case of equities. The amount of the reversal cannot in any case exceed the amortized cost that the instrument would have had in the absence of previous adjustments.

Derecognition

Financial assets are derecognised when the contractual rights to the cash flows from the assets or when the financial assets are sold transferring substantially all the risks / benefits related to them.

A financial asset classified as available for sale that, if it had not been designated as such, would have met the definition of loans and receivables may be reclassified out of the category "available for sale" in the category "loans and receivables" if one has the intention and ability to possess it for the foreseeable future or until maturity.

3 - Financial assets held to maturity

Classification criteria

There are classified in this category debt securities with fixed or determinable payments and fixed maturity, for which there exists the intention and ability to hold it to maturity. If as a result of a change in intention or ability, it is no longer appropriate to keep an investment as held to maturity, it is reclassified as available for sale.

Recognition

Initial recognition of financial assets occurs at settlement date. On initial recognition, financial assets classified under this category are recognized at cost, inclusive of any costs and revenues directly attributable. If recognition in this category follows a reclassification of Assets available for sale, the *fair value* of the asset at the date of reclassification is taken as the new amortized cost.

Evaluation criteria

After initial recognition, financial assets held to maturity are measured at amortized cost using the effective interest rate method. Gains or losses relating to changes in the *fair value* of assets held to maturity are recognized in the income statement when the asset is derecognized. At the closing of the financial statements and interim financial statements, it is assessed for objective evidence of impairment. If such evidence exists, the impairment loss is measured as the difference between the asset's carrying amount and the present value of 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 impairment are removed following an event occurring after the recognition of the reduction in value, the increase in value is recognized in the Income Statement.

Derecognition

Financial assets are derecognised when the contractual rights to the cash flows from the assets or when the financial assets are sold transferring substantially all the risks / benefits associated with it.

4- Credits

Classification criteria

Credits include loans to customers and banks, either granted directly or acquired from third parties, with fixed or determinable payments that are not quoted in an active market and are not originally classified as financial assets available for the sale. Credits include commercial loans, repurchase agreements and securities purchased through subscription or private placement, with fixed or determinable payments, not quoted in active markets.

Recognition

Initial recognition of a loan occurs at the disbursement date or, in the case of a debt security, on the settlement date, based on the *fair value* of the financial instrument. This is usually equal to the amount disbursed or the subscription price, including costs / income directly attributable to the individual loan and determinable from inception, even when settled at a later date. Costs are excluded that, even with the aforementioned characteristics, are reimbursed by the borrower or are classifiable as normal internal administrative costs. For loans subject to conditions different from those of the market, *fair value* is determined using appropriate valuation techniques; the difference from the amount disbursed or the subscription price is recognized directly in the income statement. Contango contracts and repurchase agreements with the obligation to repurchase or resale agreements are recorded as deposits or lending. In particular, the operations of spot sale and repurchase agreements are recorded as payables for the amount received spot, while securities purchased under agreements to resell are recognized as receivables for the amount paid ready.

Evaluation criteria

After initial recognition, receivables are measured at amortized cost, equal to the initially registered amount increased / decreased by principal repayments, adjustments / recoveries and amortization - calculated using the effective interest rate - the difference between the amount and the amount repayable at maturity, typically attributable to the costs / income directly attributable to the individual loan. The effective interest rate is determined by calculating the rate that equals the present value of future cash flows for principal and interest, the amount paid inclusive of costs / income attributable to the loan. This accounting method, using financial logic, allows distribution of the economic effect of costs / income over the expected remaining life of the credit. The amortized cost method is not used for loans whose short duration renders negligible the effect of the application of discounting. These loans are valued at historical cost and the costs / revenues are recognized in the income statement. The same approach is adopted for loans without a defined maturity or withdrawal.

Analytical evaluations

At each balance sheet date or interim report there is effected a recognition of loans to determine those that, following events occurring after initial recognition, show objective evidence of possible impairment.

Loans with which are non-performing, substandard, restructured or past due, under the current rules of the Bank of Italy, consistent with IAS regulations, are subject to an individual assessment process with continuous updating the occurrence of new elements that may determine the possible changes in the recoverability.

The amount of the value adjustment for each loan is equal to the difference between the carrying amount at the time of valuation (amortized cost) and the present value of expected future cash flows, discounted using the original effective interest rate. The cash flows are estimated taking into account the expected recovery times, the estimated realizable value of any collateral, and costs likely to be incurred to recover the credit exposure. Cash flows related to loans for which recovery is expected in the short term are not discounted. The original effective rate of each loan remains unchanged over time, unless a loan restructuring that involves a change in the contractual rate and even if the loan becomes, in practice, non-interest bearing.

The evaluation parameters are related to the following classes of overdue loans (past due) or not substandard are terminated by:

- write-downs on exposures exceeding 25,000 € - past due and/or overdue deteriorated. The evaluations that give rise to an adjustment are analytical proposals from the Service Management Anomalous Loans to the Management or to the mechanisms / delegated corporate bodies. The assessment is made on the classification and then intervene if new facts emerge that may require a re-evaluation (for example: significant reduction of exposure, acquiring new guarantees, new adverse events, significant new performance anomalies, revocation of systemic loans, registration of court mortgages / legal or initiating enforcement proceedings on real estate subject to our mortgage collateral); assessments to be applied are based on determining the real possibility of a recovery in the performing of the report and, where such a possibility appears to be of doubtful realization, to assess the possible loss after taking recovery actions. The valuation adjustments must be made, in general, taking into account the equity of the debtor, the income capacity, the financial balance, the future prospects of a professional or business capacity, the regularity of a customer in the management of banking relationships, taking into account the guarantees that secure lines of credit granted;
- adjustments for exposure less than 25,000 € - past due and/or overdue deteriorated. Flat rate corrections are made on all amounts to correct a fixed percentage determined by the management of individual banks on the basis of statistics on the losses of the three previous years;
- substandard subjective i.e. exposures to customers, based on the information held by the Bank, are considered in a temporary difficulty that is expected to be completed within 12-18 months; in the master record they are indicated by the code INCS - Stranding Subjective;
- substandard loans whose objective situation of a temporary difficulty is governed by the regulations of the Bank of Italy; in the master record they are indicated with code INCO - Stranding Objective.

The evaluation of doubtful debts for the determination of value adjustments is carried out analytically at the time of classification as substandard and subsequently intervene whenever new facts that may require a reassessment. Among the relevant facts are mentioned by way of example:

- significant reduction of the exposure;
- a change of ownership;
- acquiring new guarantees;
- new adverse events;
- relevant new anomalous trends;
- measures for revocation of credit;
- registration of court mortgages / legal or initiating enforcement proceedings on real estate subject to our mortgage guarantee.

The assessments to be applied to impaired loans are based on the determination of the real possibility of return to performing status and, when this possibility turns out to be of dubious achievement, to quantify the possible loss after taking recovery actions.

For the purposes of internal management and evaluation, there are specified the criteria to be observed in the assessment of the adjustments.

The evaluation of the adjustments will be made in general taking into account the capital, the ability to generate income, the financial balance, the outlook for the sector, the managerial skills and entrepreneurship, the regularity in the management of banking relationships and morality customer and taking into account the guarantees securing the credit lines granted.

All positions are evaluated analytically when deciding classification as substandard and every time that the general terms of course of the relationship and / or acquisition of new guarantees necessitate an intervention to change.

The adjustments to be applied will be determined by the management of the bank on a proposal of the Service Auditors loans.

It is allowed, although not mandatory, to apply value adjustments calculated at a flat rate in the cases below:

a. Positions with use within 10,000 Euros: flat rate calculated as the weighted average of the adjustments made in last three years on revoked positions with exposure of less than 10,000 euro in relation to exposure that these positions had the previous year. The percentage is reviewed annually based on the most recent series by the end of February of each year;

b. Positions with use over 10,000 euro newcomers to objective doubtful loans: average of the last 3 years of the corrections applied on not revoked impaired positions with uses exceeding 10,000 euro. Such a method will be applied only for the first month of admission to objective doubtful loans. For the following month, the adjustment will be calculated on the basis of a new balance and the rate of correction defined in the previous month;

c. Positions with use of over 10,000 euro already objectively doubtful in the past month: analytical assessment performed during the previous month. The rate of correction defined in the previous month is applied to new uses.

For positions of objective doubtful loans with exposure of less than 10,000 euro and under certain reasons one can proceed to an individual assessment (for example, one can use analytical assessment practices entirely guaranteed by pledge or cases for which there is estimated a loss significantly higher than those calculated at a flat rate).

The correction evaluation should be made by assessing the overall condition of the customer in terms of creditworthiness and taking into account the real possibility of restoring to performing status the customer relationship, having solved the performance anomalies that led to the classification of it as a problem loan.

The evaluation parameters are related to the following classes of loans or stranded:

- Priviledged Loans (collateralized);
- Unsecured loans to private individuals / companies holding properties (principal and/or guarantors);
- Unsecured loans to private individuals / companies who do not own property;
- Other receivables broken down by amounts.

The discounting of receivables in litigation is determined based on the expected recovery of the loans given the guarantees and the recovery actions to be launched.

The moments of evaluation are:

- Rating at default with placement in the substandard category;
- Valuation at the time of entrance to non-performing loans;
- Assessment made during management of the claim that by way of example can be summarized as acquisition of new collateral / guarantees, formalization and verification of observance of repayment schedules, adverse events, status of enforcement proceedings and bankruptcy etc.

Following the process of review of the methodology, as described in the Management Report of the financial statements, there have been updated some yardsticks applicable to loans. In particular, the following parameters have been updated:

- percentage ratios of the specific flat rate adjustments provided for past due balance with <€ 25,000, being applied throughout 2014;
- percentages ratios of specific provisions for objected and subjective doubtful loans with balance < € 10,000, being applied throughout 2014;
- valuation parameters of the specific analytical adjustments required for impaired loans which are terminated and non-performing loans.

Specifically for the latter, the following aspects were subject to review and update:

- Estimates of recovery due to the filing of the request for arrangement with creditors for unsecured loans not secured by other collateral
- Estimates of recovery due to practices which, at the end of the recovery action or out of court, appear to be included in a possible transfer without recourse

- Average times of discounting for property enforcement procedures and bankruptcy procedures, divided into different geographical groups
- Average time of discounting of subsidiary consortium guarantees
- Estimated costs related to discounting such as negative cash flows to be expected for the property enforcement procedures

Updates to the evaluation parameters are backed by historical and statistical series carried out on the bank's default loan portfolio.

As part of the review process parameters there were also confirmed the following parameters and evaluation moments, summarized below:

- Estimates of recovery due to initiation of bankruptcy for unsecured loans not secured by other collateral
- Estimates of recovery due to unsecured loans not secured by collateral or assets which can usefully be pursued at the time of entry into the revoked impaired loan category
- Estimated time for the discounting of collection from operations of sales without recourse of non-performing loans
- Estimated time for the discounting of enforcements of guarantees arising from consortia guarantees of first demand
- Valuation at the moment of default with categorization as substandard
- Valuation at the time of entrance into non-performing loans
- Assessment made during management of the claim that by way of example can be summarized as acquisition of new collateral / guarantees, formalization and verification of observance of repayment schedules, adverse events, status of enforcement proceedings and bankruptcy etc.

Collective evaluations

Loans for which there is no objective evidence of impairment and, that is, as a rule, performing loans are subject to collective valuation. Under International Accounting Standards (IAS / IFRS), the definition of general provisions on performing loans should follow a model based on incurred loss. The term incurred loss is defined as a loss for which the fact that it has occurred is clearly identified, although this has not yet manifested itself (a "sustained" but not "detected" loss).

The collective assessment of performing loans takes place by dividing customers into homogeneous segments in terms of credit risk. The related loss percentages are estimated taking into account the probability of default (PD - Probability of Default) and the rate of loss given default (LGD – Loss Given Default), taking into account appropriate adjustments intended to convert the expected loss of Basel 2 in incurred loss. The determination of the probability of default and the recovery rate in the event of default occurs, for each bank in the Group, by using the same method on the basis of its customer portfolio. With specific reference to the PD variable, it is determined on the basis of internal rating models where available and in all other cases on the basis of historical data of entrance to default.

With regard to LGD, the Banca Sella Group has set up a model for estimating the WorkoutLossGiven Default, based on internal data: the sample estimate was divided into subgroups with similar risk characteristics and the resulting LGD of each subgroup is adopted as an estimate future values of the loss rate for all loans with the same characteristics.

The above method allows the estimation of the so-called "latent loss" for each loan category. The adjustments determined collectively are recognized in the income statement. At each closing date of the financial statements and interim financial statements any additional adjustments or write-backs are recalculated separately for the entire portfolio of performing loans.

Derecognition

Loans sold are derecognized from the balance sheet only if the sale involved the transfer of substantially all risks and rewards related to the loans. By contrast, should there have been maintained the risks and benefits related to loans sold, they continue to be reported as assets in the balance sheet, even though the legal title has been transferred. In case it is not possible to ascertain the substantial transfer of risks and rewards, the loans are derecognised where there is no longer any kind of control over it. Otherwise, the maintenance, even in part, of such control is maintained on the balance sheet of credits in an amount equal to the residual involvement, measured by exposure to changes in the value of the receivables sold and variations in their cash flows. Finally, loans sold are derecognized in the event that there is the preservation of the contractual rights to receive the related cash flows, with a simultaneous obligation to pay such flows, and only these, to other third parties.

5 - Hedging

Classification criteria: types of hedging

Assets and liabilities include hedging derivatives which at the date of the balance sheet respectively have a positive and negative *fair value*.

The hedging of risks are aimed at neutralizing potential losses on a specific financial instrument or a group of financial instruments, attributable to a specific risk, via profits of a different financial instrument or group of financial instruments in case that risk should actually occur.

IAS 39 provides the following types of hedges:

- coverage of *fair value*, which has the aim of hedging exposure to changes in *fair value* of an asset or liability attributable to a particular risk;
- cash flow hedges, which has the aim of hedging exposure to variability in future cash flows attributable to specific risks associated with balance sheet;
- hedges of net investments in foreign currency, which is to hedge the risks of an investment in a foreign company expressed in currency.

Recognition

The derivative instrument is designated as a hedge if there is formal documentation of the relationship between the hedged item and the hedging instrument and if this is effective at the hedge inception and prospectively throughout its life. The effectiveness of the hedge depends on the extent to which changes in the *fair value* of the hedged item or the related expected cash flows are offset by those of the hedging instrument. Therefore, effectiveness is appraised by comparing the aforementioned changes, considering the intent pursued by the company when the hedge was put in place.

It is effective (within a range of 80-125%) when the changes in *fair value* (or cash flows) of the hedging instrument almost entirely offset the changes in the hedged item, for the type of risk being coverage. The effectiveness is assessed every six months using:

- prospective tests, which justify the application of hedge accounting, as they demonstrate the expected effectiveness;
- retrospective tests, which show the degree of effectiveness achieved in the period covered. In other words, they measure how much actual results differ from the hedge.

If the tests do not confirm the effectiveness of the hedge accounting for hedging transactions, as described above, it is discontinued and the hedging derivative is reclassified as trading instruments.

Evaluation criteria

Hedging derivatives are measured at *fair value*, then, in the case of hedging of *fair value* , is offset by the change in the *fair value* of the hedged item with the change in the *fair value* of the hedging instrument. This offsetting is recognized by recording in the income statement of changes in value of both the hedged item (as concerns the variations produced by the underlying risk factor) and the hedging instrument. Any difference, representing the partial ineffectiveness of the hedge, is therefore the net economic effect.

The measurement of the *fair value* of fixed rate mortgages covered requires financial consistency between hedged assets and the IRS entered into to hedge. At each measurement date of the *fair value*, then the stock is built cumulative IRS coverage and the cumulative stock of mortgages covered and first checks that there is a first correspondence between the amortization profile of the IRS and the amortization profile of loans covered.

One then proceeds with the calculation of the weighted average fixed rate of IRS coverage. This rate represents the average of market rates that were in place at the inception of the different IRS and thus reflects the interest that it was intended to cover the time of the mortgage coverage. In other words, this rate represents the share of interest actually covered by the IRS, distinguishing it from the interest portion of that plan that is not covered and which corresponds to the *spread* (an expression more of customer risk than interest rate risk).

At this point it becomes reasonable to build, starting from the actual remaining amortization schedule of the principal of all the mortgage covered, the repayment schedule of loans to be used for the detection of the *fair value*. It will be composed of the flows of the principal of the loans (given by the difference between the residual debt of a period with respect to the residual debt of the previous period according to the contractual amortization plan) and the shares of interest obtained by applying to the remaining amount due for the period the weighted average rate of the hedging IRS (expressive of the share interests hedged).

The rate thus obtained can then be updated adopting the same yield curve used to calculate the *fair value* of the IRS hedging, and reduced because of the actual percentage of coverage on the date of valuation (ratio between the "surfaces" - that is, the sums of residual principal for its daily remainder - amortization schedules of the residual notional amount of IRS divided by the remaining balance of the loans), so as to obtain the present value of mortgage covered. This value will be subtracted from the remaining credit (also multiplied by the hedging percentage) at the valuation date of the loans.

According to this method (present value of installments minus residual debt for the culled percent coverage) there is calculated the *fair value* at the end of the year T and the *fair value* at end of year T-1.The difference between these two values will be the delta *fair value* of the loans to be compared with the delta *fair value* of the IRS.

The calculation of the delta *fair value* of the IRS is done according to the following methods:

- the *fair value* is calculated as the present value of future cash flows (*Net Present Value* - NPV): this method consists in discounting the estimated cash flows at a current rate of expression of the risk inherent to the instrument rated;
- for the IRS to cover loans that already existed at the end of a previous year, the delta *fair value* is the difference between the *fair value* at the end of the exercise and the *fair value* at the end of the previous year;
- IRS for hedging loans contracted during the year, the delta *fair value* is equal to the *fair value* of the IRS at year-end;
- There are calculated both the *market value and* the *intrinsic value* of all the IRSs.

6 - Tangible assets

Classification criteria

Tangible assets include technical systems, furniture and fittings and equipment of any type. These are tangible assets held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and which are expected to be used for more than one period. Leasehold improvements included in these items are improvements and costs relating to fixed assets separately identified. Usually these investments are incurred to make it suitable for the expected use of properties leased from third parties.

Improvements and additional expenses relating to property, plant and equipment identifiable and not separable are recognized in item 160 "Other assets".

Recognition

Property and equipment are initially recorded at cost, which includes, in addition to the purchase price, any costs directly attributable to the purchase and commissioning of the asset. The costs of maintenance resulting in an increase in future economic benefits, are recorded as an increase in the value of assets, while other ordinary maintenance costs are recognized in the income statement.

Evaluation criteria

Property and equipment are carried at cost less depreciation and impairment losses. Fixed assets are amortized over their useful life, adopting as depreciation criterion the straight line method.

At each reporting date, if there is any indication that an asset may have suffered a loss in value, a comparison is made between the book value of the asset and its recovery value, equal to the greater of the *fair value*, and the relative value of the asset intended as the present value of future cash flows generated by the asset. Any adjustments are recognized in the income statement. If the reasons that led to the recognition of the loss, it gives rise to a recovery of value, which may not exceed the value the asset would have had, net of depreciation calculated in the absence of previous impairments.

Derecognition

Plant and equipment is eliminated from the balance sheet upon disposal or when the asset is no longer used and its disposal is not expected to provide future economic benefits.

7 - Intangible assets

Classification criteria

Intangible assets include goodwill and application software for long-term use. Goodwill represents the positive difference between the acquisition cost and the fair value of assets and liabilities acquired. Other intangible assets are recognized as such if they are identifiable and arise from legal or contractual rights.

Recognition

An intangible asset may be recorded as goodwill when the positive difference between the fair value of the assets acquired and the cost of the business combination is representative of future earning capacity of the assets and liabilities acquired (goodwill). If the difference is negative (badwill) or if the goodwill is not justified by the ability to generate future earnings, the difference is recognized directly in the income statement.

Other intangible assets are stated at cost, including any accessory charges only if it is probable that future economic benefits attributable to the asset are realized and if the cost can be measured reliably. Otherwise the cost of the intangible asset is recognized in the income statement in the period in which it is incurred.

Evaluation criteria

As regards goodwill, whenever there is evidence of impairment and at least once a year after the preparation of the three-year plan, a check is made of the absence of impairment. To this end there is identified the cash-generating unit to which to attribute the goodwill. The amount of any impairment is determined on the basis of the difference between the value of goodwill and its recovery value, if lower. The recoverable amount is the higher of fair value of the cash-generating unit, and its value in use. Value in use is the present value of future cash flows expected from the generating units to which goodwill has been attributed. The resulting adjustments are recognized in the income statement.

The cost of intangible assets is amortized on a straight-line basis over their useful lives. If the useful life is indefinite one does not proceed to amortization, but it is rather periodically tested for impairment of fixed assets. At each reporting date, if there is evidence of impairment, the Company estimates the asset's recoverable amount. The loss, recognized in the income statement, is equal to the difference between the book value and the recoverable amount.

Derecognition

An intangible asset is eliminated from the balance sheet upon disposal or when no future economic benefits are expected.

8 - Current and deferred taxes

These items include current and deferred tax assets and Current and deferred tax liabilities.

Income taxes are recognized in the income statement except when it relates to items charged or credited directly to equity. The provision for income taxes is determined on the basis of a prudent forecast of the current, prepaid and deferred tax burden.

Deferred tax assets and liabilities are based on temporary differences, without time limits, between the carrying amounts and the tax values of the individual assets or liabilities.

The deferred tax assets are recognized if it is probable they will be recovered, in this regard the law n. 225 of 2010, Art. 2, paragraphs 55 to 56-bis, established the convertibility of tax credits of deferred tax assets recognized in the financial statements in respect of loan write-offs and start-ups, particularly in the event that the individual financial statements show a loss for the year. This convertibility introduced a recovery mode and additional notes, which is capable of ensuring the recovery of these types of deferred tax assets in any situation, regardless of the future profitability of the company. This convertibility would be configured thus, in any case, as sufficient basis for the registration and maintenance in the financial statements of these types of deferred tax assets.

The deferred tax liabilities are recorded in the financial statements, with the sole exceptions of assets recognized for an amount greater than the taxable value and of reserves in tax suspension, for which it is reasonable to assume that there will not be undertaken any transactions that involve taxation. Assets and liabilities for deferred tax assets and liabilities are systematically assessed to take into account any changes in regulations or tax rates.

9 - Provisions for risks and charges

Other provisions for risks and charges include provisions related to current obligations originating from a past event for which it is probable that there will be an outflow of economic resources for the fulfillment of the obligation, provided that a reliable estimate of the amount can be made.

The sub-item "other provisions" show the provisions for risks and charges established in observance of the provisions of international accounting standards, except for losses due to impairment of guarantees recognized under "other liabilities".

A provision is recorded under the provisions for risks and charges only when:

- there is a present obligation (legal or implicit) as a result of a past event;
- it is likely that it will be necessary to use resources embodying economic benefits to settle the obligation;
- there can be estimated reliably the amount of the obligation.

The amount represents the best estimate of the amount required to settle the obligation; in this estimate considering the risks and uncertainties relating to the facts and circumstances at issue.

Where the timing difference in value of money is significant, the amount of the provision is the present value of expected to be required to settle the obligation. In this case one uses a discount rate that reflects current market assessments of the time value of money.

One then also proceeds to a periodic review of the adequacy of these amounts.

In case the bank acquires new, greater or further information about the risk event, such as to lead to a revision of the estimates originally made, a decision to immediately adjust the related provision is made.

A provision is used only for the risk events for which it was originally made.

10 - Debts

Classification criteria

The items "due to banks" and "due to customers" include various forms of interbank and customer funding.

Recognition

The initial recognition of these financial liabilities occurs upon receipt of the sums raised or issue of debt securities. The initial recognition is made at the *fair value* of liabilities, generally the consideration received or the issue price, plus any additional costs / income directly attributable to the individual funding transaction or issue and not reimbursed by the creditor. It excludes the costs of an administrative nature.

Evaluation criteria

After initial recognition, financial liabilities are measured at amortized cost with the effective interest rate method. Exceptions are short-term liabilities, where the time factor is negligible, which are stated at the amount collected and any costs attributed 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 they comply with the requirements of IAS 39, the embedded derivative is separated from the host contract and recognized at *fair value* as trading liabilities. In the latter case the host contract is recorded at amortized cost.

Derecognition

Financial liabilities are derecognised when they expire or are settled. Cancellation also occurs in case of repurchase of previously issued securities. The difference between the carrying amount of the liability and the amount paid for it is included in the income statement. The subsequent sale of own securities after their repurchase is considered a new issue with recognition at the new placement price, with no effect on the income statement.

11 - Trading liabilities

Classification criteria

There are classified in this category only the negative value of trading derivative contracts measured at fair value.

Included are also embedded derivatives that under IAS 39 have been separated from their host financial instruments, recognized separately as:

- their economic characteristics and risks are not closely related to those of the host contract;
- the embedded instruments, even if separate, meet the definition of derivative;
- the hybrid instrument is not recorded at *fair value* with changes recognized in the income statement.

Recognition

The initial recognition of financial liabilities occurs at the subscription date for derivative contracts.

On initial recognition, financial liabilities held for trading are measured at cost, being the fair value of the instrument. Any derivatives embedded in contracts that are not closely correlated to the latter and with the characteristics to meet the definition of derivative are recorded separately from the host contract and valued at fair value, while to the host contract there is applied the accounting criteria of reference.

Evaluation criteria

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

Gains and losses from changes in the fair value and/or from the sale of trading instruments are recognized in the income statement.

Derecognition

Financial liabilities are derecognised when they expire or are settled.

12 - Foreign currency transactions

Initial recognition

Transactions in foreign currencies are recorded, on initial recognition in the functional currency, by applying to the foreign currency the exchange rate in effect on the transaction date.

Subsequent recognition

At each reporting date, the balance sheet items in foreign currencies are measured as follows:

- monetary items are translated at the exchange rate on the closing date;
- Non-monetary items measured at historical cost are translated at the exchange rate at the date of the operation; to convert the items of income and expense there is often used an exchange rate that approximates the exchange rates at the dates of the transactions, such as an average rate for the period;
- Non-monetary items measured at *fair value* are translated using the exchange rate at the date of closing.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates other than the initial translation, or the translation of previous financial statements are recognized in the income statement in the period in which they arise.

When a gain or loss on a non-monetary item are recognized in equity, any exchange component of that is also recognized in equity. Conversely, when a gain or loss is recognized in profit or loss, there is recognized in the income statement the relative exchange rate difference.

13 - Other information

Employee benefits

The severance indemnity is recorded on the basis of its actuarial value. For the discounting, there is used the projected unit credit method which involves the projection of future payments based on historical statistical analyzes, the demographic curve and the financial discounting of such flows based on a market interest rate. The difference between gains and losses from actuarial valuations are recorded directly in equity, while the remaining components (the effect of discounting) will be recorded in the income statement.

Under IAS 19, the severance pay is a post-employment benefit , the recognition of which must take place by use of actuarial methods.

In the light of the provisions of the Finance Act 2007, the TFR accrued from 1 January 2007 intended to supplementary pension funds or to the Treasury Fund of INPS is to be considered as a "*defined contribution plan* "and, therefore, no longer subject to actuarial valuation.

As part of international accounting standards, in fact, the TFR cannot be budgeted for an amount corresponding to the amount accrued (assuming that all employees leave the company at year-end), but 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 balance sheet date using the actuarial " *Projected Unit Credit Method* ".

Recognition of revenues and costs

Revenues are recognized when they are collected or, in any case, in the case of sale of goods or products, when it is likely that benefits will be received and these benefits can be measured reliably, in the case of services, in when these have been rendered. In particular:

- the interest is recognized pro rata based on the contractual interest rate or the effective rate in the case of application of amortized cost;
- default interest, if provided for by contract, is recognized in the income statement only when actually collected;
- dividends are recognized in the income statement during the period in which they is declared;
- commission income from services is recorded, on the basis of the existence of contractual agreements, in the period in which the services were rendered;
- gains and losses from securities trading are recognized in the income statement at the time of completion of the sale, based on the difference between the consideration paid or collected and the carrying value of the instruments themselves;

- revenues from the sale of non-financial assets are recognized at the time of completion of the sale, unless it has kept the majority of the risks and benefits associated with the assets.

Costs are recognized in the income statement in the periods in which the related revenues are recognized. If the association between costs and revenues can be made in a general and indirect manner, the costs are booked over several periods with rational procedures and on a systematic basis. Costs that cannot be associated with revenues are recognized immediately in the income statement.

Prepayments and deferred income

Accruals and deferrals encompassing income and expense for the period, matured on assets and liabilities are recognized to adjust the assets and liabilities to which they relate.

Expenses for improvements to third party assets

Restructuring costs of leased properties are capitalized in consideration of the fact that for the duration of the lease the company has control of the assets and may draw future economic benefits from them. These costs, recorded in Other assets as provided for by the instructions of the Bank of Italy, are amortized over a period equal to the duration of the lease.

Provisions for guarantees and commitments

Provisions on a collective basis, relative to estimated possible disbursements connected to credit risk relative to guarantees, determined applying the same criteria set out above with respect to loans, are recorded under Other liabilities, as required by the instructions of the Bank of Italy.

Use of estimates and assumptions in preparing the financial statements

The Bank has used to prepare the financial statements, estimates and assumptions that may affect the amounts reported in the balance sheet and income statement. The preparation of these estimates is given by:

- The use of the information available;
- The adoption of assessments, which are based on historical experience, used for the purpose of formulating rational assumptions for the recognition of operating events.

In future years the values currently recorded will not differ, even significantly, following changes in the assumptions used, because, by their nature, the estimates and assumptions used may vary from year to year.

The main cases for which it is required to make assessments are:

- for the impairment of loans and other assets the determination of losses;
- for the detection of the *fair value* of financial instruments not quoted in active markets the use of valuation models;
- for goodwill and other intangible activities the estimation of the congruity of the value;
- for personnel funds and provisions for risks and charges, their estimated value;
- for deferred tax assets the estimates and assumptions on their recuperability.

<u>Definition and criteria for determining the *fair value*</u>

On May 12, 2011, the IASB published IFRS 13 "Evaluation of the *Fair value*" that provides a complete guide on how to assess the *fair value* of financial assets and liabilities and non-financial disclosures. IFRS 13 is endorsed by the Regulation (EU) No 1255/2012 of 11 December 2012.

The new standard is applicable whenever another accounting standard requires the measurement of an asset or liability at *fair value* and requires disclosures about valuations of *fair value*.

Under IFRS 13, the *fair value* is defined as the *"price you would receive for the sale of an asset that you would pay to transfer a liability in a regular transaction between market participants on the date of evaluation".*

The principle requires whenever there are any transactions directly observable in the market, the determination of *fair value* is immediate. In the absence of such conditions it is necessary to resort to technical evaluation. IFRS 13 identifies three evaluation techniques widely used and requires each entity to assess the *fair value*, they should use valuation techniques consistent with one or more of these methods:

- *Method of market valuation*: with this technique recourse is made to prices and other information related to transactions involving identical or similar assets or liabilities. Included in this scenario is the feedback based on the determination of market multiples.

- *Cost method:* the *fair value* is the replacement cost of the asset.
- *Income method*: the *fair value* is the present value of future cash flows. Such techniques can be based on the current value.

In calculating the *fair value* of a financial asset, IFRS 13 provides for the inclusion of an adjustment factor of *fair value* that identifies the so-called counterparty risk (CVA). This credit risk must be quantified as a market operator would determine the definition of the purchase price of a financial asset.

In determining the fair value of a financial liability, IFRS 13, it provides that there must also be quantified an adjustment factor of the fair value relating to own credit risk (DVA).

As mentioned previously, according to IFRS 13 the determination of the *fair value* of financial instruments should use valuation techniques that maximize the use of observable market data inputs.

To this end, IFRS 13 establishes a hierarchy of *fair value* which classifies inputs into three levels of valuation techniques adopted for evaluating the *fair value*:

- Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 : Inputs other than quoted prices included in Level 1, directly or indirectly observable for the assets or the liabilities. The prices of the assets or liabilities are deduced from market prices of similar assets or using valuation techniques for which all significant factors (spread credit and liquidity) are derived from observable market data.
- Level 3 : inputs not observable for the assets or the liabilities. The prices of the assets or liabilities are deduced by using valuation techniques that are based on data compiled using the best available information about assumptions that market participants would use to determine the price of the assets or the liabilities (it involves, therefore, estimates and assumptions by management).

IFRS 13 defines as an active market that "*market in which operations relating to the asset or liability occur with sufficient frequency and volume to provide useful information for determining the price on an ongoing basis"* .

Input for the determination of fair value

Here are the different levels of input to be used for determining the fair value of financial instruments to assess the fair value :

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

- Securities listed on a regulated market or an MTF and whose price reflects market information.
- Securities listed on Bloomberg as long as the issuance amount is greater than or equal to 500 million euro and is at least one *market maker* with regularly available prices.
- Funds for which the daily NAV or daily quotation is available.
- Investments listed on an active market.
- Derivatives traded on regulated markets.

The criteria set out above, together with the definition of "active market" provided by IFRS 13, combine to uniquely identify the active markets.

(L2) Instruments whose fair value is determined using inputs other than quoted prices in active markets that are observable either directly (as prices) or indirectly (derived from prices) on the market:

- Securities for which Bloomberg expresses a rate characterized by an amount of emission of less than 500 million euro, or titles, although characterized by an amount of emission of more than 500 million euro, for which there is no market maker on Bloomberg with prices regularly available.
- Bonds issued by Gruppo Banca Sella for which one would normally proceed to a fortnightly assessment (in proximity to the end of the first half of the month and in proximity of the end of a month). The evaluation can take place more frequently if market conditions or the type of tools make it appropriate and necessary, or "*on demand*" if at any time the trading area requests it. The calculation of the *fair value* of the Group's bond issues is carried out by Finance Division of the parent company, using methodologies, widespread on the market, listed below:
    - Fixed-rate bonds "*asset swap spread* ";
    - Floating rate notes: "*discount margin* ";
    - Structured notes: "*net present value* "(for bonds).

The structured notes that, in addition to the bond component incorporate an optional component (derivative), provide for the evaluation of the latter based on the prices charged by market counterparties or based on external valuation models (eg. Black-Scholes) or owners. There is also provided a second-level control by the Risk Management calculated on prices and on modeling used. Any discrepancies or anomalies are promptly notified by this entity to the Finance Area for examination and possible recalculation.

- Illiquid securities defined except those explicitly evaluated in the model (which are included in L3).
- Funds for which there is not available a daily NAV or daily quotation, but which periodically express a NAV or a reliable quotation.
- Investments that do not have an active market for which the bank is aware of a limited number of transactions but recurring over time.
- OTC derivatives for which there are market parameters for the evaluation.

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

- Securities in *default* or delisted in cases in which the price communicated by the reference provider for the single security is greater than 0. If that price is equal to 0 such securities are considered "not assessed at *fair value*".
- Definite illiquid securities by mark-to-management evaluation.
- Securities resulting from the Mars 2600 securitization and other ABS.
- Funds or Fund specialized in ABS.
- Unlisted closed end funds
- Funds of *private equity*.
- Investments that do not have an active market for such transactions are carried out one-off or for which valuation methods are being used.
- OTC derivatives for which there are no market parameters for the evaluation.

<u>Evaluation of counterparty risk</u>

In calculating the *fair value* of a financial asset, IFRS 13 provides for the inclusion of an adjustment factor of *fair value* that identifies the so-called counterparty risk (CVA). This credit risk must be quantified as a market operator would determine the definition of the purchase price of a financial asset.

In determining the *fair value* of a financial liability, IFRS 13 provides that there are also quantified an adjustment factor of the *fair value* attributable to one’s own credit risk (DVA).

With regard to the bonds issued by Banca Sella (structured and unstructured) the counterparty risk of the issuer included in the *spread* which is the margin on floating rate subject of indexing (for floating rate) or on the IRS rate of the same maturity (for the fixed-rate securities), it is determined in accordance with the rule described below:

- For bonds, the average yield of the government weekly Italian fixed rate with the same maturity (reference is made to the curve of the benchmark of the generic Italian government bonds[1]) net of the average weekly IRS rate[2] (6 months’ Euribor *tenor*) of equal maturity, plus a *spread*. This *spread* is determined as a weekly average of the yield spread (rounded to the nearest 5 *basis points*) between the individual titles of a panel of ordinary bonds (composed of at least 3 titles) of elevated working capital (> = 500 million euro) issued by leading Italian banks (Intesa Sanpaolo and Unicredit)[3] and the BTP of the same maturity.
- For subordinated *Tier II* , the weekly average yield on Italian government fixed rate bonds for the same maturity (reference is made to the curve of the benchmark of Italian government generic bonds[6]) net of the average weekly IRS rate[7] (6 months’ Euribor *tenor*) of equal maturity, plus a spread. This spread is the weekly average of the yield spread (rounded to the nearest 5 *basis points*) between the individual titles of a panel of subordinated *Tier II* (composed of at least 3 titles) of elevated working capital (> = 500 million euro) issued by leading Italian banks (Intesa Sanpaolo and Unicredit)[4] and the BTP of equal maturity.

[1] This refers to.the family of Bloomberg GTITL--- Tickers
[2] This refers to the family of Bloomberg EUSA--- Tickers
[3] This refers to Intesa Sanpaolo and Unicredit, also by virtue of the fact that:
- the titles of these Institutes express more significant market prices, especially in reference to the subordinated securities, compared to those of smaller size Italian banches;
- The judgment of the internal quality of a credit issuer (the "GISE") of the Banca Sella Group, at the date of this document, is the same as Intesa Sanpaolo and Unicredit.

[4] See the preceding note.

With regard to exposure in OTC derivatives the quantification of CVA corrective (for active exposure) and DVA (for passive exposure) it is carried out by Dealer Wizard for all contracts except for those covered by compensation and collateral agreements (eg. ISDA , CSA, etc.).

The methodology for calculating the CVA \ DVA correctives implemented by Dealer Wizard is based on the *Discounted cash flows approach*. This methodology, applied to all types of derivatives traded by the Group, involves the application of a credit spread to the *discounting* of expected *cash flows* and it leads to the generation of a *Risk Adjusted Fair Value*, whose difference with the *Risk Free Fair Value* is the CVA / DVA.

The choice of the *spread* of credit to be applied to the *discounting* of anticipated *cash flows* is linked to the direction of flow and the type of counterparty: specifically, depending on whether flows are of the "*receive*" type "*pay*" type, the *spread* applied to them must take into account the credit risk of the counterparty (if *receive*) or own entity (if *pay*).

With regard to the type of counterparty there are listed below possible cases to which reference should be made for the allocation of the relative credit spread:

- *Institutional counterparty with which CSA was NOT signed*: for the *spread* of credit reference is made to the CDS quotation downloaded from the Bloomberg *providers*. In the absence of a specific for that particular party reference is made to the CDS price of a counterparty considered *comparable* by sector, size and *rating*.
- *Institutional counterparty with which a CSA was signed*: in this case the *spread* attributed is zero because the counterparty risk is mitigated by collateral contract. Therefore the *Risk Adjusted Fair Value* coincides with the *Risk Free Fair Value*.
- *GBS customers (retail or corporate)* : refers to the internal evaluation provided by the Risk Management - Credit Risk. Specifically, the internally estimated *credit spread* is the rate of return required to cover the two components of loss (expected and unexpected) that determine the credit risk. For the quantification of the incidence of the expected loss recourse is made to the value of a probability of *default* associated with the class *rating* of the specific customer (if the customer is subject to the calculation of an internal *rating*), or at the rate of medium decay registered in the last 24 months inside of the loan portfolio of the bank (in the event that the customer is not subject to the calculation of an internal credit *rating*). For the quantification of the incidence of unexpected loss there has been estimated the value of the economic capital required to meet the goal of a profitability demanded by shareholders, in case of a loan in the current account maturing one year.

With regard to Banca Sella the *spread* of credit needed as an input parameter for the calculation of corrective DVA is determined in line with the *spread* applied on the same date on the bonds issued by the Group.

Evaluations of CVA \ DVA are made daily by the Cambi OTC Banca Sella. The Risk Management shall carry out sample second-level controls having made ex ante the methodological validation the and validation of the market parameters used (shared with the Finance Department).

The following table summarizes the impact of IFRS 13, divided by type of derivative:

Net impact 31.12.2014 in euros		
Typology	CVA	DVA
IRS	-168,929.88	- 2,334.49
CAP_FLOOR	-	- 4,409.66
COLLAR	- 2,732.75	-
CAMBI_OTC	- 9,790.12	1,750.34
DOMESTIC CURRENCY SWAP	- 75,064.47	- 915.71
OUTRIGHT	-176,387.72	- 121.73

The evaluations of implicit *caps*, waiting for complete automation of the assessments by the Credit area of Banca Sella and the Group companies concerned, is carried out by the Finance Division of the Parent using the discounted cash flows approach.

Since these are options sold to the customer (implicit in the maximum rate mortgages) the DVA corrective is determined by applying the *spread* of credit related to the Gruppo Banca Sella as above.

Frequency of determining the fair value

The detection of the *fair value* according to the rules dictated by this Policy is performed normally on a daily basis (usually weekly for bonds issued by the Group on account of their low volatility, unless it considers the need for more frequent detection).

Loans: covered fixed rate mortgages

The measurement of the *fair value* of covered fixed rate mortgages requires financial consistency between hedged assets and the IRS entered into to hedge. At each measurement date of the *fair value*, there is then constructed the cumulative stock of the covered mortgages and there is checked above all that there is a first correspondence between the amortization profile of the IRS and the amortization profile of the covered loans.

The bank then proceeds with the calculation of the weighted average fixed rate of IRS coverage. This rate represents the average of market rates that were in place at the inception of the different IRS and thus reflects the interest that it was intended to cover at the time of the mortgage coverage. In other words, this rate represents the share of interest actually covered by the IRS, distinguishing it from the interest portion of that plan that is not covered and which corresponds to the *spread* (more an expression of customer risk than of interest rate risk).

At this point it becomes reasonable to construct, starting from the actual remaining amortization schedule of the principal of all the mortgage covered, the repayment schedule of loans to be used for the detection of the *fair value*. It will be composed of the flows of the principal of the loans (given by the difference between the residual debt of a period with respect to the residual debt of the previous period according to the contractual amortization plan) and the shares of interest obtained by applying to the remaining amount due for the period the weighted average rate of the IRS coverage (which is the share of interests covered).

The rate thus obtained can then be updated adopting the same yield curve used to calculate the *fair value* of the IRS hedging and reduced because of the actual percentage of coverage on the date of valuation (ratio between the "surfaces" - that is, the sums of residual principal for its daily remainder – of the amortization schedules of the residual notional amount of IRS divided by the remaining balance of the loans), so as to obtain the present value of mortgage covered. This value will be subtracted from the remaining credit (also multiplied by the hedging percentage) at the valuation date of the loans.

According to this method (present value of installments minus residual debt cut down to the percentage of coverage) there are calculated the adjustments to the *fair value* at the end of T and T-1.
The difference between these two values will be the delta *fair value* of the loans to be compared with the delta *fair value* of the IRS.

A3 - Information on transfers between portfolios of financial assets

At year-end there were no transfers of portfolios.

A.4 - Information on fair value

Qualitative information

A.4.1 fair value level 2 and 3: valuation techniques and inputs used

With regard to valuation techniques, the inputs and the relative adjustments used in the evaluation of the fair value of the instruments belonging to level 2 and level 3 is shown in the following extract from that specified in the Fair Value Policy adopted by the Group and currently into force.

In the assessment of bonds at a fixed rate there is used the model of *asset swap spread*, while those for floating-rate model there is used the *discount margin*. The use of such models is motivated by the consideration that at the European level they are the market standard for these types of securities.

As input in the *pricing* of fixed rate bonds, there is used the Euro *swap* yield curve derived from information providers used by the Bank, while the levels of *spreads* used are derived from the elaboration of variables connected to the *spread* of credit given by the info-providers. The purpose of these calculations is to consider various variables that can influence the process of *pricing*.

Where the bonds contain an optional component, there is used, where possible, the model of *pricing* present on Bloomberg, in order to guarantee an estimate based on the methodology widely used by the market. For this purpose, as *option-adjusted-spread* (OAS), similarly to the previous cases, there is used a level of *spread* deducted from the elaboration of variables connected to the *spread* of credit reported by the information providers.

The bonds with a structure that cannot be priced with Bloomberg models are priced on by decomposition of the structure into simpler components.

The evaluation of the latter is performed using valuations deduced from those offered by the counterparty to the hedging instrument or, if these are not available, Monte Carlo simulations, using as input the values of the variables reported by the main info-providers.

OTC derivatives generally present in the financial statements concern the categories of *swaps*, interest rate options and options on exchange rates.

The valuation of the *swap* rate is made according to the method of the *discounted-cash-flow* (DCF), which is the de facto industry standard, and which uses as input data the *swap* yield curve relative to the currency of the contract. This curve is periodically detected by the one published by the leading financial information providers (Bloomberg / Reuters) present at the Bank. Where the structure of the *swap* is more complex, and does not allow a reasonable certainty in the estimate of the contract value, an evaluation of the contract is requested from the counterparty to the transaction.

Options on interest rates today for GBS are exclusively represented by *cap* and *floor*, and are valued according to the Black model. This choice is based on the consideration that alternative models would pose the problem of calibration parameters for the stage of *pricing* and would not provide a significant improvement in the estimated price. Additional elements to favor this choice are connected with the consideration that a wide array of implicit volatility is reported by the leading financial information providers, in combination with the option prices for the same standard deadlines.

The foreign exchange options, whether "*plain vanilla*" or "exotic" (European or American barrier options) are valued according to the Black & Scholes. Volatility curves necessary to calculate the implied volatility of each option and stock prices and the foreign exchange market rate used in the valuation of contracts, are excerpts from leading financial information providers in the Bank (Bloomberg). In the case of more complex structures and exotic options such as to prevent a reasonable certainty in the value of the contract, that is, where possible there is internally developed an evaluation algorithm, or, where possible, there is required an evaluation of the same by a third party with respect to the operation. These assessments, where present, assist in the determination of the price together with the valuation provided by the counterparty to the transaction.

The determination of *fair value* for the asset backed securities in the portfolio of properties is done in accordance with the standard *pricing* on Bloomberg. These models are based on a methodology based on the DCF (*Discounted Cash Flow*), which uses as input data the latest data provided by the company responsible for the securitization of the title.

The level of *discount margin* used is deducted from that reported by *research*, based on the *spread* on the secondary market for securities similar to the underlying, country and *rating*. This level can be adjusted to take into account any external factors (and typical of the title) such as the different quality of assets, the performance of the underlying, etc.

For the valuation of investments in AFS the techniques from time to time adopted are:

- the income method, which determines the value of a company based on its ability to generate a revenue; to this end, the value of a company is calculated using the discounting of expected results: the average income is estimated on the basis of prospective corporate data (financial statements, interim reports, budgets, business plans); the discount rate considers in addition to the performance of the risk-free assets a prize for the investment business activities;
- the multiples method, which determines the value of a company on the basis of specific indicators that relate market prices with book value; multiples are expressed by a sample of listed companies as similar as possible to the company to be evaluated; factors which are taken into account to determine the homogeneity of a sample are manifold: the belonging to the same economic sector, the company size, the financial risks arising from the financial structure of a company, market shares, geographical diversification, and so on.
- other valuation techniques commonly used by those involved in the market to give a price to the companies if these techniques have been proven to provide reliable estimates of prices obtained in actual market transactions (part of this case study is the use of the equity method, which determines the value of a company based on the algebraic balance between assets and liabilities; the analysis is based on historical data available on the basis of company data, financial statements, interim reports, budgets, business plans).

The unlisted closed end funds and funds of *private equity* are evaluated on the basis of data provided by the issuer or, in the absence of such data, based on the amount of contributions to the fund. Particular attention will be paid to the funds of ABS where to the extent possible the Bank will analyze the "*investor reports*" of individual ABSs present significantly in the individual funds.

In relation to issued and hedged bonds, the determination of *fair value* for the purpose of assessing the effectiveness of the same system occurs using the method of the *discounted-cash-flow*. To do this it uses the same *risk free* curve used for the evaluation of the hedging derivative and there can be deduced from the title of the coupon the *spread* paid as reported in the hedging contract.

With regard to fixed-rate mortgages covered the measurement of *fair value* requires a financial consistency between hedged assets and the IRS entered into to hedge. At each measurement date of the *fair value*, the cumulative stock of the IRSs covered is then constructed as well as the cumulative stock of mortgages covered and the Bank above all checks that there is a first correspondence between the amortization profile of the IRS and the amortization profile of loans covered.

It then proceeds with the calculation of the weighted average fixed rate of IRS coverage. This rate represents the average of market rates that were in place at the inception of the different IRS and thus reflects the interest that was intended to cover the time of the mortgage coverage. In other words, this rate represents the share of interest actually covered by the IRS, distinguishing it from the interest portion of that plan is not covered and that corresponds to the *spread* (expression of customer risk that interest rate risk).

At this point it becomes reasonable to build, starting from the actual remaining amortization schedule of the principal of all the mortgage covered, the repayment schedule of loans to be used for the detection of the *fair value*. It will be composed of the flows of the principal of the loans (given by the difference between the residual debt of a period with respect to the residual debt of the previous period according to the contractual amortization plan) and the shares of interest obtained by applying to the remaining amount due for the period the weighted average rate of the IRS coverage (which is the share interests covered).

The rate thus obtained can then be updated adopting the same yield curve used to calculate the *fair value* of the IRS hedging, and curtailed because of the actual percentage of coverage on the date of valuation (ratio between the "surfaces" - that is, the sums of residual principal for its daily remainder – of the amortization schedules of the residual notional amount of IRS divided by the remaining balance of the loans), so as to obtain the present value of mortgage covered. This value will be subtracted from the remaining credit (also multiplied by the hedging percentage) at the valuation date of the loans.

According to this method (present value of installments minus residual debt curtailed for the cover percentage) is calculated by the *fair value* at the end of the year T and the *fair value* at end of year T-1. The difference between these two values will be the delta *fair value* of the loans to be compared with the change in the fair value of the IRS.

A.4.2 processes and sensitivity evaluations

The use of models and valuation techniques described above requires the selection and quantification of parameters, which vary depending on the financial instrument that one wishes to evaluate.

These parameters are chosen and set on the software application for calculating when requesting evaluation of a new instrument.

The Risk Management is responsible for validating the parameters defined.

At each frequency of calculation of the *fair value* of the financial instrument, these parameters are rechecked and updated both by the area making the calculation and by Risk Management.

For example, the main parameters observable can be traced to:

Rate Curve

It consists of a set of rates of return for zero-coupon synthetic securities, sorted in ascending order as regards the deadline of the same. These rates are determined in accordance with established methods "*bootstrapping*" market rates of deposits (for terms not exceeding 12 months) and the market rates of IRS (for maturities of not less than 2 years). For the purposes of the assessments the *mid* rates are considered. It is at the basis for the assessment of any OTC derivative.

Matrix of Volatility

It consists of a table showing for each maturity and *strike* of the options considered, the relative value of the *mid* volatility listed from the market. This table is only for options of the *cap / floor* type.

Spread

For the evaluation of bonds issued by the Group (structured and unstructured), two types of spread are considered:

- Spread rate : represents the margin on the variable rate being indexed (for variable interest rate securities) or on the IRS rate of the same maturity (for fixed interest rate securities).

- Spread price : represents the differential to subtract from the theoretical price to take account of the risk of the structure.

Implied Volatility

This refers to the price volatility of listed options on a specific underlying.

For each period considering the value of the *at-the-money* options, or a weighted average of the price volatility of listed options (albeit with different *strikes*) on the same date.

Dividend Yield

In assessment methodologies it is obtained as the logarithm of the ratio of annualized dividend and price, as reported by the major information providers (Bloomberg, Reuters, etc.) on maturities similar to those of the derivative in question.

For example, the main unobservable parameters can be traced to:

Correlations

For the calculation of the correlations using the logarithmic variations in prices of the two activities (exchange rate and the price of the underlying) considered. To this end they normally consider data for the last six months.

Historical Volatility

If the implied volatility of the options are not listed, using the historical volatility of the underlying instrument, measured by the standard deviation of the logarithmic price changes of the same.

There are significant unobservable inputs used in the valuation of the *fair value* of assets and liabilities within level 3.

A.4.3 Fair value hierarchy

Any transfers from one level of the hierarchy of fair value to another take place in the light of the characteristics of each security and in relation to criteria which separate membership at different levels of the fair value hierarchy. They are collected twice a year, in conjunction with the annual and semi-annual. The input levels that determine membership of a level of fair value are listed in this budget, in Part A.2 - the main items of the budget, paragraph Input for the determination of fair value.

At 31 December 2014 there were titles that have improved or worsened their liquidity and thus changed the level of the fair value hierarchy from 31 December 2013.

A.4.4 Other Information

The Bank does not handle groups of financial assets and liabilities based on their net exposure to market risk or credit risk.

Quantitative information

A.4.5 Fair value hierarchy

A.4.5.1 Assets and liabilities valued at FV on a recurring basis: breakdown by fair value levels

Assets/Liabilities measured at fair value	12.31.2014			12.31.2013		
	L1	L2	L3	L1	L2	L3
1. Financial assets held for trading	6,197	43,995	2	14,302	45,126	2
2. Financial assets at fair value	-	-	-	-	-	-
3. Financial assets available for sale	1,277,486	5,338	5,287	488,079	-	5,680
4. Hedging derivatives	-	14,177	-	-	16,403	-
5. Tangible assets	-	-	-	-	-	-
6. Intangible assets	-	-	-	-	-	-
Total	**1,283,683**	**63,510**	**5,289**	**502,381**	**61,529**	**5,682**
1. Financial liabilities held for trading	15	24,235	-	34	25,467	-
2. Financial liabilities at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	136,676	-	-	99,548	-
Total	**15**	**160,911**	**-**	**34**	**125,015**	**-**

Legend L1=Level 1 L2=Level 2 L3=Level 3

At 31 December 2014 there were no titles that had improved or worsened their liquidity and thus changed the level of the fair value hierarchy from 31 December 2013.

With regard to the CVA-DVA impacts, see the previous section A.2 - 13. Other information in which there is a table summarizing the net impacts at 31 December 2014 compared to December 31, 2013.

A.4.5.2 Annual changes in financial assets at fair value on a recurring basis (level 3)

	Financial assets held for trading	Financial assets at fair value	Financial assets available for sale	Hedging derivatives	Tangible assets	Intangible assets
1. Initial assets	**2**	**-**	**5,680**	**-**	**-**	**-**
2. Increases	**-**	**-**	**215**	**-**	**-**	**-**
2.1. Acquisitions	-	-	215	-	-	-
2.2. Profits allocated to:						
2.2.1. Income Statement	-	-	-	-	-	-
- of which capital gains	-	-	-	-	-	-
2.2.2. Equity	X	X	-	-	-	-
2.3. Transfers from other levels	-	-	-	-	-	-
2.4. Other increases	-	-	-	-	-	-
- of which operations of combining businesses	-	-	-	-	-	-
3. Decreases	**-**	**-**	**608**	**-**	**-**	**-**
3.1. Sales	-	-	-	-	-	-
3.2. Refunds	-	-	-	-	-	-
3.3. Losses allocated to:						
3.3.1. Income Statement	-	-	600	-	-	-
- of which losses	-	-	-	-	-	-
3.3.2. Equity	X	X	-	-	-	-
3.4. Transfers to other levels	-	-	-	-	-	-
3.5. Other decreases	-	-	8	-	-	-
- of which operations of combining businesses	-	-	-	-	-	-
4. Closing assets	**2**	**-**	**5,287**	**-**	**-**	**-**

A.4.5.4 Assets and liabilities not measured at fair value or at fair value on a non-recurring basis: breakdown by fair value levels

Assets / liabilities not measured at fair value or measured at fair value on a non-recurring basis	12.31.2014				12.31.2013			
	VB	L1	L2	L3	VB	L1	L2	L3
1. Financial assets held to maturity	-	-	-	-	708,500	746,762	-	-
2. Due from banks	1,577,495	-	336,188	1,241,898	1,023,740	-	289,870	734,028
3. Loans to customers	6,961,361	-	212	7,137,619	7,200,550	-	212	7,345,269
4. Tangible assets held for investment purposes	5,368	-	-	2,829	5,516	-	-	8,177
5. Non-current assets and groups of assets held for sale	-	-	-	-	-	-	-	-
Totale	**8,544,224**	**-**	**336,400**	**8,382,346**	**8,938,306**	**746,762**	**290,082**	**8,087,474**
1. Due to banks	26,851	-	-	26,851	195,488	-	-	195,488
2. Due to customers	8,554,817	-	-	8,554,817	7,850,416	-	-	7,850,416
3. Outstanding securities	954,848	-	971,462	68	1,113,782	-	1,145,986	99
4. Liabilities associated with assets held for sale	-	-	-	-	-	-	-	-
Totale	**9,536,516**	**-**	**971,462**	**8,581,736**	**9,159,686**	**-**	**1,145,986**	**8,046,003**

Legend: VB=book value L1=Level 1 L2=Level 2 L3=Level 3

The fair value on a non-recurring basis was calculated for non-short-term loans by applying the criteria set out in the Accounting Policies, A.2 - 13. Other information.
For receivables and payables due on demand or short-term it is believed that the fair value is in line with the book value.
As for tangible assets, the fair value was obtained using external expertise.

Part B – Balance Sheet

Assets

Section 1 – Cash and cash equivalents – item 10

1.1 Cash and cash equivalents: breakdown

	Total 12-31-2014	Total 12-31-2013
a) Cash	130,632	130,208
b) Deposits with Central Banks	-	-
Total	**130,632**	**130,208**

Section 2 – Financial assets held for trading – Item 20

2.1 Financial assets held for trading: breakdown of goods

Items/Values	Total 12-31-2014			Total 12-31-2013		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1. Debt	6,181	20,725	2	14,267	21,784	2
1.1 Structured securities	1	-	-	1	-	-
1.2 Other debt securities	6,180	20,725	2	14,266	21,784	2
2. Equities	-	-	-	-	-	-
3 Units in investment funds	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
A total	**6,181**	**20,725**	**2**	**14,267**	**21,784**	**2**
B. Derivatives						
1. Financial derivatives:	16	23,270	-	35	23,342	-
1.1 trading	16	23,203	-	35	23,255	-
1.2 associated with the fair value	-	-	-	-	-	-
1.3 Other	-	67	-	-	87	-
2. Credit derivatives:	-	-	-	-	-	-
2.1 trading	-	-	-	-	-	-
2.2 associated with the fair value	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
Total B	**16**	**23,270**	**-**	**35**	**23,342**	**-**
Total (A + B)	**6,197**	**43,995**	**2**	**14,302**	**45,126**	**2**

The item "debt" is composed mainly of Italian government bonds and bonds issued by banks in the Banca Sella Group. At 31 December 2014, the division between the different types of securities was as follows:

- Italian government bonds 23%;
- Bonds of Banca Sella Group 77%;

The item decreased in the year of about 9.1 million, from 36.1 million euro of December 31 2013 to 26.9 million euro at 31 December 2014.

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

Items/Values	Total 12-31-2014	Total 12-31-2013
A. ACTIVITIES 'CASH		
1. Debt	**26,908**	**36,053**
a) Governments and Central Banks	6,176	14,263
b) Other public bodies	-	-
c) Banks	20,732	21,790
d) Other issuers	-	-
2. Equities	**-**	**-**
a) Banks	-	-
b) Other issuers:	-	-
- Insurance companies	-	-
- Financial companies	-	-
- Non-financial	-	-
- Other	-	-
3. Mutual funds	**-**	**-**
4. Loans	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public bodies	-	-
c) Banks	-	-
d) Other	-	-
A total	**26,908**	**36,053**
B. DERIVATIVES		
a) Banks	10,145	12,680
b) Customers	13,141	10,696
Total B	**23,286**	**23,376**
Total (A + B)	**50,194**	**59,429**

2.3 Financial assets held for trading: annual changes

	Debt securities	Equity securities	UCITS unites	Loans	Total
A. Opening	**36,053**	**-**	**-**	**-**	**36,053**
B. Increases	**210,774**	**-**	**-**	**-**	**210,774**
B.1 Purchases	209,880	-	-	-	209,880
- Of which business combinations	-	-	-	-	-
B.2 Positive changes in fair value	107	-	-	-	107
B.3 Other changes	787	-	-	-	787
C. Decreases	**219,919**	**-**	**-**	**-**	**219,919**
C.1 Sales	218,151	-	-	-	218,151
- Of which business combinations	-	-	-	-	-
C.2 Refunds	1,120	-	-	-	1,120
C.3 Negative changes in fair value	580	-	-	-	580
C.4 Transfers to other portfolios	-	-	-	-	-
C.5 Other changes	68	-	-	-	68
D. Closing	**26,908**	**-**	**-**	**-**	**26,908**

Section 4 – Financial assets available for sale – Item 40

4.1 Financial assets available for sale: breakdown

Items/Values	12-31-2014			12-31-2013		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	1,277,486	5,338	-	488,079	-	-
1.1 Structured securities	3,040	-	-	-	-	-
1.2 Other debt securities	1,274,446	5,338	-	488,079	-	-
2. Equities	-	-	3,141	-	-	2,926
2.1 Measured at fair value	-	-	-	-	-	-
2.2 Valued at cost	-	-	3,141	-	-	2,926
3. Mutual funds	-	-	-	-	-	-
4. Loans	-	-	2,146	-	-	2,754
Total	**1,277,486**	**5,338**	**5,287**	**488,079**	**-**	**5,680**

The item "debt securities" is made up of Italian government bonds and bank bonds of high credit rating. At 31 December 2014, the division between the different types of securities was as follows:

- BOT 0.4%;
- CCT 48.3%;
- BTP 47.7%;
- Senior Bank Bonds 3.6%;

During the year the item increased by about 794 million; reaching a balance at December 31, 2014 of 1,282.8 million euro. Major variations concern the BTP (+423 million euro) and CCT (+340 million euro).

The increase was due to purchases made following the sale of a significant portion of the portfolio of investments held to maturity during the year in addition to the reclassification of the remaining portion of the portfolio in application of the provisions of IAS 39.

With regard to asset allocation, the floating-rate component accounted for about 49% while the remaining 51% was invested in fixed-rate securities in the short or medium term. The exposure to interest rate risk remained at low levels throughout the period considered.

The item "financing" refers to the position "ComitalSaiag SPA" for which in 2009 there had been signed a restructuring agreement which generated a partial conversion of the total debt to the Bank of 9 million euro, of which 4.7 million euro in restructured loans and 4.3 million euro in equity instruments precisely. The devaluation of these instruments amounted to 2.5 million euro. At 31 December 2014 the book balance of credit remaining on the position Comital amounted to 3.1 million euro, which fell during the year 2014 as envisaged by the plan.

Among equities there are also minority interests, which as required by IFRS have been subjected to impairment testing described below.

Impairment test on minority interests

As required under IFRS, equity investments are subjected to impairment testing in order to verify whether there is objective evidence that the value of such assets may not be fully recoverable. The process of detection of any impairment involves verification of the presence of impairment indicators. In particular the companies that recorded a negative result for the last financial year and / or companies whose valuation at equity is lower than the carrying value are subjected to impairment tests.

As for the smaller amounts of shareholdings, they were analyzed to identify the presence of impairment indicators based on the evidence held by the Bank: the analyses have not led to the identification of those indicators.

The following are, therefore, the significant companies tested for impairment (in thousands of euro):

Company subjected to impairment test *(figures in thousands of euros)*				
Entity	**CGU**	**Carrying value (before any writedowns of the year) A**	**Sum of net patrimony belonging to the company B**	**Difference A-B**
CBA Vita	CGU A	2,133	1,628	505

The interest in CBA Vita is 3.436%.

The accounting standards require that the impairment test be performed by comparing the carrying amount of the CGU with the recoverable value. If such value is lower than the carrying amount, a value adjustment is made. The recoverable amount of the CGU is the greater between its fair value less costs to sell and its value in use. The following are the methods for calculating the recoverable amount of the CGU and the results of the impairment test:

Impairment test: CGU subjected to deeper analyses			
CGU	**Valore recuperabile**	**Calculating method used**	**Result of impairment test**
CGU A	Fair value	Discounting method	The impairment test did not detect any loss in value

Methodology used.

Fair value is defined as the amount for which an asset could be exchanged between knowledgeable, willing parties in a free market transaction, not subject to any constraints less costs of sale. Below are the methodologies used in determining the fair value:

- **Actuarial method:** it is applied in accordance with the professional valuation practices, to insurance companies operating primarily in the life business; the evaluation is obtained by the sum of net assets, the value of the policies already in force (embedded value) and the present value of the future life production (appraisal value). Equity is represented by net assets of the Company resulting from the latest financial statements available adjusted, if necessary, to reflect the market value of the underlying assets. The value of the portfolio is calculated as the net present value of projected net profits which are expected to be generated by the policies in place at the measurement date, taking into account the cost of posting the capital for solvency. The value of new business is calculated as the net present value of projected net profits which are expected to be generated by the policies of the new production, always taking into account the cost of capital for the posting for solvency.

The following table summarizes, for each of the CGUs, the elements that were used for the calculation of recoverable amount.

The notes on the side are a supplement, where necessary, to the general lines outlined above.

CGU: elements used to calculate the recoverable value

CGU	Basic assumptions	Method of determination	Note
CGU A	Net Equity	Data from the Financial Statements at 12/31/2014	- For what concerns the yields of separate management, there have been considered the foreseeable yields of the managements calculated at 06/30/2014; for the new production, as well as for the yield of margin hedging assets, there has been estimated a constant yield of 3.0% - The discount rate used for the discounting of the flows was estimated at 9% - Regarding the future management expenses it was estimated that the expense reserves currently posted are sufficient to cover the costs of the current portfolio. For the new business there has been estimated an annual cost per policy increased by annual percentage of 2%.
	Value of the current portfolio	Life insurance portfolio at 06/30/14	
	Value of future policies	The value of the new production has been calculated by taking into consideration a time horizon of 10 years (from 2014 to 2023)	

Conclusions.

The analyses carried out show that the recoverable amount of the CGU exceeds the carrying value.

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

Items/Values	Total 12-31-2014	Total 12-31-2013
1. Debt	**1,282,824**	**488,079**
a) Governments and Central Banks	1,235,328	474,760
b) Other public bodies	-	-
c) Banks	40,649	13,319
d) Other issuers	6,847	-
2. Equities	**3,141**	**2,926**
a) Banks	-	-
b) Other issuers:	3,141	2,926
- Insurance companies	2,133	2,132
- Financial companies	534	534
- Non-financial	259	25
- Other	215	235
3. Mutual funds	**-**	**-**
4. Loans	**2,146**	**2,754**
a) Governments and Central Banks	-	-
b) Other public bodies	-	-
c) Banks	-	-
d) Other	2,146	2,754
Total	**1,288,111**	**493,759**

At 31 December 2014 there are no equity securities issued by issuers classified as doubtful or substandard.

4.4 Financial assets available for sale: annual changes

	Debt securities	Equity securities	Mutual funds	Loans	Total
A. Opening	**488,079**	**2,926**	**-**	**2,754**	**493,759**
B. Increases	**1,253,961**	**215**	**-**	**-**	**1,254,176**
B.1 Purchases	1,054,858	215	-	-	1,055,073
- Of which business combinations	-	-	-	-	-
B.2 Positive changes in fair value	12,781	-	-	-	12,781
B.3 Write-backs	-	-	-	-	-
- Recognized in the income statement	-		-	-	-
- Recognized in equity	-	-	-	-	-
B4. Transfers from other portfolios	173,747	-	-	-	173,747
B.5 Other changes	12,575	-	-	-	12,575
C. Decreases	**459,216**	**-**	**-**	**608**	**459,824**
C.1 Sales	397,983	-	-	-	397,983
- Of which business combinations	-	-	-	-	-
C.2 Refunds	56,696	-	-	-	56,696
C.3 Negative changes in fair value	922	-	-	-	922
C.4 Writedowns for impairment	-	-	-	600	600
- Recognized in the income statement	-	-	-	600	600
- Recognized in equity	-	-	-	-	-
C.5 Transfers to other portfolios	-	-	-	-	-
C.6 Other changes	3,615	-	-	8	3,623
D. Closing	**1,282,824**	**3,141**	**-**	**2,146**	**1,288,111**

Section 5 - Financial assets held to maturity - Item 50

5.1 Financial assets held to maturity: breakdown

	Total 12-31-2014				Total 12-31-2013			
	VB	FV			VB	FV		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt	-	-	-	-	708,500	746,762	-	-
- Structured	-	-	-	-	-	-	-	-
- Other	-	-	-	-	708,500	746,762	-	-
2. Loans	-	-	-	-	-	-	-	-

The Board of Directors of the extraordinary meeting of July 17, 2014 ordered the sale of securities from this sector. Following this decision in the months of July, August and September a significant proportion of securities with a maturity of over 2017 has been alienated for a total nominal value of 525.5 million euro. According to IAS the remaining securities were reclassified as accounting for financial assets available for sale for a nominal amount of 174.5 million euro. Of these securities reclassified as nominal 37 million have expired by 31 December 2014 and the remaining 137.5 million are included in securities available for sale.

5.2 Financial assets held to maturity: debtors / issuers

Type of transaction/Values	Total 12-31-2014	Total 12-31-2013
1. Debt	**-**	**708,500**
a) Governments and Central Banks	-	708,500
b) Other public bodies	-	-
c) Banks	-	-
d) Other issuers	-	-
2 Loans	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public bodies	-	-
c) Banks	-	-
d) Other	-	-
Total	**-**	**708,500**

5.4 Financial assets held to maturity: annual changes

	Debt securities	Loans	Total
A. Opening	**708,500**	**-**	**708,500**
B. Increases	**77,986**	**-**	**77,986**
B.1 Purchases	-	-	-
- Of which business combinations	-	-	-
B.2 Write-backs	-	-	-
B.3 Transfers from other portfolios	-	-	-
B.4 Other	77,986	-	77,986
C. Decreases	**786,486**	**-**	**786,486**
C.1 Sales	601,323	-	601,323
- Of which business combinations	-	-	-
C.2 Refunds	-	-	-
C.3 Writedowns	-	-	-
C.4 Transfers to other portfolios	173,746	-	173,746
C.5 Other changes	11,417	-	11,417
D. Closing	**-**	**-**	**-**

Section 6 - Due from banks - Item 60

6.1 Due from banks: breakdown

Type of transaction/Values	Total 12-31-2014				Total 12-31-2013			
	VB	FV			VB	FV		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Claims on Central Banks	**-**	**-**	**-**	**-**	**43,305**	**-**	**-**	**43,305**
1. Time deposits	-	X	X	X	-	X	X	X
2. Compulsory reserves	-	X	X	X	43,305	X	X	X
3. Repurchase agreements	-	X	X	X	-	X	X	X
4. Other	-	X	X	X	-	X	X	X
B. Due from banks	**1,577,495**	**-**	**336,188**	**1,241,898**	**980,435**	**-**	**289,870**	**690,723**
1. Loans	1,241,897	-	-	1,241,898	690,723	-	-	690,723
1.1 Current accounts and demand deposits	1,043,349	X	X	X	454,252	X	X	X
1.2 Time deposits	79,308	-	-	-	152,809	-	-	-
1.3 Other loans:	119,240	X	X	X	83,662	X	X	X
- Repurchase agreements	-	X	X	X	-	X	X	X
- Financial leasing	-	X	X	X	-	X	X	X
- Other	119,240	X	X	X	83,662	X	X	X
2. Debt	335,598	-	336,188	-	289,712	-	289,870	-
2.1 Structured securities	-	X	X	X	-	X	X	X
2.2 Other debt securities	335,598	X	X	X	289,712	X	X	X
Total	**1,577,495**	**-**	**336,188**	**1,241,898**	**1,023,740**	**-**	**289,870**	**734,028**

Legenda: FV=fair value BV=book value

Almost all the current accounts and deposits are held by the parent company Banca Sella Holding, as well as the deposit of 79.3 million used for the sealing of the Compulsory Reserve at Banca Sella Holding, which also operates on behalf of the Bank. The other loans covered the current account balance, always at Banca Sella Holding, which Banca Sella deposits margins for derivatives.

The item “debt securities” consists exclusively of bonds issued by Banca Sella Holding.

Section 7 - Loans to customers - Item 70

7.1 Loans to customers: breakdown

Type of transaction / Values	Total 12-31-2014						Total 12-31-2013					
	Book value			Fair Value			Book value			Fair Value		
		Impaired						Impaired				
	Bonis	Purchased	Other	L1	L2	L3	Bonis	Purchased	Other	L1	L2	L3
Loans	**6,400,814**	**-**	**560,334**	**-**	**-**	**7,137,619**	**6,711,969**	**-**	**488,369**	**-**	**-**	**7,345,269**
1. Current accounts	841,980	-	148,796	X	X	X	915,213	-	147,522	X	X	X
2. Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
3. Mortgages	3,581,966	-	281,268	X	X	X	3,598,061	-	221,356	X	X	X
4. Credit cards, personal loans and salary-backed loans	269,717	-	8,493	X	X	X	302,684	-	7,157	X	X	X
5. Financial leasing	-	-	-	X	X	X	-	-	-	X	X	X
6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X
7. Other loans	1,707,151	-	121,777	X	X	X	1,896,010	-	112,334	X	X	X
Debt securities	**212**	**-**	**-**	**-**	**212**	**-**	**212**	**-**	**-**	**-**	**212**	**-**
8. Structured Notes	-	-	-	X	X	X	-	-	-	X	X	X
9. Other debt	212	-	-	X	X	X	212	-	-	X	X	X
Total	**6,401,026**	**-**	**560,334**	**-**	**212**	**7,137,619**	**6,712,181**	**-**	**488,369**	**-**	**212**	**7,345,269**

The item shows a slight decrease. Despite the Bank's commitment to continue to support private enterprises with the provision of credit, there was a general decline, even at the system level, in demand.

Debt securities are composed exclusively of Credit Guarantee Consortia 6% subordinated bonds expiring December 27, 2018.

The account other loans include the following important sub-items: security deposits, current accounts payable items with retail customers and other subsidies assets not settled via current accounts with ordinary customers.

7.2 Loans to customers: breakdown by borrower /issuer

Type of transaction/Values	Total 12-31-2014			Total 12-31-2013		
	Bonis	Impaired		Bonis	Impaired	
		Purchased	Other		Purchased	Other
1. Debt Securities	**212**	**-**	**-**	**212**	**-**	**-**
a) Governments	-	-	-	-	-	-
b) Other public bodies	-	-	-	-	-	-
c) Other issuers	212	-	-	212	-	-
- Non-financial	-	-	-	-	-	-
- Financial companies	212	-	-	212	-	-
- Insurance	-	-	-	-	-	-
- Other	-	-	-	-	-	-
2. Loans to:	**6,400,814**	**-**	**560,334**	**6,711,969**	**-**	**488,369**
a) Governments	567	-	-	1,168	-	-
b) Other public bodies	14,597	-	26	15,970	-	-
c) Others	6,385,650	-	560,308	6,694,831	-	488,369
- Non-financial	2,828,097	-	413,824	3,084,538	-	360,616
- Financial companies	1,279,992	-	1,798	1,289,690	-	3,871
- Insurance	20	-	-	13	-	-
- Other	2,277,541	-	144,686	2,320,589	-	123,883
Total	**6,401,026**	**-**	**560,334**	**6,712,181**	**-**	**488,369**

Section 8 - Hedging derivatives - Item 80

8.1 Hedging derivatives: breakdown by type of hedge and level

	FV 12-31-2014			VN 12-31-2014	FV 12-31-2013			VN 12-31-2013
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A) Financial derivatives								
1) Fair value	-	14,177	-	270,356	-	16,403	-	358,289
2) Cash flow	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B) Credit derivatives								
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flow	-	-	-	-	-	-	-	-
Total	**-**	**14,177**	**-**	**270,356**	**-**	**16,403**	**-**	**358,289**

Legend: FV = fair value NV = notional value

8.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge

Transactions/Type of hedging	Fair value						Cash flows		Foreign investement
	Specifica								
	Interest rate risk	Foreign exchange risk	Credit risk	Price risk	Other risks	Generic	Specific	Generic	
1. Financial assets available for sale	-	-	-	-	-	x	-	x	x
2. Loans	-	-	-	x	-	x	-	x	x
3. Financial assets held to maturity	x	-	-	x	-	x	-	x	x
4. Portfolio	x	x	x	x	x	-	x	-	x
5. Other transactions	-	-	-	-	-	x	-	x	-
Total assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	14,177	-	-	x	-	x	-	x	x
2. Portfolio	x	x	x	x	x	-	x	-	x
Total liabilities	**14,177**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Expected transactions	x	x	x	x	x	x	-	x	x
2. Portfolio of financial assets and liabilities	x	x	x	x	x	-	x	-	-

Section 9 - Fair value change of financial assets hedging - Item 90

9.1 Fair value of hedged assets: breakdown by hedged portfolio

Fair value of hedged assets / Values	Total 12-31-2014	Total 12-31-2013
1. Positive	**133,803**	**96,400**
1.1 of specific portfolios:	133,803	96,400
a) loans	133,803	96,400
b) financial assets available for sale	-	-
1.2 Total	-	-
2. Negative adjustment	**-**	**-**
2.1 of specific portfolios:	-	-
a) loans	-	-
b) financial assets available for sale	-	-
2.2 Total	-	-
Total	**133,803**	**96,400**

This item represents the fair value adjustment to the interest rate risk component of all fixed rate loans that are hedged against this risk, with special derivatives, under the "macro fair value hedging". The change during the year is due to the gradual reduction of the variable market rates compared to fixed rates of funding.

9.2 Assets in hedged risk interest rate

Hedged assets	Total 12-31-2014	Total 12-31-2013
1. Loans	668,409	689,498
2. Financial assets available for sale	-	-
3. Portfolio	-	-
Total	**668,409**	**689,498**

Section 11 - Tangible assets - Item 110

11.1 Property and equipment used in operations: breakdown of assets measured at cost

Asset / Value	Total 12-31-2014	Total 12-31-2013
1.1 Activities of property	**34,825**	**27,587**
a) land	4,793	3,232
b) buildings	15,203	11,059
c) furniture	692	795
d) electronic systems	9,087	7,372
e) other	5,050	5,129
1.2 Assets purchased under finance leases	**-**	**-**
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic systems	-	-
e) other	-	-
Total	**34,825**	**27,587**

11.2 Tangible assets held for investment: breakdown of assets measured at cost

Asset / Value	Total 12-31-2014				Total 12-31-2013			
	Book value	Fair value			Book value	Fair value		
		L1	L2	L3		L1	L2	L3
1. Activities of property	**5,368**	**-**	**-**	**8,197**	**5,516**	**-**	**-**	**8,177**
a) land	2,699	-	-	3,190	2,685	-	-	3,041
b) buildings	2,669	-	-	5,007	2,831	-	-	5,136
2. Assets acquired under finance lease	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-	-	-
Total	**5,368**	**-**	**-**	**8,197**	**5,516**	**-**	**-**	**8,177**

Tangible assets held for investment are stated at cost. The fair value, given for information purposes, is based on established professionals outside the Group in order to obtain adequate expertise.

11.5 Property and equipment used in operations: annual changes

Asset / Value	Lands	Buildings	Furniture	Electronics	Other	Total
A. Initial gross	**3,232**	**17,764**	**16,416**	**86,142**	**41,136**	**164,690**
A.1 Total net writedowns	-	(6,706)	(15,621)	(78,769)	(36,007)	(137,103)
A.2 Opening net	**3,232**	**11,058**	**795**	**7,373**	**5,129**	**27,587**
B. Increases	**1,579**	**4,829**	**237**	**5,992**	**1,595**	**14,232**
B.1 Purchases	1,569	4,730	235	5,977	1,593	14,104
- Of which business combinations	-	-	-	-	-	-
B.2 Capitalised improvement costs	-	-	-	-	-	-
B.3 Write-backs	-	-	-	-	-	-
B.4 Positive changes in fair value recognized in:	-	-	-	-	-	-
- a) equity	-	-	-	-	-	-
- b) income statement	-	-	-	-	-	-
B.5 Positive exchange	-	-	2	15	1	18
B.6 Transfers from property held for investment purposes	10	99	-	-	-	109
B.7 Other changes in vision	-	-	-	-	1	1
C. Decreases	**18**	**684**	**339**	**4,277**	**1,674**	**6,992**
C.1 Sales	-	-	-	10	-	10
- Of which business combinations	-	-	-	-	-	-
C.2 Depreciation	-	565	339	4,226	1,667	6,797
C.3 Writedowns for impairment booked to:	-	-	-	-	-	-
- A) equity	-	-	-	-	-	-
- B) income statement	-	-	-	-	-	-
C.4 Negative changes in fair value recognized in:	-	-	-	-	-	-
- a) equity	-	-	-	-	-	-
- b) income statement	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Transfers to:	18	119	-	-	-	137
- A) tangible assets held for investment purposes	18	119	-	-	-	137
- B) assets held for sale	-	-	-	-	-	-
C.7 Other changes	-	-	-	41	7	48
D. Closing net	**4,793**	**15,203**	**693**	**9,088**	**5,050**	**34,827**
D.1 Total net writedowns	-	(7,581)	(15,953)	(77,557)	(37,586)	(138,677)
D.2 Gross closing balance	**4,793**	**22,784**	**16,646**	**86,645**	**42,636**	**173,504**
E. Measurement at cost	-	-	-	-	-	-

11.6 Tangible assets held for investment: annual changes

	Total	
	Lands	Buildings
A. Opening	**2,685**	**2,831**
B. Increases	**24**	**163**
B.1 Purchases	6	44
- of which business combinations	-	-
B.2 Capitalised improvement costs	-	-
B.3 Positive changes in fair value	-	-
B.4 Write-backs	-	-
B.5 Positive exchange differences	-	-
B.6 Transfers from buildings for business purposes	18	119
B.7 Other changes	-	-
C. Decreases	**10**	**326**
C.1 Sales	-	-
- of which business combinations	-	-
C.2 Depreciation	-	227
C.3 Negative changes in fair value	-	-
C.4 Writedowns for impairment	-	-
C.5 Negative exchange differences	-	-
C.6 Transfers to other asset portfolios	10	99
a) property used in operations	10	99
b) non-current assets held for sale	-	-
C.7 Other changes	-	-
D. Closing	**2,699**	**2,668**
E. Fair value	409	2,420

Section 12 - Intangible assets - Item 120

12.1 Intangible assets: breakdown by type of asset

Asset / Value	Total 12-31-2014		Total 12-31-2013	
	Defined duration	Indefinite duration	Defined duration	Indefinite duration
A.1 Goodwill	x	14,197	x	15,245
A.2 Other intangible assets	34,027	-	27,670	-
A.2.1 Assets valued at cost:	34,027	-	27,670	-
a) Internally generated intangible assets	6,130	-	5,712	-
b) Other Activities	27,897	-	21,958	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other Activities	-	-	-	-
Total	**34,027**	**14,197**	**27,670**	**15,245**

Notice relating to the impairment test for goodwill and intangible assets with indefinite useful life

The International Accounting Standards 36 ("IAS 36") prescribes the principles of accounting and disclosure for the impairment of certain types of activities, among which also the goodwill, illustrating the principles that a company must follow to ensure that its assets are carried on the balance sheet (carryng value) at a value not greater than the recoverable amount.

Based on the requirements of IAS 36 must compare the carrying value of the goodwill with its recoverable value whenever there is an indication that the asset may have been a change for impairment and at least once a year, in the preparation of financial statements (Impairment Test).

The recoverable amount is estimated with reference to the business units (Cash Generating Unit - CGU) because goodwill is not able to generate cash flows independently.

The CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets over which the Group has an independent survey results through systems management reporting.

Below and with the support of special summary tables are displayed:

- CGU identified and then tested for *impairment* with the relevant goodwill allocated;
- the estimation methods used and the results of impairment tests for each CGU;
- the description of the methods used;
- the elements used to calculate the recoverable amount for each CGU;
- the sensitivity analysis;
- the conclusions reached.

Entity subjected to impairment test and relative goodwill allocated *(figures in thousands of euros)*

Entity	CGU	Goodwill allocated	
		Current year (before any writedowns of the year)	preceeding year
Milan Field offices on via Gonzaga [1]	CGU 1	542	542
ex Cram field offices [2]	CGU 2	1,881	1,881
S.Michele and Fasano field offices [3]	CGU 3	1,938	1,938
ex BCC Camastra and Naro field offices [4]	CGU 4	1,770	1,770
ex Banca Generoso Andria field offices[5]	CGU 5	8,066	8,066
Bovolone and S. Martino Buon Albergo field offices[6]	CGU 6	1,048	1,048
Total		**15,245**	**15,245**

(1) The entity being tested for *impairment* is the branch of Milan Via Gonzaga acquired by Banco di Chiavari and the Riviera in 1999.

(2) The entity being tested for *impairment* is the group of branches acquired from ex CRA Monreale in 1997.

(3) The entity being tested for *impairment* is the group of branches purchased by Credito Cooperativo of Ostuni in 2000.

(4) The entity being tested for *impairment* is the group of branches acquired from the former BCC Union of Camastra and Naro in 2001

(5) The entity being tested for *impairment* is the group of subsidiaries acquired by the former Banca Generoso Andria in 2001

(6) The entity being tested for *impairment* includes the two branches remaining after the transaction for the sale of branches to Sparkasse and that originally were part of the group of subsidiaries acquired by the Group Unicredito in 2000.

The accounting standards require that the *impairment* test compare the carrying amount of the CGU with the recoverable value. If such value is lower than the carrying amount, a value adjustment is made. The recoverable amount of the CGU is the greater of its *fair value* less costs to sell and its value in use.

The following are, therefore, listed the CGU analyzed with, listed next, the method for calculating the recoverable amount used and the results of the *impairment test*:

CGU	Recoverable value	Calculating method used	Result of impairment test
CGU 1	Value-in-use	Dividend discount model (excess capital version)	The impairment test did not detect any loss in value
CGU 2	Value-in-use	Dividend discount model (excess capital version)	The impairment test did not detect any loss in value
CGU 3	Value-in-use	Dividend discount model (excess capital version)	The impairment test did not detect any loss in value
CGU 4	Value-in-use	Dividend discount model (excess capital version)	The impairment test did not detect any loss in value
CGU 5	Value-in-use	Dividend discount model (excess capital version)	The impairment test did not detect any loss in value
CGU 6	Value-in-use	Dividend discount model (excess capital version)	The impairment test detected a loss in value of 1,048 thousand euros, equal to the entire amount of goodwill allocated for CGU 6

Methodology used

The **Value in use** is defined as the present value of future cash flows expected to be derived from an asset. The model used to determine the value in use is the DDM (dividend discount model), which provides discount cash flows of distributable income after having complied with the minimum regulatory capital base (excess capital version).

The estimate of value in use incorporates the following elements:

- estimates of future cash flows that the enterprise expected to arise from continued use of an asset and from its ultimate disposal: we referred to the most recent budget / plans relative to the CGU approved by the Governing Bodies of a company. Beyond the period covered by such plans, cash flow projections are estimated, using, for the following years, a stable growth rate "g" aligned with the prediction of the rate of inflation trend (2%);
- the discount rate (Ke) was calculated using the *Capital Asset Pricing Model*(CAPM). The formula used is as follows: Ke = Rf + Beta * (RM-RF) where:
  - Rf is the *risk-free* rate, determined using the average recorded in the year 2014 of the yield on ten-year BTPs. The value used is equal to 2.871%;
  - (Rm - RF) is the risk premium to the market. It is the difference between the performance of a diversified portfolio of all risky investments available in the market and the yield on a risk-free security. The value used is equal to 5%
  - Beta is the risk of a specific investment. The Beta expresses the correlation between the returns of a single risky investment and the returns of the market portfolio.
- capital requirement for the estimate of distributable cash flows (for cases in which the methodology was used in version *excess capital):* has been defined by reference to the requirements of supervisory regulations.

For the determination of future cash flows there have been used three-year plans drawn up in detail for each CGU. These plans were defined by reference to a forecast scenario whose main indicators are shown in the following table:

Forecast scenario on the main indicators

Eurozone	2014	2015	2016	2017
Real GDP	0,8	1,2	1,5	1,5
Consumer price index	0,5	0,7	1,3	1,6
Official interest rate	0,05	0,05	0,05	0,50
Short-term interest rates (Euribor 3 m)	0,21	0,10	0,11	0,41
Italy	**2014**	**2015**	**2016**	**2017**
Real GDP	-0,4	0,5	1,2	1,1
Consumption	0,2	0,5	1,5	1,5
Consumer price index	0,2	0,5	1,1	1,4

As part of the three year period the international environment should be characterized by modest growth; in terms of consumer prices, the picture of moderate growth should justify the continued absence of inflationary pressures in developed countries.

With regard to Italy, the growth prospects in the years 2015-2017 appear weak and lower than the Eurozone average.

With reference to the financial sector, the scenario assumes a low level of interest rates in the money market with a tendency to gradually increase interest rates only in the last part of the three-year period.

The three-year plans were prepared using reasonable and consistent preconditions representing the best estimates by the company management as part of the range of possible economic conditions that may occur during the life of the individual companies.

The following table summarizes, for each of the CGU, the elements that were used for the calculation of recoverable amount.

The notes on the side are a supplement, where necessary, the general lines outlined above.

CGU: elements used to calculate the recoverable value

CGU	Basic assumptions	Method of determination	Notes
CGU 1 CGU 2 CGU 3 CGU 4 CGU 5 CGU 6	Economic and equity variables	Three-year plan (2015-2017) approved by the Board of Directors of the company	- The forecasting data take into account a gradual recovery of the retail banking business income to which the CGUs belong, deriving mainly from the improvement of the earnings from servies connected with the management activity of the indirect funding and of the managed savings. - The discounting rate used is 8.42%, having incorporated a Beta of 01.109.
	Discounting rate	Estimation on the basis of the Capital *Asset Pricing Model* (CAPM)	
	Income beyond the foreseen period	2% Rate of constant annual growth	

Sensitivity analysis

Since the value in use is determined by the use of estimates and assumptions that may contain elements of uncertainty, there have been carried out, as required under IFRS, the sensitivity analyses to test the sensitivity of results to changes in the parameters.

In particular, there was tested the impact on value in use of an increase in discounting rates and a decrease in the growth rate used for the calculation of the terminal value.

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

Sensitivity analysis

CGU	Change in the discounting rate		Change in the earnings growth rate	
	Considered change	% sensitivity of the value-in-use	Considered change	% sensitivity of the value-in-use
CGU 1	+ 25 b. p.	3.5%	- 25 b. p.	2.9%
CGU 2	+ 25 b. p.	3.6%	- 25 b. p.	3.0%
CGU 3	+ 25 b. p.	3.4	- 25 b. p.	2.8%
CGU 4	+ 25 b. p.	4.9%	- 25 b. p.	4.2%
CGU 5	+ 25 b. p.	3.4%	- 25 b. p.	2.8%
CGU 6	entity for which the goodwill was entirely written down			

There were carried out, also, analyses aimed at highlighting the value limits beyond which the *impairment test* of the CGU in question would require an *impairment.* In this regard there is given in the table below the growth rate "g" and the discount rate that would lead, for the same flows to be discounted, to use values aligned with the values of the assets.

Sensitivity analysis

CGU	Discounting rate	Growth rate "g"
CGU 1	N.S. (> 25%)	N.S. (<-25%)
CGU 2	N.S. (> 25%)	N.S. (<-25%)
CGU 3	21.7%	N.S. (<-25%)
CGU 4	9.5%	0.7%
CGU 5	17.1%	-12.8%
CGU 6	entity for which the goodwill has been entirely written-down	

Conclusions.

From the analyses carried out it was necessary to write down the carrying value of the entire goodwill related to branches Bovolone and S. Martino Buon Albergo (CGU 6).

The sensitivity analysis does not reveal signs of impairment that should be registered.

12.2 Intangible assets: annual changes

	Goodwill	Other intangible assets: internally generated		Other intangible assets:		Total
		Defined	Indefined	Defined	Indefined	
A. Initial gross	**15,245**	**9,483**	**-**	**129,075**	**-**	**153,803**
A.1 Total net writedowns	-	(3,771)	-	(107,117)	-	(110,888)
A.2 initials net	**15,245**	**5,712**	**-**	**21,958**	**-**	**42,916**
B. Increases	**-**	**2,861**	**-**	**14,733**	**-**	**17,594**
B.1 Purchases	-	2,857	-	14,733	-	17,590
- of which business combinations	-	-	-	-	-	-
B.2 Capitalization of internal		-	-	-	-	-
B.3 Write-backs		-	-	-	-	-
B.4 Positive changes in fair value	-	-	-	-	-	-
- shareholders' equity		-	-	-	-	-
- in the income statement		-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Other changes	-	4	-	-	-	4
C. Decreases	**1,048**	**2,443**	**-**	**8,796**	**-**	**12,286**
C.1 Sales	-	-	-	-	-	-
- of which business combinations	-	-	-	-	-	-
C.2 Adjustments	1,048	2,244	-	8,740	-	12,032
- Depreciation		2,244	-	8,740	-	10,984
- Write-downs	1,048	-	-	-	-	1,048
+ equity		-	-	-	-	-
+ income Statement	1,048	-	-	-	-	1,048
C.3 Negative changes in fair value	-	-	-	-	-	-
- shareholders' equity		-	-	-	-	-
- in the income statement		-	-	-	-	-
C.4 Transfers to non-current assets held for sale	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Other changes	-	199	-	56	-	255
D. Closing net	**14,197**	**6,130**	**-**	**27,897**	**-**	**48,224**
D.1 Total net adjustments	(7,088)	(6,015)	-	(115,985)	-	(129,088)
E. Gross closing balance	**21,285**	**12,145**	**-**	**143,882**	**-**	**177,312**
F. Valuation at cost	-	-	-	-	-	-

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

Current tax assets: composition

	Total 12-31-2014	Total 12-31-2013
Advances paid to the tax authorities	41,613	46,301
Withholding taxes	-	3
Activities for fiscal consolidation	19	6
Tax credits	10,380	9,919
Total	**52,012**	**56,229**

Current tax liabilities: breakdown

	Total 12-31-2014	Total 12-31-2013
Direct taxes fund	57,847	40,609
Indirect taxes fund	-	-
Total	**57,847**	**40,609**

13.1 Deferred tax assets: breakdown

	IRES	IRAP	OTHER	12-31-2014	12-31-2013
Bad debts	97,736	8,116	-	105,852	90,885
Provisions for risks and charges of a different nature	3,741	-	-	3,741	3,137
Depreciation and property evaluation	1,825	83	-	1,908	1,902
Other administrative costs	275	-	-	275	319
Impairment of investments	-	-	-	-	-
Staff costs	876	-	118	994	81
Value of collective guarantees	396	-	-	396	381
Mars Mortgages	-	-	-	-	-
Goodwill and costs related acquis. Company branch	334	67	-	401	-
Part arising from tax losses carried forward to subsequent years	-	-	-	-	-
Val. of financial assets avail. for sale	-	-	-	-	-
Exemption of consolidated goodwill	-	-	-	-	60
Other assets	1,210	76	4	1,290	653
Total deferred tax assets (recognized in income statement)	106,393	8,342	122	114,857	97,418
Depreciation and property evaluation	1,525	307	-	1,832	1,832
Val. of financial assets avail. for sale	-	-	-	-	5
Other assets	-	-	-	-	-
Total deferred tax assets (against equity)	**1,525**	**307**	**-**	**1,832**	**1,837**

13.2 Deferred tax liabilities: breakdown

	IRES	IRAP	OTHER	12-31-2014	12-31-2013
Profit from sale of financial assets available for sale	-	-	-	-	-
Different calculating of depreciation of tangible assets	449	90	-	539	539
Different calculation of amortization of intangibles	-	-	-	-	-
Contributed training costs	-	-	-	-	-
Discounting of provisions for risks and charges of a different nature	-	-	-	-	-
Mars Mortgages	-	-	-	-	-
TFR Discounting	-	-	-	-	-
Gain on sale of business	3,161	-	-	3,161	4,215
Bad debts	-	-	-	-	-
Goodwill	2,194	441	-	2,635	2,252
Other liabilities	-	-	7	7	4
Total deferred tax liabilities (recognized in the income statement)	**5,804**	**531**	**7**	**6,342**	**7,010**
Valuation of financial assets available for sale	4,086	822	-	4,908	2,416
Value of material assets	-	-	-	-	-
Gain on sale of business	-	-	-	-	-
Depreciation and property evaluation	747	150	-	897	897
Other liabilities	-	-	-	-	-
Total deferred tax liabilities (through the equity method)	**4,833**	**972**	**-**	**5,805**	**3,313**

13.3 Changes in deferred tax assets (recognized in income statement)

	Total 12-31-2014	Total 12-31-2013
1. Opening	**97,418**	**72,993**
2. Increases	**32,384**	**32,092**
2.1 Deferred tax assets recognized during the year	32,373	32,092
a) relating to previous years	64	141
b) due to changes in accounting policies	-	-
c) write-backs	-	-
d) other	32,308	31,951
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	11	-
- business combinations	-	-
3. Decreases	**14,945**	**7,667**
3.1 Deferred tax assets canceled during the year	14,945	7,645
a) reversals	14,945	7,466
b) write-offs	50	141
c) changes in accounting standards	-	-
d) other	-	38
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	22
a) change in tax credits as per Law 214/2011	-	-
b) other	-	22
- of which business combinations	-	-
4. Closing	**114,858**	**97,418**

13.3.1 Changes in deferred tax assets as per Law 214/2011 (in the income statement)

	Total 12-31-2014	Total 12-31-2013
1. Opening	**90,940**	**65,928**
2. Increases	**27,943**	**29,480**
- of which business combinations	-	-
3. Decreases	**12,632**	**4,468**
3.1 Reclassification	-	-
3.2 Transformation in tax credits	-	-
a) resulting from operating losses	-	-
b) arising from tax losses	-	-
3.3 Other decreases	12,632	4,468
- of which business combinations	-	-
4. Closing	**106,251**	**90,940**

Law no. 225 of 2010, Art. 2, paragraphs 55 to 56-bis, established the convertibility of tax credits of deferred tax assets recognized in the financial statements in respect of loan write-offs and goodwill, particularly in the event that the individual financial statements showed a loss for the year. This convertibility has introduced an additional recovery mode, which is suitable to ensure the recovery of these types of prepaid taxes in every situation, regardless of the future profitability of the enterprise and is therefore configured, in each case, as a sufficient condition for the enrollment and retention in the financial statements of these types of deferred tax assets. The above approach was emphasized in the joint Bank of Italy, Consob and ISVAP. 5 of 15 May 2012 (issued under the table of coordination in the application of IAS / IFRS) on the "Accounting treatment of deferred tax assets resulting from L. 214/2011".

13.4 Changes in deferred tax liabilities (through profit and loss)

	Total 12-31-2014	Total 12-31-2013
1. Opening	**7,010**	**2,667**
2. Increases	**386**	**5,452**
2.1 Deferred taxes	386	5,452
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	386	5,452
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
- of which business combinations	-	-
3. Decreases	**1,054**	**1,109**
3.1 Deferred taxes canceled during the year	1,054	1,109
a) reversals	1,054	1,109
b) due to changes in accounting policies	-	-
c) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
- of which business combinations	-	-
4. Closing	**6,342**	**7,010**

13.5 Changes in deferred tax assets (through equity)

	Total 12-31-2014	Total 12-31-2013
1. Opening	**1,837**	**2,024**
2. Increases	**-**	**-**
2.1 Deferred tax assets recognized in the exercise	-	-
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	-	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
- of which business combinations	-	-
3. Decreases	**5**	**187**
3.1 Deferred tax assets canceled in the year	5	187
a) reversals	5	-
b) write-offs	-	-
c) due to changes in accounting policies	-	-
d) other	-	187
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
- of which business combinations	-	-
4. Closing	**1,832**	**1,837**

13.6 Changes in deferred tax liabilities (through equity)

	Total 12-31-2014	Total 12-31-2013
1. Opening	**3,313**	**897**
2. Increases	**2,491**	**2,416**
2.1 Deferred taxes	2,491	2,416
a) relating to previous years	-	-
b) due to changes in accounting principles	-	-
c) other	2,491	2,416
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
- of which business combinations	-	-
3. Decreases	**-**	**-**
3.1 Deferred taxes canceled during the year	-	-
a) reversals	-	-
b) due to changes in accounting principles	-	-
c) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
- of which business combinations	-	-
4. Closing	**5,804**	**3,313**

Section 15 - Other assets - Item 150

15.1 Other assets: breakdown

	Total 12-31-2014	Total 12-31-2013
Provisions of payment to various entities in the process of being charged	15,636	11,404
Checks drawn on third parties	27,501	30,978
Personal checks / checks drawn on the bank	2,649	2,828
Fees, commissions and other income being charged	32,674	26,836
Expenses for improvements to third party assets	1,233	1,487
Portfolio adjustments	421	2,394
Advances and receivables / suppliers	389	334
Charges / invoices to be issued to customers	1,441	3,546
Disputed items not deriving from lending operations	545	673
Prepayments on administrative expenses and commissions	3,639	3,603
Accrued income	269	-
Deferred tax (no income tax)	50,873	31,510
Payments provisionally by way of security pending tax judgments	188	188
Other	16,405	11,969
Total	**153,863**	**127,750**

Part B – Balance Sheet

Liabilities

Section 1 - Due to banks - Item 10

1.1 Due to banks: breakdown

Type of transaction / Values	12-31-2014	12-31-2013
1. Due to central banks	**-**	**-**
2. Due to banks	**26,851**	**195,488**
2.1 Current accounts and demand deposits	5,664	32,457
2.2 Time deposits	20,418	9,733
2.3 Financing	23	152,830
2.3.1 Repurchase agreements	-	152,807
2.3.2 Other	23	23
2.4 Liabilities for commitments to repurchase own equity instruments	-	-
2.5 Other liabilities	746	468
Total	**26,851**	**195,488**
Fair value - Level 1	**-**	**-**
Fair value - Level 2	**-**	**-**
Fair value - Level 3	**26,851**	**195,488**
Total Fair value	**26,851**	**195,488**

At 31 December 2014 there are longer any repurchase agreements entered into with the parent company.

Amounts due to banks are all exposed and therefore it is believed that the fair value is aligned with the book value.

Section 2 - Deposits from customers - Item 20

2.1 Due to customers: breakdown

Type of transaction / Values	12-31-2014	12-31-2013
1. Current accounts and demand deposits	7,070,459	6,454,612
2. Time deposits	809,034	987,357
3. Loans	339,494	274,751
3.1 Repurchase agreements	297,286	260,009
3.2 Other	42,208	14,742
4. Liabilities for commitments to repurchase own equity instruments	-	-
5. Other debts	335,830	133,696
Total	**8,554,817**	**7,850,416**
Fair value - Level 1	**-**	**-**
Fair value - Level 2	**-**	**-**
Fair value - Level 3	**8,554,817**	**7,850,416**
Fair value	**8,554,817**	**7,850,416**

Customer deposits are almost totally repayable on demand and therefore it is believed that the fair value is in line with the book value.

The collection has recorded positive results in 2014, highlighting a customer propensity towards forms of current accounts and demand deposits compared to time deposits, even after a macro-economic scenario and market trends in recovery compared with in the past.

2.3 Details of item 20 "Due to customers": structured debt

	Total 12-31-2014	Total 12-31-2013
A. Due to customers		
A.1 Structured Deposits	9,349	8,482

Section 3 - Outstanding securities - Item 30

3.1 Securities issued: breakdown

Type of securities / Values	Total 12-31-2014				Total 12-31-2013			
	Book Valore	*Fair Value*			Book value	*Fair Value*		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. Bonds	954,780	-	971,462	-	1,113,683	-	1,145,986	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 further	954,780	-	971,462	-	1,113,683	-	1,145,986	-
2. Other securities	68	-	-	68	99	-	-	99
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	68	-	-	68	99	-	-	99
Total	**954,848**	**-**	**971,462**	**68**	**1,113,782**	**-**	**1,145,986**	**99**

3.2 Details of item 30 "Securities issued": subordinated securities

	Total 12-31-2014	Total 12-31-2013
A. Outstanding securities		
Outstanding securities - Convertible	-	-
Outstanding securities - Subordinated	342,662	370,922

3.3 Details of item 30 Securities issued with specific hedges

	Total 12-31-2014	Total 12-31-2013
1. Securities covered by specific fair value:	282,592	418,394
a) interest rate risk	282,592	418,394
b) currency risk	-	-
c) other risks	-	-
2. Securities covered by specific cash flow hedges:	-	-
a) interest rate risk	-	-
b) currency risk	-	-
c) other	-	-

Section 4 - Financial liabilities held for trading - Item 40

4.1 Financial liabilities held for trading:

Type of transaction / Values	Total 12-31-2014					Total 12-31-2013				
	NV	FV			FV*	NV	FV			FV*
		L1	L2	L3			L1	L2	L3	
A. Cash liabilities										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-	-	-
3. Debt	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	x	-	-	-	-	x
3.1.2 Other obligations	-	-	-	-	x	-	-	-	-	x
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	x	-	-	-	-	x
3.2.2 Other	-	-	-	-	x	-	-	-	-	x
A total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Derivatives										
1. Financial derivatives	x	15	24,235	-	x	x	34	25,467	-	x
1.1 Dealing	x	15	24,235	-	x	x	34	25,467	-	x
1.2 Associated with the fair value	x	-	-	-	x	x	-	-	-	x
1.3 Other	x	-	-	-	x	x	-	-	-	x
2. Credit derivatives	x	-	-	-	x	x	-	-	-	x
2.1 Dealing	x	-	-	-	x	x	-	-	-	x
2.2 Associated with the fair value	x	-	-	-	x	x	-	-	-	x
2.3 Other	x	-	-	-	x	x	-	-	-	x
Total B	**x**	**15**	**24,235**	**-**	**x**	**x**	**34**	**25,467**	**-**	**x**
Total (A + B)	**x**	**15**	**24,235**	**-**	**x**	**x**	**34**	**25,467**	**-**	**x**

Legend

FV = *fair value*

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

VN = nominal or notional value

L1 = Level 1

L2 = Level 2

L3 = Level 3

Section 6 - Hedging derivatives - Item 60

6.1 Hedging derivatives: breakdown by type of hedge and hierarchical levels

	Fair Value 12-31-2014			NV	Fair Value 12-31-2013			NV
	L1	L2	L3	12-31-2014	L1	L2	L3	12-31-2013
A. Financial derivatives	**-**	**136,676**	**-**	**526,445**	**-**	**99,548**	**-**	**577,283**
1) Fair value	-	136,676	-	526,445	-	99,548	-	577,283
2) Cash flow	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flow	-	-	-	-	-	-	-	-
Total	**-**	**136,676**	**-**	**526,445**	**-**	**99,548**	**-**	**577,283**

Legend

NV = nominal or notional value

L1 = Level 1

L2 = Level 2

L3 = Level 3

6.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge

Operations / type coverage	Fair Value						Cash flows		Foreign investment
	Specification								
	Interest rate risk	Currency risk	Credit risk	Price risk	Other risks	Generic	Specific	Generic	
1. Financial assets available for sale	-	-	-	-	-	x	-	x	x
2. Loans	-	-	-	x	-	x	-	x	x
3. Financial assets held to maturity	x	-	-	x	-	x	-	x	x
4. Portfolio	x	x	x	x	x	136,676	x	-	x
5. Other transactions	-	-	-	-	-	x	-	x	-
Total assets	**-**	**-**	**-**	**-**	**-**	**136,676**	**-**	**-**	**-**
1. Financial liabilities	-	-	-	x	-	x	-	x	x
2. Portfolio	x	x	x	x	x	-	x	-	x
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Expected transactions	x	x	x	x	x	x	-	x	x
2. Portfolio of financial assets and liabilities	x	x	x	x	x	-		-	-

Section 10 - Other liabilities - Item 100

10.1 Other liabilities: breakdown

	Total 12/31/2014	Total 12/31/2013
Amounts available to customers and banks for ongoing operations	2,628	3,340
Amounts payable to tax authorities on behalf of third parties	25,260	20,960
Accrued liabilities	8	-
Deferred income	1,486	1,421
Transfers and other payments	52,883	80,205
Trade payables and commissions to be charged to different entities	22,345	19,344
Debts for personnel expenses	11,176	15,689
Debts to collective valuations of guarantees and commitments	1,440	1,330
Debts for analytical assessments of guarantees and commitments	-	2,383
Compensation to be paid to auditors and administrators	441	621
Contributions to be paid to different entities	7,301	1,458
Advances and deposits from customers	871	152
Other	6,000	8,640
Total	**131,838**	**155,543**

Section 11 - Provision for employee severance pay - Item 110

11.1 Employee termination indemnities: annual changes

	Total 12-31-2014	Total 12-31-2013
A. Opening	**30,531**	**33,154**
B. Increases	**6,116**	**499**
B.1 Provisions	184	137
B.2 Other	5,932	362
- of which company mergers	-	-
C. Decreases	**(1,143)**	**3,122**
C.1 Payments made	(1,070)	(1,140)
- of which company mergers	1,070	1,140
C.2 Other changes	(73)	(1,982)
D. Closing	**35,505**	**30,531**

As indicated by IAS 19R (art. 76), the assumptions about the phenomena that determine the timing and magnitude of future costs that will support the company to pay benefits to employees must represent the "best estimate", or the best estimate of future performance of the phenomena in question.
The technical basis was developed by observing the corporate experience of the period 01.07.2009 - 30.06.2013. As agreed with the parent company, so the assumptions made, presented below, have been adopted by all Group companies being valued.

Demographic assumptions

- **deaths:** Updated ISTAT survival table, divided by age and sex adopting that of 2012;

- **retirement, resignations / dismissals, expiry of contracts:** these causes have been derived from observation of corporate data. For staff with fixed-term contracts, it has led the horizon of development until the expiry of the contract (there being nothing contractually guaranteed the continuation of the employment relationship) and it has been hypothesized that there are no early exits respect the contract expires. In the actuarial valuation there were considered the starting dates for the pensions provided by the Decree Law 6 December 2011, n. 201 entitled *"Urgent measures for growth, equity, and the consolidation of public finances",* converted with amendments by Law 22 December 2011, n. 214, as well as is the discipline to adapt the requirements for access to the pension system to increases in life expectancy in accordance with Article 12 of the Decree Law 31 May 2010, n. 78, converted with amendments by Law 30 July 2010, n. 122.
- **TFR advances:** in order to take into account the effects that these advances have on the timing of payments of severance pay, and, therefore, on discounting of company debt, the chances of a release of part of the matured volumes was estimated. The annual frequency of anticipation, inferred by observation of corporate data, has been set at 1.9%, while the percentage of TFR requested as an advance was confirmed at 70%, or the maximum provided by law;
- **supplementary pensions:** those who have always paid their TFR to a complementary pension release the Company of commitments in terms of severance pay and, therefore, are not subject to evaluation. With reference to the other employees, however, the estimates were made considering their actual choices by employees up to date 31.12.2014 as announced by the Company.

Financial assumptions

The method required by IAS 19R requires the adoption of economic-financial technical bases that reflect their influence is on the development perspective of flows (as a result of wage increases and inflationary scenarios predictable), which, above all, on discounting to date evaluation of the estimated liability of the Company. The discount rate, in fact, is the main assumption on which to an appreciable degree the processing results depend.

In particular, the assumptions adopted in the actuarial valuation are:

1. inflation: with reference to the first assumption, it was decided to adopt a rate of' 1% as medium scenario of 'expected inflation derived from the "Document of Economics and Finance in 2014", followed by "the Update of the Economy and Finance 2014 ".
2. salary increases: with reference to the wage increases, the phenomenon has been considered taking account of two components: the first of meritocratic and contractual nature, the second regarding inflation.
   - As regards the first part a null rate of annual increase was adopted.
   - With reference to the second component mentioned, the inflation levels mentioned in point 1 were considered.

   Please remember that the assumption relative to trend wage was adopted only for the Group companies that are not required to deposit the severance pay to the Treasury Fund managed by INPS, as for these companies only the actuarial valuation of TFR continues to regard the future annual TFR installments accrued by employees (and not paid to pension funds).
3. the discount rates: Under IAS 19R, the discount rate used is determined by reference to market yields of bonds of primary companies at the valuation date. In this regard, the Composite AA yield curve was used (source: Bloomberg) as at 31 December 2014.

Section 12 - Provisions for risks and charges - Item 120

12.1 Provisions for risks and charges: breakdown

Items / Values	Total 12-31-2014	Total 12-31-2013
1. Company pension funds	-	-
2. Other provisions for risks and charges	14,754	11,316
2.1 legal disputes and customer complaints	6,789	7,454
2.2 personnel charges	3,005	5
2.3 operational risks	1,814	1,874
2.4 indemnities and termination of the agency	197	156
2.5 other	2,949	1,827
Total	**14,754**	**11,316**

The table below disclosures about contingent liabilities arising from litigation and disputes of a fiscal nature, that the Bank has assessed as possible but not probable and in respect of which, therefore, provisions are not posted: the company Banca Sella Sud Arditi Galati, merged in 2011 with Banca Sella, has received a notice of assessment containing findings regarding IRES taxable income for the tax year 2005. The total amount of litigation (including taxes, interest and penalties) is of about 0.7 million euro. The amounts paid provisionally pending judgments were around 0.2 million euro. The decision at the Court of First Instance was favorable and we are awaiting the judgment of the second degree.

12.2 Provisions for risks and charges: annual changes

Items/components	Provisions for pensions	Legal disputes and customer complaints	Operational risks	Personnel charges	Indemnities and severance	Other	Total
A. Opening	**-**	**7,454**	**1,874**	**5**	**156**	**1,827**	**11,316**
B. Increases	**-**	**1,327**	**2**	**3,000**	**41**	**2,210**	**6,579**
B.1 Provisions	-	1,282	-	3,000	41	2,210	6,533
B.2 Changes due to the passage of time	-	27	2	-	-	-	29
B.3 Changes due to changes in discount rate	-	18	-	-	-	-	17
B.4 Other	-	-	-	-	-	-	-
- Company mergers	-	-	-	-	-	-	-
- Exchange difference calculated (-)	-	-	-	-	-	-	-
- Other changes (+)	-	-	-	-	-	-	-
C. Decreases	**-**	**(1,992)**	**(62)**	**-**	**-**	**(1,088)**	**(3,141)**
C.1 Use during the year	-	(1,502)	(62)	-	-	(1,078)	(2,642)
C.2 Changes due to changes in discount rate	-	-	-	-	-	-	-
C.3 Other changes	-	(490)	-	-	-	(10)	(490)
- Company mergers	-	-	-	-	-	-	-
- exchange difference calculated (-)	-	-	-	-	-	-	-
- other changes (-)	-	(490)	-	-	-	(10)	(500)
D. Closing	**-**	**6,789**	**1,814**	**3,005**	**197**	**2,949**	**14,754**

12.4 Provisions for risks and charges: other

It should be noted that section 12.4 has not been filled in as the other retail funds have been provided in table 12.1.

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

14.1 "Capital" and "Treasury shares": composition

	12-31-2014			12-31-2013		
	Shares issued	Shares subscribed and not yet paid	Total	Shares issued	Shares subscribed and not yet paid	Total
A. Capital						
A.1 Common Shares	281,597	-	281,597	281,597	-	281,597
A.2 Savings Shares	-	-	-	-	-	-
A.3 Preference Shares	-	-	-	-	-	-
A.4 Other Shares	-	-	-	-	-	-
B. Treasury shares						
B.1 Ordinary Shares	-	-	-	-	-	-
B.2 Savings Shares	-	-	-	-	-	-
B.3 Preference Shares	-	-	-	-	-	-
B.4 Other Shares	-	-	-	-	-	-

14.2 Share capital - Number of shares: annual changes

Items / Types	Ordinary	Other
A. Shares outstanding at beginning of year	**563,193**	**-**
- Fully paid	563,193	-
- Not fully paid	-	-
A.1 Treasury shares (-)	-	-
A.2 Shares outstanding: opening	**563,193**	**-**
B. Increases	**-**	**-**
B.1 New issues	-	-
- paid:	-	-
- operations of company mergers	-	-
- conversion of bonds	-	-
- exercise of guarantees	-	-
- other	-	-
- free of charge:	-	-
- for employees	-	-
- in favor of directors	-	-
- other	-	-
B.2 Sale of treasury shares	-	-
B.3 Other changes	-	-
C. Decreases	**-**	**-**
C.1 Cancellation	-	-
C.2 Purchase of own shares	-	-
C.3 Disposal of businesses	-	-
C.4 Other changes	-	-
D. Shares outstanding: closing	**563,193**	**-**
D.1 Treasury shares (+)	-	-
D.2 Shares outstanding at end of year	-	-
- fully paid	-	-
- not fully paid	-	-

It should be noted that at the end of the constraints of tax deferral which affect the share capital totaled 8,235 thousand euro, as follows:

- Constraints resulting from the merger of Banca Sella Sud Arditi Galati intervened in 2011 amounted to 5,784 thousand euros consisting of:

- Property revaluation reserve pursuant to Law no 266 of 2005, art. 1 Section 469: 5,090 thousand euro;
- Revaluation reserve pursuant to law no 413 of 1991: 694 thousand euro

- Constraints resulting from the merger of Banca Sella Nord Est Bovio Calderari intervened in 2012 amounted to 2,451 thousand euro, consisting of:
  - property revaluation reserve pursuant to law no 413 of 1991: euro 1,457 thousand euro;
  - revaluation reserves pursuant to law no 72/83: euro 62 thousand euro;
  - revaluation reserves pursuant to law no 576/75: euro 28 thousand euro;
  - reserve realignment property pursuant to law no 266 of 2005, Art. 1, Section 469: 904 thousand euro.

14.3 Capital: other information

	Total 12-31-2014	Total 12-31-2013
Par value per share (zero if the shares have no nominal value)	0.5	0.5
Fully paid:	563,193	563,193
Number	563,193	563,193

The Bank did not hold, nor does it currently holds, nor did it buy or sell any own shares or shares of the parent company Banca Sella Holding.

14.4 Reserves: other information

Of earnings:	12/31/2014	12/31/2013
Legal Reserve	27,959	25,510
Statutory Reserve	67,879	59,715
Extraordinary reserve	12,687	6,014
Free	11,542	4,869
Bound under Law 266/05 Article 1 Section 469	1,145	1,145
Reserve by applying IAS. 8 - Actualized change criteria. TFR	(1,102)	(1,102)
Total retained earnings	**107,423**	**90,137**
Other reserves:	**12/31/2014**	**12/31/2013**
Merger surplus reserve with Group companies	(70,614)	(70,614)
Reserve for adoption of IAS / IFRS principles	(1)	(1)
Reserve for purchase of business units from Group companies	(64,654)	(64,623)
Gains / losses carried forward by applying IAS n. 8	(4,127)	(4,127)
Reserve from sale of business to Group companies	244	244
Deficits of previous years	(416)	(416)
Total other reserves	**(139,568)**	**(139,537)**
Total retained earnings and other reserves	**(32,145)**	**(49,400)**

Detail the use of Reserves (Prepared in accordance with Art. 2427 c. 7-bis of the Civil Code)

	Amount	Possibility of use (*)	Amount distributable	Summary of the uses made in the three preceeding years	
				For covering losses	For other reasons
Capital	**281,597**				
Capital reserves					
Share premium account	298,722	A - B - C	298.722	-	-
Reserve payments for capital increases	-				
Retained earnings					
Legal reserve	27,959	A [1] - B	-	-	-
Statutory reserve	67,879	B	-	-	-
Extraordinary reserve	11,542	A - B - C	11.542	-	-
Merger surplus reserve with Group companies	(70,614)	A - B - C	(70.614)	-	-
Reserves from application of IAS n.8	(1,102)	---	(1.102)	-	-
Reserves from application of IAS n. 8 – TFR actualiz. change criteria	(4,127)	B	(4.127)	-	-
Reserves from the first application of IAS / IFRS					
Reserve for adoption of IAS / IFRS pursuant to Legislative Decree no. 38/05 art.7 paragraph 4	(1)	A - B - C	(1)	-	-
Revaluation reserves					
Valuation reserve assets available for sale pursuant to Legislative Decree no. 38/05 art. 7 paragraph 2	9,951	---(5)	-	-	-
Actuarial reserves of severance pay provision	(5,134)	---	(5.134)	-	-
Other reserves					
Reserve Merger surplus	-	A - B[2] - C[3]	-	-	-
Reserve from transfer of business from Group companies	(64,654)	A - B[2] - C[3]	(64.654)	-	-
Total	**552,018**		**164.632**		
Non-distributable pursuant to article 5 of 2426 cc			-		
Residual distributable portion			164.632		

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

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

(2) If used to cover losses (B) cannot result in the distribution of profits until the reserve is increased or reduced accordingly. The reduction must be subject to a resolution of the extraordinary shareholders' meeting, without complying with the provisions of paragraphs 2 and 3 of Art. 2445 c.c.

(3) If not included in capital reserve it can be reduced only in compliance with the provisions of paragraphs 2 and 3 of Art. 2445 c.c. Should it be distributed to shareholders in the taxable income of the company.

(5) The reserve is unavailable pursuant to art. 6 of Legislative Decree no. 38/2005.

Other information

1. Guarantees and commitments

Operations	Amount 12-31-2014	Amount 12-31-2013
1) Guarantees of a financial nature	64,431	74,062
a) Banks	16,837	17,242
b) Customers	47,594	56,820
2) Guarantees of a commercial nature	187,765	195,598
a) Banks	454	150
b) Customers	187,311	195,448
3) Irrevocable commitments to disburse funds	276,457	262,044
a) Banks	6,015	8,157
i) for certain use	6,015	8,157
ii) uncertain	-	-
b) Customers	270,442	253,887
i) for certain use	122	-
ii) uncertain	270,319	253,887
4) Commitments underlying credit derivatives: protection sales	-	-
5) Assets pledged as collateral for third	500	500
6) Other commitments	-	-
Total	529,153	532,204

2. Assets pledged as collateral for liabilities and commitments

Portfolios	Amount 12-31-2014	Amount 12-31-2013
1. Financial assets held for trading	-	-
2. Financial assets at fair value	-	-
3. Financial assets available for sale	11,787	8,649
4. Financial assets held to maturity	-	148,131
5. Due from banks	282,000	248,220
6. Loans to customers	-	89,343
7. Tangible assets	-	-

4. Management and brokerage for third parties

Type of services	Amount 12/31/2014	Amount 12/31/2013
1. Execution of orders on behalf of customers	**-**	**-**
a) purchases		
1. settled	-	-
2. unregulated	-	-
b) sales		
1. settled	-	-
2. not settled	-	-
2. Portfolio management	**1,621,176**	**1,476,247**
a) Individual	1,621,176	1,476,247
b) Collective	-	-
3. Custody and administration of securities	**22,871,239**	**22,757,211**
a) third-party securities on deposit: related to role of custodian bank (excluding portfolio management)	-	-
1. securities issued by the reporting entity	-	-
2. other securities	-	-
b) third-party securities on deposit (excluding portfolio management): other	9,630,461	9,623,661
1. securities issued by the reporting entity	506,982	623,879
2. other securities	9,123,479	8,999,782
c) third-party securities deposited with third parties	10,765,484	10,612,077
d) own securities deposited with third parties	2,475,294	2,521,473
4. Other transactions	**105,134,135**	**93,774,410**

In Other operations there was added volume of business of the reception and transmission of orders, which is divided as follows:
- Purchases: 53,095,487
- Sales: 52,038,648

The following table shows the detailed breakdown of the indirect funding of the Bank:

Detail of indirect funding

	12/31/2014	12/31/2013
a) Indirect refers to the management and trading on behalf of third parties (see table above)		
- Portfolio management	1,621,176	1,476,247
- Custody and administration of securities:		
- Third-party securities on deposit associated with custodian bank (excluding portfolio management of assets) - Other securities	-	-
- Other third-party securities on deposit (excluding asset management): other - Other securities	9,123,479	8,999,782
b) Indirect refers to insurance policies	823,717	745,378
Total indirect funding	**11,568,372**	**11,221,407**

5. Financial assets subject to compensation in the budget, or subject to framework agreements of compensation or similar agreements

Technical forms	Gross amount of financial assets (a)	Amount of financial assets offset in the financial statements (b)	Net amount of financial assets reported in the financial statements (c = ab)	Related amounts are not subject to compensation in Fin. Statement		Net amount 12-31-2014 (f=c-d-e)	Net amount 12-31-2013
				Financial instruments (d)	Deposits of cash received as collateral (s)		
1. Derivatives	24,323	-	24,323	24,323	-	-	-
2. Repurchase agreements	-	-	-	-	-	-	-
3. Securities Lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total 2014	**24,323**	**-**	**24,323**	**24,323**	**-**	**-**	**x**
Total 2013	**29,084**	**-**	**29,084**	**29,084**	**-**	**x**	**-**

6. Financial liabilities subject to compensation in the budget, or subject to framework agreements of compensation or similar agreements

Technical types	Gross amount of financial liabilities (a)	Amount of financial liabilities offset in the balance sheet (b)	Net amount of financial liabilities reported in the balance sheet (c = ab)	Related amounts are not subject to compensation in balance		Net amount 12-31-2014 (f=c-d-e)	Net amount 12-31-2013
				Financial instruments (d)	Cash deposits in guarantee (s)		
1. Derivatives	150,051	-	150,051	24,323	119,120	6,608	(1)
2. Repurchase agreements	-	-	-	-	-	-	-
3. Securities Lending	-	-	-	-	-	-	-
4. Other transactions	-	-	-	-	-	-	-
Total 2014	**150,051**	**-**	**150,051**	**24,323**	**119,120**	**6,608**	**x**
Total 2013	**110,429**	**-**	**110,429**	**29,084**	**81,346**	**x**	**1**

OTC derivatives present in the above tables relate to the categories of *swaps,* interest rate options and options on exchange rates.
The assessment rate *swap* takes place according to the methodology of the *discounted-cash-flow* (DCF), which is the de facto industry standard, and which uses as input data the swap rate curve relative to the currency of the contract. This curve is periodically detected by the one published by the leading financial information providers (Bloomberg/Reuters) present at the Bank. Where the structure of the swap is more complex, and does not allow a reasonable certainty in the estimate of the contract value, an evaluation of the contract is requested from the counterparty to the transaction.
The rate options are represented exclusively by caps and floors, and are valued according to the Black model. This choice is based on the consideration that alternative models would pose the problem of

calibration parameters for the stage of pricing and would not provide a significant improvement in the estimated price. Additional elements to favor this choice are connected with the consideration that a wide array of implicit volatility is reported by the leading financial information providers, in combination with the option prices for the same standard deadlines.
The foreign exchange options, both "*plain vanilla"* and "exotic" (European or American barrier options) are valued according to the Black&Scholes. Volatility curves necessary to calculate the implied volatility of each option and stock prices and the foreign exchange market rate used in the valuation of contracts, are excerpts from leading financial information providers in the Bank (Bloomberg). In the case of more complex structures and exotic options such as to prevent a reasonable certainty in the value of the contract, where possible an evaluation algorithm is developed internally, or, where possible, there is requested the evaluation of the same to a third party with respect to the operation. These assessments, if any, contribute to the determination of the price together with the valuation provided by the counterparty to the transaction.
With regard to exposure in OTC derivatives, the quantification of corrective CVA (for active exposure) and DVA (for passive exposure) is carried out by Dealer Wizard for all contracts except for those covered by netting agreements and collateral (es. ISDA , CSA, etc.).

According to IAS 32, paragraph 42: "A financial asset and a financial liability shall be offset and the net amount presented in the balance sheet when and only when an entity:
(A) currently has a legally enforceable right to offset the recognized amounts; and
(B) the intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.
In accounting for a transfer of a financial asset that does not meet the conditions required for the elimination, the entity shall not offset the transferred asset and the associated liability (see IAS 39, paragraph 36)."
The Bank does not make use of the aforementioned compensation and therefore did not consider it necessary to disclose the information required by the 3rd update from Circ.262/05.

Part C – Income Statement

Section 1 - Interest - Items 10 and 20

1.1 Interest and similar income: breakdown

Items/Technical forms	Debt securities	Loans	Other operations	Total 12/31/2014	Total 12/31/2013
1. Financial assets held for trading	520	-	256	777	1,471
2. Financial assets available for sale	12,815	-	-	12,815	10,548
3. Financial assets held to maturity	18,721	-	-	18,721	24,537
4. Due from banks	2,409	6,473	-	8,882	11,219
5. Loans to customers	12	256,258	-	256,270	275,150
6. Financial assets at fair value	-	-	-	-	-
7. Hedging derivatives	x	x	7,512	7,512	10,524
8. Other assets	x	x	99	99	14
Total	**34,478**	**262,731**	**7,867**	**305,077**	**333,463**

Below is the breakdown of the accrued interest on loans, substandard loans, loans past due/overdue and rescheduled loans:

Interest and similar income: the interest accrued on impaired loans

Items	12/31/2014	12/31/2013
- accrued on loans	74	192
- accrued on impaired loans	9,557	8,853
- accrued on loans past due/overdue	1,353	1,967
- accrued on restructured	217	212

1.3 Interest and similar income: other information

1.3.1 Interest income on financial assets in foreign currency

Items	12/31/2014	12/31/2013
Interest income on foreign currency financial assets	476	3,618

1.4 Interest expense and similar charges: breakdown

Items/Technical forms	Debts	Securities	Other transactions	Total 12/31/2014	Total 12/31/2013
1. Due to central banks	-	x	-	-	-
2. Due to banks	989	x	-	989	491
3. Due to customers	55,574	x	-	55,574	77,506
4. Outstanding securities	x	26,121	-	26,121	29,827
5. Trading liabilities	-	-	211	211	414
6. Financial liabilities at fair value	-	-	-	-	-
7. Other liabilities and provisions	x	x	1	1	5
8. Hedging	x	x	24,597	24,597	28,090
Total	**56,563**	**26,121**	**24,809**	**107,493**	**136,333**

1.5 Interest expense and similar charges: differences on hedging transactions

Items	12/31/2014	12/31/2013
A. Positive differentials on hedging transactions	7,512	10,524
B. Negative differentials on hedging transactions	24,597	28,090
C. Balance (A-B)	**(17,085)**	**(17,566)**

1.6 Interest expense and similar charges: other information

1.6.1 Interest expense on foreign currency liabilities

Items	12/31/2014	12/31/2013
Interest expense on financial liabilities in foreign currency	1,326	1,487

Section 2 - Commissions - Items 40 and 50

2.1 Commission income: breakdown

Type of service/Values	Total 12/31/2014	Total 12/31/2013
a) guarantees	3,454	3,350
b) credit derivatives	-	-
c) management, brokerage and advisory services:	67,016	62,604
1. trading in financial instruments	-	-
2. currency trading	1,361	1,106
3. portfolio management	12,506	11,534
3.1. Individual	12,506	11,534
3.2. collective	-	-
4. custody and administration of securities	1,817	2,054
5. depository	-	-
6. placement of securities	18,684	15,609
7. receipt and transmission of orders	23,132	24,204
8. advisory	63	13
8.1 investment	63	13
8.2 in capital structure	-	-
9. distribution of third party services	9,453	8,084
9.1 portfolio management	-	-
9.1.1. Individual	-	-
9.1.2. collective	-	-
9.2 insurance products	8,078	6,848
9.3 other products	1,375	1,236
d) collection and payment	106,026	104,617
e) servicing for securitization transactions	-	64
f) services for factoring transactions	-	-
g) tax collection services	-	-
h) management of multilateral trading facilities	-	-
i) holding and management of current accounts	23,057	22,820
j) other services	39,431	41,942
Total	**238,984**	**235,397**

Commission income showed an improvement of 3.6 million euro due to an overall positive performance of all types of commissions; in particular, we emphasizes that the collection and payment are up compared to 31 December 2013 despite the tightening of some transaction costs charged by the international circuits, while the climate of greater confidence in the markets contributed to the growth in commissions on management, brokerage and advisory services, with a customer propensity for insurance products.

Below is the breakdown of subheading relative to other services:

Commission income: detail of the item "Other services"

	12/31/2014	12/31/2013
- credit cards and debit cards	10,933	11,788
- recovery of expenses on loans to customers	1,200	1,260
- fees and commissions on relations with credit institutions	600	620
- renting safes	183	176
- recovery postage, printing, etc.	1,839	1,606
- commissions on loans granted to customers	20,593	22,570
Other	4,083	3,922
Total "other services"	**39,431**	**41,942**

2.2 Commission income: distribution channels for products and services

Channels/Values	Total 12/31/2014	Total 12/31/2013
a) own branches		
1. portfolio management	12,506	11,534
2. placement of securities	18,676	15,599
3. third party products and services	9,055	7,781
b) off-site		
1. portfolio management	-	-
2. placement of securities	9	10
3. third party products and services	227	252
c) other distribution channels		
1. portfolio management	-	-
2. placement of securities	-	-
3. third party products and services	171	51

2.3 Commission expense: breakdown

Services/Values	Total 12/31/2014	Total 12/31/2013
a) guarantees received	344	401
b) credit derivatives	-	-
c) management and brokerage services:	22,543	19,743
1. trading in financial instruments	6,501	6,052
2. currency trading	-	-
3. portfolio management:	-	-
3.1 own	-	-
3.2 third-party	-	-
4. custody and administration of securities	432	450
5. placement of financial instruments	-	-
6. external marketing of financial instruments, products and services	15,610	13,241
d) collection and payment	51,801	51,148
e) other services	1,573	1,502
Total	**76,261**	**72,794**

Below is the breakdown of subheadings relative to other services:

Commission expense: detail of the item "Other services"

	12/31/2014	12/31/2013
dealing with banks	385	337
funding	1	777
brokerage	-	-
other	1,187	388
Total "Other services"	**1,573**	**1,502**

Section 3 - Dividends and similar income - Item 70

3.1 Dividends and similar income

Items/Income	Total 12/31/2014		Total 12/31/2013	
	Dividends	Income from mutual funds	Dividends	Income from mutual funds
A. Financial assets held for trading	-	-	-	-
B. Financial assets available for sale	80	-	276	-
C. Financial assets at fair value	-	-	-	-
D. Investments	-	x	-	x
Total	**80**	**-**	**276**	**-**

Section 4 - Net result from trading - Item 80

4.1 Net result from trading: breakdown

Transactions / Income	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net result [(A+B) - (C+D)]
1. Financial assets held for trading	**107**	**754**	**(580)**	**(18)**	**263**
1.1 Debt	107	754	(580)	(18)	263
1.2 Equities	-	-	-	-	-
1.3 UCITS units	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Trading liabilities	**-**	**-**	**-**	**-**	**-**
2.1 Debt	-	-	-	-	-
2.2 Due	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Financial assets and liabilities: exchange differences	**x**	**x**	**x**	**x**	**5,856**
4. Derivatives	**12,320**	**3,655**	**(10,627)**	**(4,265)**	**1,448**
4.1 Financial derivatives:	12,320	3,655	(10,627)	(4,265)	1,448
- On debt securities and interest rates	12,320	3,655	(10,627)	(4,265)	1,083
- On equities and equity indices	-	-	-	-	-
- On currencies and gold	x	x	x	x	365
- Other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
Total	**12,427**	**4,409**	**(11,207)**	**(4,283)**	**7,566**

Section 5 - Fair value adjustments in hedge accounting - Item 90

5.1 Net result from hedging: breakdown

Income components / Values	Total 12/31/2014	Total 12/31/2013
A. Income from:		
A.1 Hedging derivatives fair value	2,906	52,673
A.2 Hedged financial assets (fair value)	37,402	-
A.3 Hedged financial liabilities (fair value)	3,965	9,377
A.4 Financial derivatives hedging cash flows	-	-
A.5 Assets and liabilities in foreign currency	-	-
Total income from hedging activities (A)	**44,273**	**62,050**
B. Charges relating to:		
B.1 Hedging derivatives fair value	40,903	24,008
B.2 Hedged financial assets (fair value)	-	37,647
B.3 Hedged financial liabilities (fair value)	-	-
B.4 Financial derivatives hedging cash flows	-	-
B.5 Assets and liabilities in foreign currency	-	-
Total losses on hedging activities (B)	**40,903**	**61,655**
C. Net result of hedging activities (A-B)	**3,370**	**395**

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

6.1 Profit (loss) from sale/repurchase: breakdown

Items/Income	Total 12/31/2014			Total 12/31/2013		
	Profits	Losses	Net income	Profits	Losses	Net income
Financial assets						
1. Due from banks	-	-	-	-	-	-
2. Loans to customers	-	-	-	354	554	(200)
3. Financial assets available for sale	10,192	782	9,410	3,916	1,142	2,774
3.1 Debt	10,185	782	9,403	3,916	1,142	2,774
3.2 Equity securities	7	-	7	-	-	-
3.3 UCITS units	-	-	-	-	-	-
3.4 Financing	-	-	-	-	-	-
4. Financial assets held to maturity	76,288	1,164	75,124	-	-	-
Total assets	**86,480**	**1,946**	**84,534**	**4,270**	**1,696**	**2,574**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	81	-	81	948	-	948
3. Outstanding securities	45	3,889	(3,844)	1,213	1,334	(121)
Total liabilities	**126**	**3,889**	**(3,763)**	**2,161**	**1,334**	**827**

Section 8 - Net losses/recoveries on impairment - Item 130

'8.1 Impairment losses on loans: breakdown

Transactions/Income	Value adjustments (1)			Writebacks (2)				Total	
	Specifications		Portfolio	Specifications		Portfolio		12/31/2014	12/31/2013
	Cancellations	Other		A	B	A	B		
A. Due from banks									
- Financing	-	-	(397)	-	-	-	-	(397)	34
- Debt	-	-	-	-	-	-	-	-	-
B. Loans to customers									
Impaired loans purchased									
- Financing	-	-	x	-	-	x	x	-	-
- Debt	-	-	x	-	-	x	x	-	-
Other receivables									
- Financing	(4,206)	(129,973)	-	14,293	15,600	-	1,179	(103,107)	(105,760)
- Debt	-	-	-	-	-	-	-	-	-
C. Total	**(4,206)**	**(129,973)**	**(397)**	**14,293**	**15,600**	**-**	**1,179**	**(103,504)**	**(105,726)**

A= from interest
B= other

The process of revision of the parameters of analytical valuation of non-performing loans and problem loans with revocation of credit, both quoted in the Report, and in Part A - Accounting policies of these financial statements, resulted in a modest increase in the consistency both of the impaired loans and on difficult revoked loans.

8.2 Impairment losses on financial assets available for sale: breakdown

Transactions/Income	Value adjustments (1)		Writebacks (2)		Total 12/31/2014	Total 12/31/2013
	Specifications		Specifications			
	Cancellations	Other	A	B		
A. Debt	-	-	-	-	-	-
B. Equities	-	-	-	-	-	(3)
C. Mutual Funds	-	-	x	x	-	-
D. Loans to banks	-	-	x	-	-	-
E. Loans to customers	-	(600)	-	-	(600)	-
F. Total	**-**	**(600)**	**-**	**-**	**(600)**	**(3)**

A= from interest
B= other

The amount refers to the participatory instrument of Comital Saiag capital. For more details, see the Report on Operations.

8.4 Net value adjustments for impairment of other financial transactions: analysis

Transactions/Income	Value adjustments (1)			Writebacks (2)				Total	
	Specifications		Portfolio	Specifications		Portfolio		12/31/2014	12/31/2013
	Cancellations	Other		A	B	A	B		
A. Guarantees	(352)	-	(53)	-	-	-	-	(405)	(1,832)
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	-	-	-	-	-	-	-	-
D. Other transactions	-	(111)	-	-	1	-	-	(110)	(108)
E. Total	**(352)**	**(111)**	**(53)**	**-**	**1**	**-**	**-**	**(515)**	**(1,940)**

A= from interest
B= other

“Other” operations include operations of discounting adjustments and provisions for credit devaluing causes while awaiting judgment.

Section 9 - Administrative expenses - Item 150

9.1 Personnel expenses: breakdown

Type of expense/Amount	Total 12/31/2014	Total 12/31/2013
1) Employees	152,116	148,826
a) Wages and Salaries	111,224	109,253
b) Social security	26,898	27,831
c) Compensation for loss of	3,557	3,197
d) Pension expense	1,509	-
e) Provision for severance indemnities	184	137
f) Provision for pensions and similar obligations:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) Payments to external pension:	4,797	4,784
- defined contribution	4,797	4,784
- defined benefit	-	-
h) costs deriving from payment agreements based on own equity instruments	-	-
i) Other benefits for employees	3,945	3,624
2) Other personnel	288	822
3) Directors and auditors	547	725
4) Retired personnel	-	-
5) Recovery of expenses for employees seconded to other companies	(1,906)	(2,062)
6) Reimbursement of expenses for employees seconded to the company	2,288	2,043
Total	**153,331**	**150,354**

9.2 Average number of employees by category

	Total 12/31/2014	Total 12/31/2013
1) Employees	**2,773**	**2,722**
a) managers	28	24
b) middle managers	714	689
c) other employees	2,031	2,009
2) Other personnel	**17**	**27**
Total	**2,790**	**2,749**

9.4 Other benefits for employees

Type of expense/Amount	Total 12/31/2014	Total 12/31/2013
- incentives and fund income support	94	(7)
- benefits for dependent children	85	79
- payments in kind	1,446	1,196
- insurance costs	1,379	1,639
- professional training courses	704	264
- travel expenses	16	7
Other	221	446
Total	**3,945**	**3,624**

9.5 Other administrative expenses: breakdown

Type of service/Amount	Total 12/31/2014	Total 12/31/2013
Legal and notary fees	6,305	6,148
Removals and various consultancy	3,481	1,710
Printing and stationery	363	497
Rental of electronic machines and softwares	403	256
Various fees and expenses for services provided by third parties	30,072	28,283
Charges for data transmission and telephone	3,086	2,558
Postal and telegraph	3,410	4,812
Expenditure on transport	575	678
Clean rooms	910	985
Surveillance and stock values	2,373	2,444
Electricity and heating	3,147	3,504
Room rental	18,606	19,409
Various insurance	1,003	970
Listings and advertising	1,973	1,954
Entertainment expenses	224	12
Donations	236	106
Membership fees	772	760
Subscriptions and books	47	66
Information and searches	1,935	1,988
Travel expenses	1,704	1,555
Charges for service interbank network	644	328
Charges for website	5	10
Other	1,749	2,354
Expenses for maintenance and repair	**8,255**	**8,104**
- Real Estate Property	336	560
- Movable	2,771	3,145
- Hardware and software	5,148	4,399
Indirect taxes and duties	**38,996**	**33,556**
- Stamp duty	36,664	30,737
- Substitute tax DPR 601/73	1,224	1,476
- Municipal taxes only	255	281
- Other indirect taxes	853	1,062
Total	**130,274**	**123,048**

The continuation of the policy of cost containment allowed to keep almost unchanged administrative expenses excluding the increase in stamp duty, within indirect taxes, but that is entirely offset by tax recoveries on customers recognized in income Management item 190.

Under art.2427, paragraph 16a of the Civil Code, the information requested on the remuneration paid to the external auditors are reported within the notes to the consolidated financial statements of Gruppo Banca Sella.

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

10.1 Net provisions for risks and charges: breakdown

	Balance at 12/31/2014	Balance at 12/31/2013
Provisions for possible revocation	99	575
Provisions for personnel costs	3,000	1
Provisions for bonds in default	-	-
Provisions for litigation	1,143	1,611
Provisions for customer complaints	84	388
Provisions for risks Operating companies GBS	-	851
Provisions for employees infidelity	1	60
Provisions FISC	41	9
Provisions for active lawsuits	-	-
Provisions for tax litigation	-	-
Restructuring provisions	-	-
Allocations to other funds	2,210	1,222
Reallocation to income statement relating to lawsuits	(378)	(555)
Reallocation to income statement relating to customer complaints	(121)	(569)
Reallocation to income statement related to infidelity employees	-	(40)
Total	**6,079**	**3,553**

Section 11 - Impairments / write backs on property, plant and equipment - Item 170

11.1 Net impairment losses on property, plant and equipment: breakdown

Assets/Income	Amortization (a)	Adjustments for impairment (b)	Writebacks (c)	Net income (a + b + c) 12/31/2014
A. Property and equipment				
A.1 Owned	7,025	-	-	7,025
- Operations	6,798	-	-	6,798
- For investment	227	-	-	227
A.2 Acquired under finance leases	-	-	-	-
- Operations	-	-	-	-
- For investment	-	-	-	-
Total	**7,025**	**-**	**-**	**7,025**

Section 12 - Impairment/write-backs on intangible assets - Item 180

12.1 Net impairment losses on intangible assets: breakdown

Assets/Income	Amortization (a)	Adjustments for impairment (b)	Writebacks (c)	Net income (a + b + c) 12/31/2014
A. Intangible assets				
A.1 Owned	10,984	-	-	10,984
- Internally generated	2,244	-	-	2,244
- Other	8,740	-	-	8,740
A.2 Acquired under finance leases	-	-	-	-
Total	**10,984**	**-**	**-**	**10,984**

Section 13 - Other net operating income - Item 190

Other expenses/income

	12/31/2014	12/31/2013
Total other operating expenses	5,513	6,097
Total other operating income	68,239	79,730
Other expenses/income	**62,726**	**73,633**

13.1 Other operating expense: breakdown

	Total 12/31/2014	Total 12/31/2013
Amortization of expenses for improvements to third party assets	746	1,302
Losses related to operational risk	3,487	2,858
Repayment of interest on the collection and payment	-	-
Criminal liability for breach of contract	9	3
Returning customer incentive funds-Fund (Mifid)	449	417
Other charges	822	1,471
Total	**5,513**	**6,097**

13.2 Other operating income: composition

	Total 12/31/2014	Total 12/31/2013
Rental and rental income	509	330
Charges to third parties and reimbursements received:	37,660	31,406
- recovery of taxes	36,651	31,227
- insurance premiums and reimbursements	1,009	179
Recovery of expenses and other income on deposits and current accounts	10,011	8,479
Income from software services	5,552	5,574
Recovery of interest on the collection and payment	7	9
Rental income pos	2,512	2,492
Administrative services provided to third parties	5,595	5,929
Penalty for breach of contract active	15	53
Recovery of expenses for services related to debt collection	3,383	3,123
Other recovery expenses	1,859	-
Proceeds from sale of business	-	19,026
Other income	1,136	3,309
Total	**68,239**	**79,730**

Excluding the extraordinary item of 19 million euro in 2013 from the sale of part of the branches of the Veneto and Trentino Alto Adige in Cassa di Risparmio di Bolzano and the component related to tax recoveries from customers (which is offset with taxes stamp administrative expenses), income would increase by about 2 million euro.

Section 16 - Impairment of goodwill - Item 230

16.1 Impairment of goodwill

	12-31-2014	12-31-2013
Goodwill impairment branches	1,048	-
Total	**1,048**	**-**

The item was increased by the effects of the depreciation of the goodwill of the branches of Bovolone and San Martino Buon Albergo, remaining after the branches transfer operation to Cassa di Risparmio di Bolzano, which originally were part of the group of subsidiaries acquired in 2000 by the group Unicredit.

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

17.1 Gains (losses) on disposal of investments: breakdown

Income components/Values	Total 12/31/2014	Total 12/31/2013
A. Property	-	-
- Gains on sale	-	-
- Losses on sale	-	-
B. Other activities	5	(20)
- Gains on sale	6	9
- Losses on sale	(1)	(29)
Net income	**5**	**(20)**

Section 18 - Income taxes from continuing operations
Item 260

18.1 Taxes on income from continuing operations: breakdown

Income components/Values	Total 12/31/2014	Total 12/31/2013
1. Current taxes (-)	(58,259)	(39,648)
2. Change in current taxes from previous periods (+/-)	2,845	214
3. Reduction of current taxes for the year (+)	20	6
3. a reduction in current taxes for tax credits of Law n. 214/2011 (+)	64	-
4. Change in prepaid taxes (+/-)	18,096	24,448
5. Change in deferred taxes (+/-)	-	(4,343)
6. Taxes for the period (-) (-1+/- 2+3+3a+/-4+/-5)	(37,234)	(19,323)

18.2 Reconciliation between theoretical tax burden and effective tax

description	taxable	rate	income tax
Profit from continuing operations before tax	101,464		
Nominal tax rate (1)		33.03%	33,514
Excluding dividends from tax	-76	-0.02%	-21
Gains and losses from sales of investments	-7	0.00%	-2
Non-deductible costs	1,914	0.52%	526
IMU deductible IRES	210	0.06%	58
Impact grinding gain with no start-stop FD	-	0.00%	-
Interest paid to third-deductible 4% Robin tx IRES	2,898	0.79%	797
Impairment of investments		0.00%	-
deduction for IRES IRAP	-6,476	-1.76%	-1,781
lower or higher taxes in previous years		-1.49%	-1,509
tax net foreign - India		0.10%	100
Net foreign taxes - other foreign withholdings undergone		0.00%	4
investment tax credit L. 91/2014 (estimate)		-0.06%	-64
Other differences		0.00%	-
Adjusted rate		31.16%	31,619
Deductible interest expense at 4% Robin tx IRAP	3,070	0.17%	170
Dividends untaxed IRAP	-40	0.00%	-2
Personnel costs not deductible IRAP (item 150)	93,826	5.11%	5,185
Not relevant write-downs IRAP (item 230)	-	0.00%	-
Risk provisions and deductible IRAP writedowns (item 160 and item 130)	7,590	0.41%	419
Share of non-deductible IRAP administrative expenses (item 150 and 170)	14,556	0.79%	804
Other untaxed operating income and not deducted IRAP expenses (item 190) other costs associated with the personal cost	-17,627	-0.96%	-974
IRAP deduction for transfer without recourse of loans	-	0.00%	-
IMU deductible IRAP	255	0.01%	14
other differences - deferred tax rates and current IRAP		0.00%	-1
Effective rate		36.70%	37,234

(1): IRES rate + IRAP rate weighted average based on the spatial distribution of the tax base.

Part D – Comprehensive Income

Analytical statement of comprehensive income

ANALYTIC STATEMENT OF TOTAL INCOME

	Items	Gross amount	Income tax	Net amount
10.	**Profit (loss)**	**X**	**X**	**64,230**
	Other comprehensive income without transfer to income statement			
20.	Tangible assets	-	-	-
30.	Intangible assets	-	-	-
40.	Defined benefit plans	(5,663)	1,557	(4,106)
50.	Non-current assets held for sale	-	-	-
60.	Share of valuation reserves of equity investments accounted for at equity	**-**	**-**	**-**
	Other comprehensive income with the reversal to income			
70.	**Hedging of foreign investments:**	**-**	**-**	**-**
	a) fair value changes	-	-	-
	b) transfer to income statement	-	-	-
	c) other changes	-	-	-
80.	**Exchange differences:**	**-**	**-**	**-**
	a) changes in the value	-	-	-
	b) transfer to income statement	-	-	-
	c) other changes	-	-	-
90.	**Cash flow hedges:**	**-**	**-**	**-**
	a) fair value changes	-	-	-
	b) transfer to income statement	-	-	-
	c) other changes	-	-	-
100.	**Financial assets available for sale:**	**7,558**	**(2,496)**	**5,062**
	a) fair value changes	11,859	(3,917)	7,942
	b) transfer to income statement	(4,301)	1,421	(2,880)
	- Impairment losses	-	-	-
	- gains / losses on disposals	(4,301)	1,421	(2,880)
	c) other changes	-	-	-
110.	**Non-current assets held for sale:**	**-**	**-**	**-**
	a) fair value changes	-	-	-
	b) transfer to income statement	-	-	-
	c) other changes	-	-	-
120.	**Share of valuation reserves of equity investments accounted for at equity:**	**-**	**-**	**-**
	a) fair value changes	-	-	-
	b) transfer to income statement	-	-	-
	- Impairment losses	-	-	-
	- gains / losses on disposals	-	-	-
	c) other changes	-	-	-
130.	**Total other comprehensive income**	**1,895**	**(939)**	**956**
140.	**Comprehensive income (Item 10 + 130)**			**65,186**

Part E – Information on risks and hedging policies

Premise

Banca Sella attaches great importance to the management and control of risks, as conditions to ensure a sustainable value creation in a context of controlled risk.

The monitoring and control of risk is carried out by the corporate control of the second level (Compliance and Risk Management) and third level (Internal Audit). In particular, the Risk Management of the parent company, has the mission to contribute actively to the achievement of effective risk management and an efficient risk / return, through the identification, measurement and control of risks of the First and Second Pillar of Basel 3, by operating in a manner closely linked to the management of economic and financial variables in the constant respect for and adapting to the changes required by the regulations and in line with the best practices of the system. The Risk Management function is distinct and independent from the business functions responsible for managing operational risk and is placed directly under the CEO.

The culture of control and the risk in Banca Sella is widespread at all levels. Business strategies are oriented to a careful training and continuous professional development; particular attention is paid to resources, whether operating directly in control functions or operational functions, ensuring continual professional development through the use of external training and continuous professional and regulatory updating, including participation in interbank working groups.

During 2014, the Service and the Litigation Service Anomalous Loans have been the subject of an organizational review and were rolled into one service called Non Performing Exposures. This change in the organizational structure is designed to meet the need to achieve effective management of non-performing loans with the aim to harmonize and integrate the actions of intervention. The NPE Service deals with the non-performing loans in all its different categories of criticality, carrying out management and valuation of impaired loans.

With regard to the latter, the service uses the NPE structured set of evaluation criteria for non-performing loans valid for the receivables past due, restructured, substandard and impaired.

The set of evaluation parameters of non-performing loans includes:

- Flat-rate specific provisions to apply only to claims of lesser amount for the categories of impaired loans past due and problem loans not revoked
- specific analytical adjustments to be applied to larger loans for categories of impaired loans past due and problem loans not revoked, and specific analytical adjustments to be applied to all Problem loans revoked and impaired.

These parameters, common to all the banks of the Group through the Credit Regulations, allow the detailed and precise identification of elements to be evaluated in order to express the recoverability of receivables, the methods of valuing the items themselves, the refresh rate of assessment credits, in order to make timely adaptations to the provisions related provisions.

The service Non Performing Loans Exposures assisted by Admin service provides annually to verify the adequacy of these metrics through statistical testing on its portfolio.

This activity, monitored over time, allows us to refine the set of metrics and allows adequate provisioning policy even under unfavorable external scenario and different macroeconomic situations.

Section 1 - Credit risk

Qualitative information

1. General aspects

Banca Sella attaches fundamental importance to measuring and managing credit risk. The activity of furnishing loans has always been oriented towards the form of traditional business, supporting the financing needs of households and providing the necessary support to businesses - in particular small and medium-sized - in order to support its growth plans, the phases of consolidation and the need to finance in the negative phases of the economic cycle. With regard to credit risk, there are no transactions in innovative or complex financial products.

Credit policies and delivery processes and credit monitoring are therefore defined to combine the needs of customers with the need to ensure the maintenance of the quality of loan assets.

With specific reference to the activities of credit risk control, these are delegated to the Services Risk Management and Controls (Credit Risk Management Unit) of Banca Sella Holding and the Credit Area of Banca Sella. The first has the task of monitoring and quantifying the credit risk assumed by the Group companies, to assess its sustainability and, through the use of shared tools, facilitate efficient and proactive management. The Credit Department is responsible for disbursement of credit policies, product development, the development of systems to support the credit, credit management from performing to deteriorated, and is also responsible for monitoring the appropriate organizational structure for credit risk. Such monitoring service performs the checks in a more traditional way, mainly oriented to the effective control and enforcement of the policy of the bank, an analysis of individual positions and of the type of trend on the variables considered most relevant for the control of credit risk.

2. Policies for managing credit risk

2.1 Organisational aspects

In general, funding applications are submitted directly to branches of their banks in the Group.

The process of lending foresees that the application is first evaluated by a special decision-making structure within the branch. In support of the assessment process, the bank has set up systems of *scoring* and *rating* applied differently to different classes of customers: *retail, small business, SMEs and Corporate.*

As of May 2011 there was established the unit of the Credit Center that deals with treating the investigation of loan practices of businesses as well as those of large private assets. These units, known as Credit Centers, also provide support to the branch during the improvement of the credit lines.

While respecting the limits of autonomy, the branch may accept the application, reject it or, sometimes, modify it (for example requesting further guarantees or proposing a reduction of the amount required or a different type of loan).

Based on the amount and type of credit requested, the lending practices are decided by different bodies within the structure of each Group bank, starting with branches up to the Board of Directors. If the practice provides for the acquisition of collateral in pledge, surety or mortgage, the process requires a precise control of scanned documents. The outcome of the control is functional to the closure of the loan request and the use of the guarantees for the weighting of capital absorption.

Following delivery, the credit positions are reviewed regularly in order to ensure the maintenance of creditworthiness and assess any new customer needs. In support of this activity, an automatic procedure points out at the start of each month to branches of expertise the requests for review.

For the purposes of monitoring the progress of the report, there is available an internal procedure aimed to classify the customers in a timely manner based on the anomalies that may arise from the relationship. We have defined four classes of risk and for each customer there is a detailed file of signals of detected irregularities. Depending on the severity of the same, there is a specific management process to ensure customers the necessary assistance and eliminating performance anomalies in place.

2.2 Systems of management, measurement and control

Systems for the management, measurement and monitoring of credit risk involve the entire credit process, including the following phases: initial phase of investigation, periodic reviews of the practical verification of trends and possible problem loan management, revocation and recovery.

The Risk Management of the Parent Company is responsible for developing methodologies for measuring credit risk and to support the creation of specific models for the assessment of risk components on the individual loan portfolios.

The Risk Management Department also deals with performing supervisory activities by providing periodic reports at all levels and by providing common guidelines. The regular analyses concern, among other things, the distribution of customers by rating class and the evolution of the risk profile of the entire loan portfolio or particular sub-portfolios characterized by specific risk conditions. Among the activities conducted by the Risk Management there is also included the monitoring of risk limits and warning thresholds related to credit quality and risk concentration.

With regard to the assessment of the default risk, they are in place processes and analysis tools based on a different internal segment of customers. Customer segmentation allows, among other things, to distinguish companies, based on exposure and sales, in four size classes, denominated in ascending order: small business enterprises, small-medium enterprises, corporate and large corporate enterprises.

Each enterprise is associated with a summary analysis of risk attributed by one of the two internal rating models used by Banca Sella: one for small business customers and for small-medium enterprises and one for corporate customers and large corporate. The process of rating assignment regards all types of companies: they are being valued entities that operate in the industrial, commercial, services and long-term productions, as well as farms, cooperatives, non-profit companies and financial companies.

The internal rating used by Banca Sella is an automatic rating integrated into enterprise information systems and consists of the following components involved to varying degrees in the evaluation according to the type of counterparty (small business and small-medium business or corporate and large corporate):

- Financial information (balance sheet data). For corporate and large corporate enterprises there is foreseen the calculation of an actual *rating* of the budget that can be calculated on each client or potential client. Prerequisite for calculating the *rating* of the budget is the possession of a financial statement including balance sheet and income statement. The *score* of the budget is also the maximum level of detail obtainable for the following categories of customers: a financial company, a *leasing* company, a *factoring* company, *holding.* For businesses small business and small-medium enterprises there is provided the calculation of some fiscal indicators that contribute to the final evaluation of the creditworthiness of the customer.
- Qualitative information. For corporate and large corporate enterprises there is foreseen the calculation of the rating of the Company arising from the integration of the *rating* of the financial and qualitative component obtained by filling out a questionnaire prepared by the manager of the relationship. As in the rating of the budget, the rating of a subsidiary is measured on each corporate client and large corporate borrower or potential borrower. In the case of a new client it is classified as a "acceptance rating*"* as it is based on quantitative and qualitative data that go beyond the trend variables. For businesses, small business and small-medium enterprises, they are expected to complete the quality questionnaire but this information does not affect the final judgment of the customer.
- Information regarding trends (bank's internal data and the data of Central Risk). For corporate and large corporate enterprises, the integration of the business rating with the behavioral component allows the determination of the overall rating that represents the most thorough assessment possible of the creditworthiness of a corporate and large corporate customer. For businesses small business and small-medium enterprises there is provided the calculation of certain performance indicators that contribute to the final evaluation of the creditworthiness of the customer. The trend component can be calculated only on companies with enhanced performance data for at least three months over a period of six months.

The internal rating models in place at Banca Sella consist of nine classes for performing loans: from SA1 (least risky customers) to SA9 (riskiest customers) for businesses small business and small-medium enterprises, from AAA (less risky customers) to C (riskiest customers) for the corporate and large corporate enterprises.

The rating is absent if there is lacking an essential element in determining a credit rating, such as a temporally validfinal budget.

The process for delivering and monitoring of credit also provides for the integration (of a purely informative nature) of a performance scoring model to evaluate the continuous probability of default associated with private customers. Like the internal rating, the performance scoring is expressed in a final summary judgment consists of nine classes. The main difference from the internal rating is that, the subject of a specific customer segment, the relative weight of the individual components of the model takes into due consideration the different risk characteristics of the counterparties.

During 2014 work continued on assigning and updating ratings to corporate borrowers, further consolidating the significant level of coverage achieved in previous years. There also continued the activities of the Rating Committee which assumes both a consultative and decision-making nature and has, among its duties, the activities of the override resolution of the rating of the customer enterprise. The override resolution occurs, within the powers assigned to the Committee, in accordance with specific guidelines. The causes are necessarily reduced to a list of specific reasons and there is a system of checks to ensure the consistency, integrity and effectiveness of the extensions, however, made only in respect of residual cases that are not easy to standardize or not considered by a mark-to-model evaluation.

The supervisory regulations known as Basel 3 were immediately interpreted as an opportunity to refine the techniques for measuring credit risk and to ensure the defense through the use of techniques with increasing sophistication. While determining its capital requirement for credit risk under the First Pillar through the Standardized Approach, the Banca Sella has always been heavily involved in taking all the necessary actions of a organizational and methodological nature aimed at demonstrating how its internal rating system is in line with the requirements of supervisory regulations (so-called experience test).

Banca Sella is also aware of the importance of all the risk factors associated with credit risk but not measured by the instruments provided by the first pillar of Basel 3, such as the risk of concentration (in the double meaning of single-name and sector) and the residual risk (the risk that the mitigation techniques of the Credit rating prove, in retrospect, less effective than expected). Subject to strict compliance with supervisory regulations concerning large risks and the quantification of internal capital to cover the risk of concentration under the second pillar of Basel 3, the Parent Company has defined precise guidelines designed to mitigate concentration risk through the splitting of the loan portfolio, both in terms of a single entity, and by sector / region. The process of granting credit limits also provides growing decision-making limits on the basis of the amounts under loan. Individual lending practice for which the overall exposure of the debtor and the group of clients which may be connected to it exceeds certain thresholds are always subject to the scrutiny of the parent company. The exposure to concentration risk is monitored on a monthly basis according to objective indicators, such as the Herfindahl index, by which were set precise limits to contain the overall exposure in individual sectors / regions and size classes. Regarding instead the residual risk, the Parent Company has set up a special process designed to verify the eligibility of assets according to each specific and generic requirement dictated by the regulator.

Together with the drafting of the ICAAP (analysis of capital adequacy in accordance with Pillar 3 of Basel), and then at least on an annual basis, the parent company conducts stress tests on the consolidated loan portfolio. The procedures of stress tests consist of analysis of sensitivity of internal capital against credit risk upon the occurrence of specific, extreme but plausible adverse events (such as, for example, a deterioration in the decay rate of the loan portfolio).

In 2014 we have implemented a series of activities to ensure full implementation of the 15th update of Bank of Italy circular n.263 / 2006, in detail:

- the activation of second-level controls on credit risk in the hands of the Risk Management Department of the Parent Company;
- the assessment of consistency with the RAF of the most significant transactions and practices of provision / renewal of loans to the Board of Directors;
- the integration in the IT procedure for identifying legal and economic ties of the customers of a company Biella Leasing SpA and Consel SpA.

Moreover, as regards the control at the individual level, Banca Sella has a service called Managers of Anomalous Loans, today entered the area non-Perfoming Exposures, which supports branches in the management of customers characterized by relevant indices of performance anomalies.

The Credito Banca Sella quality and controls service carries out verification of the presence in the credit risk with continuous monitoring of performance data and customer and checks on the operation of the distribution network of Banca Sella and of the services of the Lending area in charge of provision of credit and of the credit management of "non-performing" loans through the activities of the Credit Monitoring sector, and the Audit and Control Credit Guarantees sector. It carries out similar activities in outsourcing for companies Banca Sella Heritage & C. Spa, Biella Leasing and Consel.

More specifically, the service operates through:

- remote control of the correct lending and management of branches with more abnormal trending;
- control of the proper exercise of delegated powers;
- monitoring of compliance with internal regulations concerning the provision and management of credit.
- systematic checks on customers positions characterized by anomalous trends and monitoring the timeliness of intervention by the distribution network and Lending services responsible for credit management of "non-performing" loans, requesting the resolution and possibly triggering escalation processes
- sharing with the managers of customer relations, actions and deadlines for their resolution;
- identification of proactive and anticipatory actions and their procedural management;
- Management of follow-up on activities carried out

The different purposes of monitoring, the different scope of observation and timing of signalling are such as to require the adoption of different and complementary instruments, whose use and whose technical specifications of operation are such as to avoid duplication of reports.

As part of its performance monitoring, service quality of credit makes use of the following procedures:

Procedure CADR - AUTOMATIC CLASSIFICATION OF RISK

The procedure classifies all items belonging to the Credit Portfolio Group banks (borrowers or existing loans) in 4 classes according to credit risk:

- CADR class 1 (green): loans without anomalies and loans with low-grade abnormalities;
- CADR class 2 (yellow): loans with anomalies that do not undermine the continuation of the relationship, but that need to be remedied;
- CADR class 3 (red): abnormal loans requiring action on the basis of the type of anomaly present, of amount of exposure and of the amount of expired loan understood as the sum of the unpaid installments and the current account overdraft;
- CADR class 4 (black): practical with such anomalies relevant to assume immediate action for their accommodation.

Purpose: The Cadr procedure is aimed at:

- classifying the loan portfolio of credit risk expressed by customers;
- make available a customer risk form useful to the risk monitoring and management of credit risk; the form is integrated into the CRM platform and allows one to display in a single screen all the indicators used in the calculation of the policy, along with other information useful for the management of the loan.

Frequency of update of the data: weekly.

Presidio on credit risk: The process of managing credit risk is carried out on the CRM platform where there is a section dedicated to the control of risk of credit called "Credit Alarms".

There are contacts that show anomalies related to: CADR Risk and Past-due current accounts and unpaid installments.

Through the CRM contacts to work on are provided promptly to reduce the risk of credit losses, in the CRM there are shown the customer information for commercial purposes in order to have a complete view of the customer. The actors involved in the process of supervision in CRM are: the Branch, the Phone Collection, the Auditors Anomalous Loans and decision makers.

The Behavioral Anomaly Classes are intended to immediately identify the customer relationships that presented several performance anomalies within the classifications already made by the CADR - Auto Risk classification procedure. It allows one to:

- determine the severity of a relationship;
- set a priority for action.

The 12 classes represent the propensity to default in the short term. To a higher class there correspond the most critical customer relationships. Class 12 in fact includes all the positions marked "Subjective Impaired loans". The class is viewable in the CADR risk form integrated into CRM.

Frequency of update of the data: weekly.

TABLEAU DE BORD

The tool allows you to examine the trend of specific performance data with the ability to segment the reporting portfolio at the Bank, Territory, District and Branch level.

Purpose: the Tableau de bord is aimed at monitoring the trend of specific performance anomalies and measuring the achievement of objectives (Past-due current accounts, Fixed asset current accounts, Delinquency Ratio, overdue bills, resolutions expired, expired Foreign Financing, Unsolved SBF portfolio, Performance uses for CADR risk classes, Substandard not revoked, pastdue, Renovated objective, PD)

Users: the data contained in the Tableau de bord are available to Offices and the internal distribution network.

Frequency of update of the data: Data is updated on a monthly basis and relates to the values at the end of the month. Spill and Deliquency ratio is instead updated daily.

A particular garrison is dedicated to signaling of tensions represented by current account overruns due and late repayments by developing reporting procedures that can ensure a more timely intervention. This control is aimed at the resolution of performance anomalies with the customer seeking the best solution to enable the regular repayment of subsidy that they received, while safeguarding the credit risk of the portfolio.

2.3 Techniques for mitigating credit risk

In light of the significant attention given to the activity of lending, the allocation of funds takes place against a particularly detailed initial selection of possible borrowers. In the first instance, the assessment of creditworthiness is based on the actual capacity of the obligor to meet its commitments made solely on the basis of their ability to generate adequate cash flows. In the process of disbursement and monitoring of loans there are not, however, underestimated, especially with regard to customers associated with a higher probability of default, the forms of protection from the risk of credit granted by type of technical form and the presence of guarantees.

The guarantees typically acquired from counterparties are those characteristic of banking, primarily: personal guarantees and real guarantees on property and financial instruments. The Banca Sella does not make recourse to or use netting agreements relating to transactions in the financial statements and "off balance sheet" or purchase of credit derivatives.

Banca Sella has full knowledge of the fact that the techniques for mitigating credit risk are most effective when acquired and managed in order to meet the requirements set forth by the Basel 3 rules in every possible profile: legal, timely realization, organizational and specific to each guarantee. Effective compliance with the eligibility requirements is the result of a complex process, differentiated based on the type of techniques to reduce credit risk, involving many actors: distribution of colleagues who deal with the phase of acquisition of collateral to Risk Management of the parent company that deals with the phase of verification of the guarantees.

With specific reference to the stage of acquisition of collateral, the process is supported by a special procedure which intervenes between the approval stage and the stage of completion of the exposure time to manage the acquisition of collateral (pledges, mortgages and guarantees) and constraining the execution of the improvement to the success of the planned checks.

The step of verifying the eligibility of collateral, the Risk Management Department of the parent company is concerned, from the data input from the data processing system to support the acquisition of new guarantees, with two activities:

- revaluation statistics (cd surveillance) in the value of properties in mortgage for all contracts for which the Regulation 575/2013, permits recourse to this type of evaluation. For this purpose it uses a database of all price trends by geographic area and type of property acquired from an external supplier;

- verification of a general and specific eligibility of all instruments for mitigating credit risk. For this purpose there has been developed a special procedure which, in the face of each guarantee, certifies compliance with the eligibility requirements of a general and specific to each date of calculation of capital requirements.

With specific regard to guarantees, the specific requirements for the eligibility of guarantors are quite strict and, in essence, provide an insight to the mitigation of capital requirement for credit risk only for guarantees issued by sovereign states, Public Boards Sector, Multilateral Development Banks, Supervised Intermediaries and companies with high credit ratings. It shows that the Banca Sella has also continued in 2014 to use, where possible, the guarantees issued by the Guarantee Fund for SMEs, which, thanks to the presence of the Italian State as a counter-guarantor, allow the risk mitigation of credit for prudential purposes. Convinced that the guarantees given by people not belonging to the regulatory lists can still provide effective mitigation against credit risk for management purposes, where deemed necessary it is common practice to admit as guarantors also individuals or companies without an external rating.

In general, the practice of lending does not include the acquisition of guarantees covering the presence of contractual restrictions that might undermine the legal validity. The process of verification of the guarantees involves the analysis by legal experts for standard and non-standard contracts (an example of which is made by the individual agreements signed with guarantee). In addition, to further safeguard the requirement of legal certainty, on each contract there is run a second-level control on the completeness and correctness of the documentation from the Service Control Guarantees of Banca Sella in the Credit and Group Service .

To each type of guarantee there are not considered conditions of concentration (in terms of credit risk or market). In particular:

- guarantees on real estate: both mortgage loans and property leasing transactions are intended mainly for private customers or small businesses. This allows the maintenance of a high degree of risk sharing;
- collateral on financial instruments and personal guarantees: although they remain a good diversification of the issuers and guarantors, it seems appropriate to highlight that the issuer / guarantor towards whom the loan portfolio is more exposed and to the Italian state

2.4 Impaired financial assets

During 2014, the Litigation Service and the Anomalous Loans Service have been the subject of an organizational review and merged into one service called Non Performing Exposures. This change in the organizational structure is designed to meet the need to achieve effective management of non-performing loans with the aim of harmonizing and integrating the actions of intervention, from the onset of the first signs of deterioration, up to the situations of performance anomalies with severe and / or irreversible trends.

The service Non Performing Exposures deals with the non-performing loans in all its different categories of criticality, carrying out management and valuation of impaired loans.

The structure of Banca Sella SpA, has been working for Banca Sella itself and for the activities of debt recovery litigation related to impaired loans which are terminated and impaired, and carries out outsourced services for Banca Sella & Heritage Spa and the leasing company Biella Leasing spa.

Within its management functions, the service Non Performing Exposures is divided into four services:

- <u>Managers of Anomalous Loans Service: </u>it consists of figures specialized in the area with the function of managing the relationship with non-performing customers of a significant amount, for support and in accordance with the Distribution Network; similar figures carry out a function of coordination and control.

- <u>Phone Collection Service: </u>consists of figures present at headquarters and at the Service Centre of the Group with the function of management of phone collection of non-performing loans of insignificant amounts.

- Restructured Loans Service: it consists of specialized figures in headquarters dealing with positions of significant amounts of exposures involving several lenders or exposures considered critical with issues related to particular legal and economic aspects. It performs actions of intervention on the customer in accordance with the Managers of Anomalous Loans and figures of the Corporate Distribution Network

- Litigation Service : it consists of figures present when dealing with all the positions for which it was necessary to initiate the phase of compulsory recovery of the credit, since the action taken by the previous services did not allow a definitive solution of the criticality of the clientele.

With regard to the range of customers with lower exposure, the support of Phone collection in reminders on credits that show the first signs of deterioration, allows us to treat a large number of customers with efficiency and continuity, allowing the distribution network to remain focused on aspects of commercial development. The property benefits from the collection of the Phone Center Services Group with staff organized in large time slots, resulting in improved performance of the recovery of overdue small amounts.

Where no one can see real prospects for resolution to emerge from bankruptcy, the changeover to litigation is prepared for initiating enforcement actions.

For positions with the largest exposures, the Managers of Anomalous Loans of the Non Performing Exposures service are intended to interact with the Distribution Network promptly taking charge of the direct management of impaired customers to solve critical trends, identifying effective solutions to emerge from bankruptcy thereof.

In particular the management of such positions by the Managers of Anomalous Loans and Restructured Loans sector is marked by:

- to assess the future prospects of the borrower
- restructure the maturities of financial commitments to adapt to the situation of temporary difficulty
- assist with this expansion of the trend anomalies reported;
- acquire guarantees to mitigate credit risk
- join the negotiating table opened between clients and the lending banks
- analyze the documentation provided by clients and consultants in charge, in order to assess the business and financial plans for the proposed rehabilitation of debts
- foresee an appropriate investigation in electronic loan with the purpose of subjecting to the competent deliberative bodies the solutions found or being formulated by customers
- ensure the appropriate pricing for the risk profile
- not raise the overall level of risk when concrete prospects of recovery are not foreseen;
- assess the correct classification of credit deterioration during the negotiation phase
- assess the correct recoverability by applying provision policies
- evaluate to act for the recovery of credit extended when the trend and the overall situation of the customers lead to the choice to disengage from the relationship.

In the latter case, and whenever necessary conditions are met, the positions of the non-performing customer must be passed to the office litigation that aims to:

- revoke the credit lines;
- pursue actions aimed at prompt recovery of loans in default and acquiring further guarantees to support exposures;
- initiate enforcement actions in order to achieve compulsorily guarantees unless there are several conditions for the granting of rescheduling and / or other forms of facility
- rapid assessment of the estimate of expected losses in an analytical way on a per-client relationship;
- periodically check the adequacy of the recovery forecasts and the terms of recoverability of credit;
- optimizing the costs / results of legal action for the recovery of credit taken;
- make permanent the losses recorded at the end of the actions taken out of court.

The decision-making function on the assessment of recoveries of non-performing customers and proposals of resignation to the transaction, regarding Banca Sella SpA, is attributed directly to the service manager, except for the largest amount of transactions. In these cases, the decision-making function is attributed to monocratic structures within the powers conferred on individuals by the CEO of Banca Sella.

For disputes involving other companies outsourced, powers are conferred on individuals by the CEO of the company.

The forecast of recoverability of the credit in dispute is subject to an individual assessment process, performed without using estimation models for expected cash flows, giving a differentiated repayment plan in relation to the characteristics of the individual loans taking into account the guarantees current and / or acquirable and any agreements reached with customers.

In particular, the assessment shall take into account:

- the amount of the recovery value as the sum of the expected future cash flows estimated on the basis of these types of guarantees and / or acquirable, their estimated realizable value, the costs involved, the willingness to pay of a debtor;
- recovery times estimated based on the type of safeguards present, the mode of a judicial or extrajudicial liquidation of the same, insolvency proceedings, the geographical area;
- discount rates for all receivables measured at amortized cost, using the effective original interest rate, while for credit lines to withdraw there is considered the rate at the time of default.

In the first application of the IAS, concerning the analytical assessments and the definition of the effective interest rate - given the objective impossibility of being able to find the original rates on reports of impaired loans as not available on computer media - Gruppo Banca Sella established the use of:

- the nominal rate of 31 December 2004 in place on bank records, relating to the individual relationship to default: this rate can be - as appropriate - the rate in effect at the time of default, the rate assumed at the time of injunction or that agreed with the customer with a repayment plan; these rates are still reduced to the limit of the wear rate threshold on 31 December 2004;
- use, for all reports that at 31 December 2004 were zero, the last rate on the report before the zeroing if available; in the absence of such data, the statutory rate is adopted.

Quantitative information

A. Credit quality

For the purposes of quantitative information on credit quality, the term "credit exposure" means excluding equity securities and mutual fund shares, while the term "exposure" includes these items.

A.1 Impaired and performing loans: amounts, adjustments, changes, economic and territorial distribution

A.1.1 Distribution of credit exposure by portfolio and credit quality (book value)

Portfolio / Quality		Impaired	Substandard	Restructured	Past-due exposures	Non-performing overdue loans	Other assets	Total
1. Financial assets held for trading		-	192	-	-	-	50,002	50,194
2. Financial assets available for sale		-	-	1,824	-	-	1,283,146	1,284,970
3. Financial assets held to maturity		-	-	-	-	-	-	-
4. Due from banks		-	-	-	-	-	1,577,495	1,577,495
5. Loans to customers		253,834	276,994	10,113	19,392	25,953	6,375,074	6,961,360
6. Financial assets at fair value		-	-	-	-	-	-	-
7. Financial assets held for sale		-	-	-	-	-	-	-
8. Hedging		-	-	-	-	-	14,177	14,177
Total	**12/31/2014**	**253,834**	**277,186**	**11,937**	**19,392**	**25,953**	**9,299,894**	**9,888,197**
Total	**12/31/2013**	**228,439**	**185,629**	**27,949**	**49,204**	**25,080**	**8,983,158**	**9,499,456**

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

Portfolio / Quality	Impaired assets			Performing			Total (net exposure)
	Gross exposure	Specific adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
1. Financial assets held for trading	192	-	192	x	x	50,002	50,194
2. Financial assets available for sale	1,824	-	1,824	1,283,146	-	1,283,146	1,284,970
3. Financial assets held to maturity	-	-	-	-	-	-	-
4. Due from banks	-	-	-	1,577,899	404	1,577,495	1,577,495
5. Loans to customers	1,008,621	448,288	560,333	6,437,113	36,086	6,401,027	6,961,360
6. Financial assets at fair value	-	-	-	x	x	-	-
7. Financial assets held for sale	-	-	-	-	-	-	-
8. Hedging	-	-	-	x	x	14,177	14,177
Total 12/31/2014	**1,010,637**	**448,288**	**562,349**	**9,298,158**	**36,490**	**9,325,848**	**9,888,197**
Total 12/31/2013	**842,976**	**351,758**	**491,218**	**8,968,905**	**36,405**	**9,008,238**	**9,499,456**

The amount of impaired financial assets as held for trading is related to derivatives of impaired customers; while the position of financial assets available for sale relates to the instrument of Comital Saiag participatory capital.

A.1.3 Cash and off-balance sheet loans to banks: gross and net values

Types of loans / amounts	Gross exposure	Specific value adjustments	Adjustments to portfolio	Net exposure
A. CASH EXPOSURE				
a) Doubtful	-	-	x	-
b) Substandard	-	-	x	-
c) Restructured	-	-	x	-
d) Past due Impaired loans	-	-	x	-
e) Other assets	1,639,279		404	1,638,875
TOTAL	**1,639,279**	**-**	**404**	**1,638,875**
B. OFF BALANCE EXPOSURE				
a) Impaired	-	-	x	-
b) Other	41,615	x	1	41,614
TOTAL B	**41,615**	**-**	**1**	**41,614**
TOTAL A + B	**1,680,894**	**-**	**405**	**1,680,489**

A.1.6 Cash and off-balance sheet loans to customers: gross and net

Types of loans / amounts	Gross exposure	Specific value adjustments	Adjustments to portfolio	Net exposure
A. CASH EXPOSURE				
a) Doubtful	629,087	375,253	x	253,834
b) Substandard	347,390	70,396	x	276,994
c) Restructured	12,871	934	x	11,937
d) Past due loans Impaired	21,097	1,705	x	19,392
e) Other assets	7,685,787		36,086	7,649,701
TOTAL A	**8,696,232**	**448,288**	**36,086**	**8,211,858**
B, OFF BALANCE EXPOSURE				
a) Impaired	9,543	-	x	9,543
b) Other	583,220	x	1,439	581,781
TOTAL B	**592,763**	**-**	**1,439**	**591,324**
TOTAL A + B	**9,288,995**	**448,288**	**37,525**	**8,803,182**

Positions subject to collective agreements at 12/31/2014

Company	Total debt outstanding as at 31.12.14	of which expired			
		up to 3 months	from 3 to 6 months	from 6 months to 1 year	over 1 year
		amount expired	amount expired	amount expired	amount expired
Banca Sella	30,902	14	2	-	-

A.1.7 Cash loans to customers: changes in gross impaired loans

Causali/Categorie	Impaired	Substandard loans	Restructured	Past-due positions
A. Gross	**531,774**	**230,606**	**29,701**	**50,800**
- of which: sold and not canceled	5,340	615	-	-
B. Increases	**154,424**	**281,998**	**3,232**	**19,244**
B.1 inflows from performing loans	-	217,113	940	18,908
B.2 transfers from other categories of impaired loans	130,030	52,191	2,292	121
B.3 other increases	24,394	12,694	-	215
- of which business mergers	-	-	-	-
C. Reduced	**57,111**	**165,214**	**20,060**	**48,947**
C.1 transfers to performing loans	330	13,097	611	14,589
C.2 cancellations	24,610	-	-	-
C.3 Collections	30,800	11,136	765	-
C.4 assignments	-	-	-	-
C.4 bis loss on disposal	-	-	-	-
C.5 transfers to other categories of impaired loans	-	132,443	18,504	33,687
C.6 other decreases	1,371	8,538	180	671
- of which business combinations	-	-	-	-
D. Closing gross exposure	**629,086**	**347,390**	**12,872**	**21,097**
- of which: sold and not canceled	1,908	513	-	-

A.1.8 Cash loans to customers: changes in total adjustments

Description / Category	Impaired	Substandard	Restructured	Past-due positions
A. Total writedowns	**303,334**	**44,977**	**1,850**	**1,597**
- of which: sold and not canceled	1,604	73	-	-
B. Increases	**121,886**	**64,700**	**686**	**1,723**
B1. value adjustments	90,983	56,208	492	1,547
B.1bis losses on disposal	-	-	-	-
B.2 transfers from other categories of impaired loans	29,772	2,159	194	8
B.3 other increases	1,131	6,333	-	168
- of which business mergers	-	-	-	-
C. Reduced	**49,967**	**39,281**	**1,602**	**1,615**
C.1 writebacks from evaluation	18,774	4,360	436	498
C.2 writebacks from collection	5,360	861	66	-
C.2 bis profit on disposal	-	-	-	-
C.3 cancellations	24,610	-	-	-
C.4 transfers to other categories of impaired loans	-	29,966	1,050	1,117
C.5 Other decreases	1,223	4,094	50	-
- of which business mergers	-	-	-	-
D. Final total adjustments	**375,253**	**70,396**	**934**	**1,705**
- of which: sold and not canceled	723	48	-	-

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

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

It should be noted that almost all of the counterparties with which we have relations were rated A or above investment grade. In addition, it is emphasized that the exposures to banks Banca Sella are for about 96% to Banca Sella Holding.

A.2.1 Distribution of cash and "off balance sheet" external rating

Exposures	External rating						Not rated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Cash exposures	**128**	**57,077**	**1,265,567**	**11,971**	**1**	**-**	**8,515,990**	**9,850,734**
B. Derivatives	**-**	**97**	**-**	**-**	**-**	**-**	**37,367**	**37,464**
B.1 Financial derivatives	-	97	-	-	-	-	37,367	37,464
B.2 Credit derivatives	-	-	-	-	-	-	-	-
C. Guarantees	**-**	**15**	**190**	**-**	**-**	**-**	**252,491**	**252,696**
D. Commitments to disburse funds	**-**	**-**	**-**	**-**	**-**	**-**	**276,457**	**276,457**
E. Other	**-**	**-**	**121**	**-**	**-**	**-**	**66,200**	**66,321**
Total	**128**	**57,189**	**1,265,878**	**11,971**	**1**	**-**	**9,148,505**	**10,483,672**

Classes of external rating are given according to the mapping of the ratings of ECAIs recognized by the Bank of Italy. The mapping is shown in the table relative to the long-term rating assigned by Fitch Ratings:

the class of credit 1 includes the Fitch ratings from AAA to AA-;
the class of credit 2 includes the Fitch ratings from A + to A-;
the class of credit 3 includes the Fitch ratings from BBB + to BBB-;
the class of credit 4 includes the Fitch ratings from BB + to BB-;
the class of credit 5 includes the Fitch ratings from B + to B-;
the class of credit 6 includes the Fitch ratings CCC + and lower.

Regarding the internal rating we point out that there is in place for all banks in the Group an internal model for the allocation of the credit rating to Corporate and Large Corporate companies and a model for the Small Business and SME companies. These models are used for the calculation of collective valuations of performing loans. The internal rating system provides for uniform terminology with the steps taken by the external rating agencies, nine classes of creditworthiness for performing customers, from AAA / SA1 (the least risky) to C / SA9 (the most risky). Internal ratings are not currently used for the calculation of capital requirements.
The following table shows the distribution of exposures by rating category of Corporate and Large Corporate companies and Small Business enterprises and SME customers of Banca Sella. In the Column "Unrated" there converge both exposures to unrated companies and internal exposures to customers belonging to different segments of "Corporate and Large Corporate" and "Small Business and SME". Note also that for Banca Sella, the coverage ratio of the rating on the segment "Corporate and Large Corporate" is about 97% of total exposure, while the coverage on the segment "Small Business and SME" is about 95% of total exposure.

A.2.2 Distribution of cash and "off balance sheet" for internal rating

p.1

Exposures	Internal rating							
	AAA	AA	A	BBB	BB	B	CCC	CC
A. Cash exposures	**156,026**	**251,218**	**392,310**	**550,035**	**453,796**	**259,944**	**164,413**	**50,325**
B. Derivatives	-	-	-	-	-	-	-	-
B.1 Financial derivatives	-	-	-	-	-	-	-	-
B.2 Credit derivatives	-	-	-	-	-	-	-	-
C. Guarantees	**42,421**	**28,039**	**17,083**	**24,389**	**14,137**	**9,217**	**6,853**	**978**
D. Commitments to disburse funds	-	-	-	-	-	-	-	-
E. Other	-	-	-	-	-	-	-	-
Total	**198,447**	**279,257**	**409,393**	**574,424**	**467,933**	**269,161**	**171,266**	**51,303**

A.2.2 Distribution of cash and "off balance sheet" for internal rating

p.2

Exposures	Internal rating						Not rated	Total
	C	Rating 10	Rating 11	Rating 12	Rating 13	Rating 14		
A. Cash exposures	**14,941**	-	-	-	-	-	**7,557,726**	**9,850,734**
B. Derivatives	-	-	-	-	-	-	**37,464**	**37,464**
B.1 Financial derivatives	-	-	-	-	-	-	37,464	37,464
B.2 Credit derivatives	-	-	-	-	-	-	-	-
C. Guarantees	**430**	-	-	-	-	-	**109,149**	**252,696**
D. Commitments to disburse funds	-	-	-	-	-	-	**276,457**	**276,457**
E. Other	-	-	-	-	-	-	**66,321**	**66,321**
Total	**15,371**	-	-	-	-	-	**8,047,117**	**10,483,672**

A.3 Distribution of guaranteed exposures by type of guarantee

A.3.2 Guaranteed exposures to customers

p.1

	Net exposure	Net exposure				Personal guarantees (2)		
						Credit derivatives		
							Other derivatives	
	Net exposure	Real Estate, Mortgages	Real estate, financial leasing	Securities	Other collateral	CLN	Governments and central banks	Other public bodies
1. Guaranteed cash exposures:	3,996,997	6,820,709	-	215,124	34,707	-	-	-
1.1. completely secured	3,861,863	6,810,408	-	196,339	31,026	-	-	-
- of which impaired	424,058	814,190	-	2,484	604	-	-	-
1.2. partially secured	135,134	10,301	-	18,785	3,681	-	-	-
- of which impaired	21,320	7,558	-	1,061	51	-	-	-
2. Credit exposure "off balance sheet" guaranteed:	164,580	13,691	-	14,593	13,426	-	-	-
2.1. completely secured	71,026	1,584	-	12,490	7,370	-	-	-
- of which impaired	3,111	1,144	-	138	75	-	-	-
2.2. partially secured	93,554	12,107	-	2,103	6,056	-	-	-
- of which impaired	7,720	4,858	-	23	14	-	-	-

A.3.2 Guaranteed exposures to customers

p.2

	Personal guarantees (2)						
	Credit derivatives		Credit commitments				
	Other derivatives						
	Banks	Other subjects	Governments and central banks	Other public bodies	Banks	Other subjects	Total (1) + (2)
1. Guaranteed cash exposures:	-	-	10,418	1,616	168	3,316,141	10,398,883
1.1. completely secured	-	-	591	1,616	143	3,256,310	10,296,433
- of which impaired	-	-	40	800	-	1,197,656	2,015,774
1.2. partially secured	-	-	9,827	-	25	59,831	102,450
- of which impaired	-	-	-	-	25	26,882	35,577
2. Credit exposure "off balance sheet" guaranteed:	-	-	-	977	215	2,230,358	2,273,262
2.1. completely secured	-	-	-	526	215	2,086,653	2,108,839
- of which impaired	-	-	-	-	-	191,297	192,654
2.2. partially secured	-	-	-	451	-	143,705	164,423
- of which impaired	-	-	-	-	-	10,015	14,910

B. Distribution and concentration of credit exposures

B.1 Breakdown of credit exposures and "off balance sheet" exposures to customers (book value)

p,1

Exposures / Counterparts	Governments			Other public bodies			Finance companies		
	Net exposure	Specific value adjustments	Portfolio write-downs	Net exposure	Specific value adjustments	Portfolio write-downs	Net exposure	Specific value adjustments	Portfolio write-downs
A. Cash exposures									
A.1 Doubtful	-	-	x	-	-	x	449	(481)	x
A.2 Substandard	-	-	x	-	-	x	1,250	(123)	x
A.3 Restructured	-	-	x	-	-	x	53	(40)	x
A.4 Past due positions	-	-	x	26	-	x	46	(4)	x
A.5 Otherexposures	1,242,073		(2)	14,597		(18)	1,287,050		(578)
A total	**1,242,073**	**-**	**(2)**	**14,623**	**-**	**(18)**	**1,288,848**	**(648)**	**(578)**
B. Exposures "off balance sheet"									
B.1 Non-performing	-	-	x	-	-	x	-	-	x
B.2 Substandard	-	-	x	-	-	x	9	-	x
B.3 Other impaired assets	-	-	x	-	-	x	-	-	-
B.4 Otherexposures	6,093	x	-	536		(2)	29,926		(49)
Total B	**6,093**	**-**	**-**	**536**	**-**	**(2)**	**29,935**	**-**	**(49)**
Total (A + B) 12/31/2014	**1,248,166**	**-**	**(2)**	**15,159**	**-**	**(20)**	**1,318,783**	**(648)**	**(627)**
Total (A + B) 12/31/2013	**1,206,950**	**-**	**(2)**	**16,523**	**-**	**(7)**	**1,326,768**	**(499)**	**(328)**

B.1 Breakdown of credit exposures and "off balance sheet" exposures to customers (book value)

p,2

Exposures / Counterparts	Insurance companies			Non-financial companies			Other subjects		
	Net exposure	Specific value adjustments	Portfolio write-downs	Net exposure	Specific value adjustments	Portfolio write-downs	Net exposure	Specific value adjustments	Portfolio write-downs
A. Cash									
A.1 Doubtful	-	-	x	190,596	(262,586)	x	62,789	(112,185)	x
A.2 Substandard	-	-	x	203,376	(54,697)	x	72,368	(15,576)	x
A.3 Restructured	-	-	x	9,050	(732)	x	2,834	(162)	x
A.4 Past due	-	-	x	10,803	(760)	x	8,518	(941)	x
A.5 Other	20		-	2,827,941		(29,967)	2,278,019		(5,522)
A total	**20**	**-**	**-**	**3,241,766**	**(318,775)**	**(29,967)**	**2,424,528**	**(128,864)**	**(5,522)**
B. Exposures "off balance sheet"									
B.1 Non-	-	-	x	1,024	-	x	47	-	x
B.2 Substandard	-	-	x	6,489	-	x	1,176	-	x
B.3 Other impaired assets	-	-	x	692	-	x	106	-	x
B.4 Other	1,113		(8)	341,444		(1,316)	136,348		(64)
Total B	**1,113**	**-**	**(8)**	**349,649**	**-**	**(1,316)**	**137,677**	**-**	**(64)**
Total (A+B) 12/31/2014	**1,133**	**-**	**(8)**	**3,591,415**	**(318,775)**	**(31,283)**	**2,562,205**	**(128,864)**	**(5,586)**
Total (A+B) 12/31/2013	**1,128**	**-**	**(6)**	**3,841,954**	**(247,409)**	**(32,482)**	**2,533,015**	**(103,907)**	**(4,842)**

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

p,1

Exposure / Geographical area		Italy		Other European countries		America
		Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure
A. Cash exposures						
A.1 Doubtful		253,783	(375,048)	45	(123)	5
A.2 Substandard		275,918	(70,190)	1,076	(206)	1
A.3 Restructured		11,915	(934)	-	-	-
A.4 Past due positions		19,363	(1,702)	29	(3)	-
A.5 Other exposures		7,598,405	(35,798)	34,334	(197)	5,689
Total A		**8,159,384**	**(483,672)**	**35,484**	**(529)**	**5,695**
B. Exposures "off balance sheet"						
B.1 Non-performing loans		1,071	-	-	-	-
B.2 Substandard		7,674	-	-	-	-
B.3 Other impaired		798	-	-	-	-
B.4 Other exposures		513,333	(1,438)	345	-	1,673
Total B		**522,876**	**(1,438)**	**345**	**-**	**1,673**
Total A+B	**12/31/2014**	**8,682,260**	**(485,110)**	**35,829**	**(529)**	**7,368**
Total A+B	**12/31/2013**	**8,880,358**	**(388,916)**	**33,050**	**(424)**	**4,274**

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

p,2

Exposure / Geographical area		America	Asia		Rest of the world	
		Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. Cash exposures						
A.1 Doubtful		(6)	-	-	1	76
A.2 Substandard		-	-	-	-	-
A.3 Restructured		-	-	-	22	-
A.4 Past due positions		-	-	-	-	-
A.5 Other exposures		(15)	559	(1)	10,714	75
Total A		**(21)**	**559**	**(1)**	**10,737**	**152**
B. Exposures "off balance sheet"						
B.1 Non-performing loans		-	-	-	-	-
B.2 Substandard		-	-	-	-	-
B.3 Other impaired		-	-	-	-	-
B.4 Other exposures		-	100	-	9	-
Total B		**-**	**100**	**-**	**9**	**-**
Total A+B	**12/31/2014**	**(21)**	**659**	**(1)**	**10,746**	**(151)**
Total A+B	**12/31/2013**	**(28)**	**638**	**(1)**	**8,017**	**(113)**

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

Exposure / Geographical area		North West Italy		North East Italy		Central Italy		Southern Italy and Islands	
		Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. Cash exposures									
A.1 Doubtful		104,353	(151,990)	50,130	(64,782)	36,553	(49,761)	62,747	(108,515)
A.2 Substandard		101,700	(32,747)	45,562	(7,162)	58,472	(15,029)	70,184	(15,252)
A.3 Restructured		8,253	(680)	2,535	(93)	925	(155)	202	(6)
A.4 Past due positions		8,521	(832)	1,665	(153)	3,708	(226)	5,469	(491)
A.5 Other exposures		3,909,521	(18,844)	590,856	(4,653)	1,911,735	(4,208)	1,186,293	(8,093)
A total		**4,132,348**	**(205,093)**	**690,748**	**(76,843)**	**2,011,393**	**(69,379)**	**1,324,895**	**(132,357)**
B. Exposures "off balance									
B.1 Non-performing		606	-	365	-	76	-	24	-
B.2 Substandard		5,573	-	396	-	1,247	-	458	-
B.3 Other impaired		468	-	66	-	167	-	97	-
B.4 Other		305,163	(966)	34,374	(75)	73,207	(192)	100,589	(205)
Total B		**311,810**	**(966)**	**35,201**	**(75)**	**74,697**	**(192)**	**101,168**	**(205)**
Total (A+B)	**12/31/2014**	**4,444,158**	**(206,059)**	**725,949**	**(76,918)**	**2,086,090**	**(69,571)**	**1,426,063**	**(132,562)**
Total (A+B)	**12/31/2013**	**4,603,196**	**(159,108)**	**781,258**	**(64,642)**	**2,061,797**	**(51,824)**	**1,434,108**	**(113,342)**

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

p,1

Exposure / Geographical area		Italy		Other European countries		America
		Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure
A. Cash exposures						
A.1 Doubtful		-	-	-	-	-
A.2 Substandard		-	-	-	-	-
A.3 Restructured		-	-	-	-	-
A.4 Past due positions		-	-	-	-	-
A.5 Other exposures		1,586,540	-	50,476	403	-
Total A		**1,586,540**	**-**	**50,476**	**(403)**	**-**
B. Exposures "off balance sheet"						
B.1 Non-performing loans		-	-	-	-	-
B.2 Substandard		-	-	-	-	-
B.3 Other impaired assets		-	-	-	-	-
B.4 Other exposures		41,468	-	146	1	-
Total B		**41,468**	**-**	**146**	**1**	**-**
Total A+B	**12/31/2014**	**1,628,008**	**-**	**50,622**	**(404)**	**-**
Total A+B	**12/31/2013**	**1,101,010**	**(2,378)**	**2,740**	**(15)**	**184**

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

p,2

Exposure / Geographical		America	Asia		Rest of the world	
		Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. Cash exposures						
A.1 Doubtful		-	-	-	-	-
A.2 Substandard		-	-	-	-	-
A.3 Restructured		-	-	-	-	-
A.4 Past due positions		-	-	-	-	-
A.5 Other exposures		-	1,780	-	79	1
A total		**-**	**1,780**	**-**	**79**	**(1)**
B. Exposures "off balance sheet"						
B.1 Non-performing loans		-	-	-	-	-
B.2 Substandard		-	-	-	-	-
B.3 Other impaired assets		-	-	-	-	-
B.4 Other exposures		-	-	-	-	-
Total B		**-**	**-**	**-**	**-**	**-**
Total A+B	**12/31/2014**	**-**	**1,780**	**-**	**79**	**(1)**
Total A+B	**12/31/2013**	**(1)**	**1,381**	**-**	**10**	**-**

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

Exposure / Geographical area		Italy North West Net exposure	Italy North West Total adjustments	Italy North East Net exposure	Italy North East Total adjustments	Italian Center Net exposure	Italian Center Total adjustments	Italy and South Islands Net exposure	Italy and South Islands Total adjustments
A. Cash exposures									
A.1 Doubtful		-	-	-	-	-	-	-	-
A.2 Substandard		-	-	-	-	-	-	-	-
A.3 Restructured		-	-	-	-	-	-	-	-
A.4 Past due positions		-	-	-	-	-	-	-	-
A.5 Other exposures		1,567,425	-	12,128	-	6,987	-	-	-
Total A		**1,567,425**	**-**	**12,128**	**-**	**6,987**	**-**	**-**	**-**
B, Exposures "off balance sheet"									
B.1 Non-performing		-	-	-	-	-	-	-	-
B.2 Substandard		-	-	-	-	-	-	-	-
B.3 Other impaired assets		-	-	-	-	-	-	-	-
B.4 Other exposures		24,586	-	45	-	16,837	-	-	-
Total B		**24,586**	**-**	**45**	**-**	**16,837**	**-**	**-**	**-**
Total (A+B)	**12/31/2014**	**1,592,011**	**-**	**12,173**	**-**	**23,824**	**-**	**-**	**-**
Total (A+B)	**12/31/2013**	**1,025,197**	**-**	**12,319**	**(52)**	**63,494**	**(2,326)**	**-**	**-**

B.4 Large exposures

	12/31/2014
a) amount (book value)	4,605,280
b) amount (value weighted)	3,611
c) number	2

The two positions shown in the table refer to Group companies and to the State Treasury.

C. Securitizations

Qualitative information

Starting from the year 2000, the Group has made six securitizations of the traditional type.

Two of them, concluded before 1 January 2006, were carried out by Banca Sella Spa, now Banca Sella Holding SpA and targeted performing mortgage loans. The assets related to these operations were transferred, on 1 January 2006, from Banca Sella Holding SpA (formerly Sella Holding Banca SpA) to the "new" Banca Sella SpA.

On 31 October 2010 the securitization completed with Securssel Srl in 2000 ended. Banca Sella repurchased loans by the vehicle, which provided to reimburse in advance still existing securities.

On April 4, 2008, on January 8, 2009, January 9, 2012 and April 9, 2014 Banca Sella SpA completed the sale of four performing mortgage loans.

The transactions were made in order to diversify the types of funding, improving the correlation of maturities between deposits and loans.

On January 23, 2014 and January 30, 2014, respectively, the operations carried out in 2008, were completed in 2009. Banca Sella repurchased loans by the vehicle, which provided to reimburse in advance the still existing securities.

The role of servicer in various securitization transactions has always been held by the originator (Banca Sella SpA).

Banca Sella SpA, as originator of the transactions, subscribed the entire amount of junior notes issued in connection with the various securitisations; junior securities, for existing transactions, they are still being held by the same. Moreover, as regards securitization of 2008, 2009 and 2012, the Bank subscribed the entire amount of the securities issued. In connection with the operation carried out in 2014 however, the Bank has fully subscribed the senior tranche at a fixed rate, while the senior tranche floating rate has been placed on the market of institutional investors. The securities purchased by the originator can be used as collateral for repurchase agreements with the ECB.

The risk of the assets assigned is thus still held by Banca Sella SpA, which, consequently, will monitor its progress regularly, including by establishing periodic reporting.

The assets transferred continue to be represented in the budget because the sale has not substantially transferred the risk to third parties.

The following table provides summary information about the abovementioned operations.

a) Banca Sella S.p.A. securitization of performing loans - 2005

The transaction was completed in two stages: on October 4, 2005 the contract was completed for the purchase of the loans by the special purpose vehicle Mars 2600 Srl, while on October 20, 2005 there have been issued licenses by which the purchase was financed.

The portfolio transferred without recourse consists of performing residential mortgage loans issued by Banca Sella SpA to individuals residing in Italy.

The transaction involved the sale without recourse to the special purpose vehicle of claims secured by mortgages in the amount of 263.3 million euro, including the amount of the loan principal and interest accrued to the date of sale.

In the face of these transactions Mars 2600 Srl issued Class A securities in the amount of 248.9 million euro, Class B notes amounting to 11 million euro, Class C securities amounting to 3.5 million of euro and Class D securities for 3.5 million euro.

The Class A, B and C are listed on the Luxembourg Stock Exchange. Moody's currently assigns the following ratings: Aa2 for the Class A notes (at the moment of issue it was AAA) - Aa2 for the titles of class B - A1 for the titles of class C. Class D securities are not quoted, They are not rated and were fully underwritten by Banca Sella SpA. The Class A, B and C are were placed at the time issue on the market of institutional investors.

The amount paid for the subscription of securities Class D was for the creation of a cash reserve.

31 December 2014 securities class ABC generated interest for approximately 0.3 million euro. The Class D showed interest for the year 2014 to about 0.5 million euro.

Banca Sella SpA is charged with the collection of the receivables sold and services and cash payments and the recovery of claims in litigation under a servicing contract that provides for consideration as a servicing fee, payable quarterly, equal to 0.45% the amount of the proceeds of monetary claims in performing and 0.05% of the proceeds related to disputed receivables to Banca Sella SpA in the reference quarter. During the year, servicing commissions collected by Banca Sella SpA totaled approximately 0.05 million euro.

Mars 2600 Srl concluded, together with the issuing of securities, an interest rate swap contract with Banca Sella, via BNP Paribas and Banca Sella Holding, in order to hedge the interest rate risk inherent in the structure and due to the difference between the parameter Indexing of the securities issued and the various indexing parameters of the acquired portfolio.

b) Banca Sella S.p.A. securitization of performing loans - 2014

The transaction was completed in two stages: on April 9, 2014 there was completed the purchase of the loans by the special purpose vehicle Mars 2600 Srl, and June 12, 2014 were issued securities.

The portfolio transferred without recourse consists of performing residential mortgage loans issued by Banca Sella SpA to individuals residing in Italy.

The transaction involved the sale without recourse to the special purpose vehicle of claims secured by mortgages in the amount of approximately 489.0 million euro, including the amount of the loan principal and interest accrued to the date of sale.

Against this operation Mars 2600 Srl issued Class A1 in the amount of 216.0 million euro, Class A2 bonds in the amount of 216.0 million euro and Class D securities in the amount of 67.7 million euro.

The Class A1 and A2 are listed on the Luxembourg Stock Exchange. Moody's currently assigns the following ratings: Aa2 both securities class Aa2 for the securities of class A2. The same securities are rated even by the agency DBRS as follows: AA is for A1 notes and for the securities of class A2. The Class D are not listed and are not rated.

Banca Sella SpA subscribed to securities of class A2, fixed rate, and the securities of class D, while the A1 notes, at a floating rate, were placed on the market of institutional investors. The amount paid for the subscription of Class D securities was for the creation of a cash reserve.

On 31 December 2014 the securities of class A1 and A2 have generated interest of around 3.8 million euro. The Class D showed interest in FY 2014 for 8.9 million euro. Banca Sella SpA is charged with the collection of the receivables sold and services and cash payments and the recovery of claims in litigation under a servicing contract which provides in return a servicing fee, payable quarterly, equal to 0.45% of the proceeds of Performing financial loans and 0.05% of the proceeds related to disputed receivables to Banca Sella SpA in the reference quarter. 31 December 2014 servicing commissions collected by Banca Sella SpA amounted to 0.2 million euro.

C.1bis Other operations of self-securitization, not falling in the quantitative information

Banca Sella SpA securitization of performing loans - 2012

The transaction was completed in two stages: on January 9, 2012 there was completed the purchase of the loans by the special purpose vehicle Mars 2600 Srl, and March 14, 2012 securities were issued.

The portfolio transferred without recourse consists of performing residential mortgage loans issued by Banca Sella SpA to individuals residing in Italy.

The transaction involved the sale without recourse to the special purpose vehicle of claims secured by mortgages in the amount of 398.8 million euro, including the amount of the loan principal and interest accrued to the date of sale.

Against this operation Mars 2600 Srl issued Class A1 in the amount of 112.9 million euro, Class A2 bonds for an amount of 235.4 million euro, Class D securities for 48 million euro.

The Class A1 and A2 are listed on the Luxembourg Stock Exchange. Moody's currently assigns the following ratings: Aa2 to both A1 notes and for the securities of class A2. The same securities are rated even by the agency DBRS as follows: AA is for A1 notes and for the securities of class A2. The Class D are not listed and are not rated.

The full amount of the securities was underwritten by Banca Sella SpA. The amount paid for the subscription of securities Class D was for the creation of a cash reserve.

31 December 2014 the titles of class A1 and A2 have generated interest of around 5.4 million euro. The Class D showed interest in FY 2014 to about 4.9 million euro Banca Sella SpA is charged with the collection of the receivables sold and services and cash payments and the recovery of claims in litigation under a servicing contract providing for consideration as a servicing fee, payable quarterly, equal to 0.45% of the proceeds of Performing financial loans and 0.05% of the receipts relating to receivables in litigation made by the Bank Sella SpA in the reference quarter. 31 December 2014 servicing commissions collected by Banca Sella SpA amounted to 0.2 million euro.

Quantitative information

C.1 Exposures deriving from securitisations by quality of underlying assets

p.1

Quality of underlying assets / Exposures	Cash exposure					
	Senior		Senior		Senior	
	Gross exposure	Gross exposure	Gross exposure	Gross exposure	Gross exposure	Gross exposure
A. With own underlying assets	**-**	**221,867**	**-**	**11,511**	**71,200**	**71,200**
a) Impaired	-	-	-	-	-	1,097
b) Other	-	221,867	-	11,511	71,200	70,103
B. With underlying assets of third parties	**-**	**-**	**-**	**-**	**-**	**-**
a) Impaired	-	-	-	-	-	-
b) Other	-	-	-	-	-	-

C.1 exposures deriving from securitisations by quality of underlying assets

p.2

Quality of underlying assets / Exposures	Guarantees					
	Senior		Senior		Senior	
	Gross exposure	Gross exposure	Gross exposure	Gross exposure	Gross exposure	Gross exposure
A. With own underlying assets	**-**	**-**	**-**	**-**	**-**	**-**
a) Impaired	-	-	-	-	-	-
b) Other	-	-	-	-	-	-
B. With underlying assets of third parties	**-**	**-**	**-**	**-**	**-**	**-**
a) Impaired	-	-	-	-	-	-
b) Other	-	-	-	-	-	-

C.1 exposures deriving from securitisations by quality of underlying assets

p.3

Quality of underlying assets / Exposures	Credit lines					
	Senior		Mezzanine		Junior	
	Gross exposure	Impairment / write-backs	Gross exposure	Impairment / write-backs	Gross exposure	Net exposure
A. Con attività sottostanti proprie	**-**	**-**	**-**	**-**	**-**	**-**
a) Deteriorate	-	-	-	-	-	-
b) Altre	-	-	-	-	-	-
B. Con attività sottostanti di terzi	**-**	**-**	**-**	**-**	**-**	**-**
a) Deteriorate	-	-	-	-	-	-
b) Altre	-	-	-	-	-	-

C.2 Exposures from the main “own” securitization operations broken down by type of securitized assets and by type of exposure

Type of securitized assets / Exhibitions	Cash exposure					
	Senior		Mezzanine		Junior	
	Book value	Impairment / write-backs	Book value	Impairment / write-backs	Book value	Impairment / write-backs
A. Fully derecognised	-	-	-	-	-	-
B. Partially derecognised	-	-	-	-	-	-
C. Not canceled from budget						
C.1 Mars 2600						
- Performing Loans	221,867	-	11,510	-	71,200	-

Part 2

C.2 Exposures from the main “own” securitization operation broken down by type of securitized assets and by type of exposure

n.2

Type of securitized assets / Exhibitions	Guarantees					
	Senior		Mezzanine		Junior	
	Book value	Impairment / write-backs	Book value	Impairment / write-backs	Book value	Impairment / write-backs
A. Fully derecognised	-	-	-	-	-	-
B. Partially derecognised	-	-	-	-	-	-
C. Not canceled from budget						
C.1 Mars 2600 Srl						
- Performing Loans	-	-	-	-	-	-

Part 3

C.2 Exposures from the main”own” securitization operations broken down by type of securitized assets and by type of exposure

Type of securitized assets / Exhibitions	Credit lines					
	Senior		Mezzanine		Junior	
	Book value	Impairment / write-backs	Book value	Impairment / write-backs	Book value	Impairment / write-backs
A. Fully derecognised	-	-	-	-	-	-
B. Partially derecognised	-	-	-	-	-	-
C. Not canceled from budget						
C.1 Mars 2600 Srl						
- Performing Loans	-	-	-	-	-	-

C.5 Total amount of securitized assets underlying junior securities or other forms of credit support

Asset / Value	Traditional securitization	Synthetic securitisations
A. Own underlying assets	**(501,990)**	**x**
A.1 Completely canceled	-	x
1. Non-performing loans	-	x
2. Substandard	-	x
3. Restructured	-	x
4. Overdue	-	x
5. Other activities	-	x
A.2 Partially canceled	-	x
1. Non-performing loans	-	x
2. Substandard	-	x
3. Restructured	-	x
4. Overdue	-	x
5. Other activities	-	x
A.3 Not canceled	(501,990)	-
1. Non-performing loans	(845)	-
2. Substandard	(2,345)	-
3. Restructured	(157)	-
4. Overdue	(176)	-
5. Other activities	(498,467)	-
B. Underlying assets of third parties	**-**	**-**
B.1 Non-performing loans	-	-
B.2 Substandard	-	-
B.3 Restructured	-	-
B.4 Past due	-	-
B.5 Other activities	-	-

C.6 purpose vehicle for the securitization

Company name	Registered office	Consolidation	Activity			Passivity		
			Credits	Debt securities	Other	Senior	Mezzanine	Junior
Special purpose vehicle- Mars 2600 Srl	Treviso	SI	1,004,595	-	113,697	683,907	14,513	119,214

C.8 Servicer activities - collection of securitized loans and redemptions of securities issued by the SPV

SPV	Securitized assets (end of period)		Collections in		Percentage of securities reimbursed (End of period)					
					Senior		Mezzanine		Junior	
	Impaired	Performing	Impaired	Performing	Impaired assets	Performing assets	Impaired assets	Performing assets	Impaired assets	Performing assets
Mars 2600 S.r.l.	3,524	498,467	138	8,741	2%	85%	-	-	-	-

D. Disclosure on structured entity not consolidated for accounting purposes (other than the special purpose vehicles for securitization)

The Bank did not have, during the year, this type of entity.

E. Transfer transactions

The information referred to in this Part applies to all sales transactions (including securitizations).

A. Financial assets sold and not entirely elminated

Qualitative information

With the exception of loans and advances to customers, "Financial assets sold and not eliminated entirely," refer to operations of repurchase agreements with customers (with underlying debt securities issued by the parent company or Italian government bonds).

Quantitative information

E.1 Financial assets sold and not canceled: book value and full value

p.1

Technical forms / Portfolio	Financial assets held for trading			Financial assets at fair value		
	A	B	C	A	B	C
A. Cash assets	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt	-	-	-	-	-	-
2. Equities	-	-	-	-	-	-
3. UCI	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
B. Derivatives	**-**	**-**	**-**	**x**	**x**	**x**
Total 12/31/2014	**-**	**-**	**-**	**-**	**-**	**-**
of which impaired		-	-	-	-	-
Total 12/31/2013	**-**	**-**	**-**	**-**	**-**	**-**
of which impaired		-	-	-	-	-

A = transferred financial assets fully recognized (book value)
B = financial assets sold and partially recognized (book value)
C = financial assets partially recognized (full value)

E.1 Financial assets sold and not canceled: book value and full value

p.2

Technical forms / Portfolio	Financial assets available for sale			Financial assets held to maturity		
	A	B	C	A	B	C
A. Cash assets	**11,787**	**-**	**-**	**-**	**-**	**-**
1. Debt	11,787	-	-	-	-	-
2. Equities	-	-	-	x	x	x
3. UCI	-	-	-	x	x	x
4. Loans	-	-	-	-	-	-
B. Derivatives	**x**	**x**	**x**	**x**	**x**	**x**
Total 12/31/2014	**11,787**	**-**	**-**	**-**	**-**	**-**
of which impaired		-	-	-	-	-
Total 12/31/2013	**8,649**	**-**	**-**	**146,081**	**-**	**-**
of which impaired		-	-	-	-	-

A = transferred financial assets fully recognized (book value)
B = financial assets sold and partially recognized (book value)
C = financial assets partially recognized (full value)

E.1 Financial assets sold and not canceled: book value and full value

p.3

Technical forms / Portfolio		Loans / Banks			Credits v / clients			Total	
		A	B	C	A	B	C	12/31/2014	12/31/2013
A. Cash assets		**282,000**	**-**	**-**	**501,991**	**-**	**-**	**795,778**	**466.617**
1. Debt		282,000	-	-	-	-	-	293,787	402.950
2. Equities		x	x	x	x	x	x	-	-
3. UCI		x	x	x	x	x	x	-	-
4. Loans		-	-	-	501,991	-	-	501,991	63.667
B. Derivatives		**x**	**x**	**x**	**x**	**x**	**x**	**-**	**-**
Total	**12/31/2014**	**282,000**	**-**	**-**	**501,991**	**-**	**-**	**795,778**	**x**
	of which impaired		-	-	3,524	-	-	3,524	x
Total	**12/31/2013**	**248,220**	**-**	**-**	**63,667**	**-**	**-**	**x**	**466.617**
	of which impaired		-	-	1,580	-	-	x	1,580

A = transferred financial assets fully recognized (book value)

B = financial assets sold and partially recognized (book value)

C = financial assets partially recognized (full value)

E.2 Financial liabilities for financial assets sold and not canceled: book value

Liabilities / Asset portfolio		Financial assets held for trading	Financial assets at fair value	Financial assets available for sale	Financial assets held to maturity	Loans / Banks	Credits v / clients	Total
1. Due to customers		**-**	**-**	**11,829**	**-**	**283,772**	**219,638**	**515,239**
a) for assets recognized in full		-	-	11,829	-	283,772	219,638	**515,239**
b) in respect of assets partially recognized		-	-	-	-	-	-	**-**
2. Due to banks		**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) for assets recognized in full		-	-	-	-	-	-	**-**
b) in respect of assets partially recognized		-	-	-	-	-	-	**-**
3. Outstanding securities		**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) for assets recognized in full		-	-	-	-	-	-	**-**
b) in respect of assets partially recognized		-	-	-	-	-	-	**-**
Total	**12/31/2014**	**-**	**-**	**11,829**	**-**	**283,772**	**219,638**	**515,239**
Total	**12/31/2013**	**-**	**-**	**8,664**	**152,807**	**249,246**	**26,773**	**437,490**

E.3 sale transactions with liabilities having recourse only to the assets sold: fair value

p.1

Technical forms / Wallet	Financial assets held for trading		Financial assets at fair value		Financial assets available for sale		Financial assets held to maturity (fair value)
	A	B	A	B	A	B	A
A. Cash assets	**-**	**-**	**-**	**-**	**11,787**	**-**	**-**
1. Debt	-	-	-	-	11,787	-	-
2. Equities	-	-	-	-	-	-	x
3. UCI	-	-	-	-	-	-	x
4. Loans	-	-	-	-	-	-	-
B. Derivatives	**-**	**-**	x	x	x	x	x
Total Assets		**-**	**-**	**-**	**11.787**	**-**	**-**
C. Liabilities	**-**	**-**	**-**	**-**	**11,829**	**-**	**-**
1. Due to customers	-	-	-	-	11,829	-	-
2. Due to banks	-	-	-	-	-	-	-
Total Liabilities		**-**	**-**	**-**	**11,829**	**-**	**-**
Net Value 12/31/2014	**-**	**-**	**-**	**-**	**(42)**	**-**	**-**
Net Value 12/31/2013	**-**	**-**	**-**	**-**	**(15)**	**-**	**(6,726)**

A = financial assets sold and fully recognized

B = financial assets sold and partially recognized

E.3 sale transactions with liabilities having recourse only to the assets sold: fair value

p.2

Technical forms / Wallet	Financial assets held to maturity (fair value)	Due from banks (fair value)		Loans to customers (fair value)		Total	
	B	A	B	A	B	12/31/2014	12/31/2013
A. Cash assets	**-**	**282,000**	**-**	**-**	**-**	**293,787**	**154,730**
1. Debt	-	282,000	-	-	-	293,787	154,730
2. Equities	x	x	x	x	x	-	-
3. UCI	x	x	x	x	x	-	-
4. Loans	-	-	-	-	-	-	-
B. Derivatives	x	x	x	x	x	**-**	**-**
Total	**-**	**282,000**	**-**	**-**	**-**	**293,787**	**154,730**
C. Liabilities	**-**	**283,772**	**-**	**-**	**-**	x	x
1. Due to customers	-	283,772	-	-	-	295,601	x
2. Due to banks	-	-	-	-	-	x	x
Total Liabilities		**283,772**	**-**	**-**	**-**	**295,601**	**410,717**
Net Value 12/31/2014	**-**	**(1,772)**	**-**	**-**	**-**	**(1,814)**	x
Net Value 12/31/2013	**-**	**249,246**	**-**	**249,246**	**-**	x	**(565,447)**

A = financial assets sold and fully recognized

B = financial assets sold and partially recognized

B. Financial assets sold and cancelled entirely with recognition of full involvement

The Bank did not have, during the year, this type of activity.

Section 2 – Market risks

Market risk refers to unexpected changes in market factors such as interest rates, exchange rates and prices of securities which may result in a change upward or downward the value of a position held in the trading portfolio (*trading book*) and investment resulting from business operations and strategic decisions (*banking book*).

2.1 Interest rate risk and price risk – Regulatory trading portfolio

For the purposes of the compilation of this section we consider only the financial instruments (assets and liabilities) covered by the "portfolio for regulatory trading", as defined in the rules governing regulatory reporting market risk (see. Circular no. 286 of 17 December 2013 issued by the Bank of Italy). Accordingly, they are not included any operations in the financial statements allocated to the trading portfolio (eg, loans or derivatives separated from assets or liabilities measured at amortized cost, securities issued), but not covered in the aforesaid definition of “regulatory”. These transactions are included in the information regarding the the "banking portfolio"

Qualitative information

A. General aspects

Interest rate risk arises from the possibility that a swing in interest rates may have a negative effect on the value of the regulatory trading portfolio generated by financial positions taken by Banca Sella within the assigned limits and autonomies.

The price risk of the trading portfolio originated mainly from trading on own account in debt securities.

The trading portfolio of the Bank comprises the assets held on its own account in financial instruments. Most of these instruments are traded on regulated markets (fixed income and variable bonds).

The objectives and strategies underlying trading activity put in place on its own securities portfolio aim to limit the risks and maximize the profitability of the portfolio in the small and prudential field of action adopted by the Group regulations on the subject.

Together with the drafting of the ICAAP (analysis of capital adequacy in accordance with Pillar II of Basel 2), and then at least on an annual basis, the parent company conducts, on a consolidated level, the stress tests on the trading portfolio for supervisory purposes. The procedures of stress tests consist of sensitivity analysis of the internal capital market risk to the realization of specific adverse events, extreme but plausible (such as, for example, a deterioration in the creditworthiness of the issuers of securities in the portfolio).

B. Management processes and methods for measuring interest rate risk and price risk

The management and control of market risk (interest rate risk, price risk, currency risk) is set out in Group regulations setting out the rules by which the individual Group companies can be exposed to these risks.

The Group Risk Management is in charge of monitoring methodologies of market risk of the companies of the Group itself, as well as giving advice and being proactive in defining the methodological guidelines for the creation of models for measurement and control of Group risks.

For prudential purposes for measuring the interest rate risk and price inherent in the trading of supervision, the Gruppo Banca Sella applies the "standardized" method defined in the Circular of the Bank of Italy n. 285/2013 and subsequent updates. It follows that the capital requirement against market risk is the sum of the capital requirements for the individual risks that make up market risk on the basis of the so-called "building block approach".

Quantitative information

1. Regulatory trading portfolio for supervisory purposes: distribution by residual duration (repricing date) of assets and liabilities for cash and financial derivatives

As allowed by the 3rd update of 22 December 2014 Circ. 262/2005, this table has not been prepared as in the notes there is an analysis of sensitivity to interest rate risk based on internal models or other methodologies.

2. Regulatory trading portfolio for supervisory purposes: distribution of exposures in equity securities and equity indices for the main countries in the listing market

As allowed by the 3rd update of 22 December 2014 Circ. 262/2005, this table has not been prepared as in the notes there is an analysis of sensitivity to price risk of interest based on internal models or other methodologies.

3. Regulatory trading portfolio for supervisory purposes - internal models and other methods for sensitivity analysis

For management purposes, the market risk of the trading portfolio is measured and monitored based on the analysis of VaR (*value at risk*) calculated mainly according to the historical simulation approach. The VaR measures the maximum potential loss that, with a given confidence interval, can occur by holding its portfolio positions unchanged for a certain period of time. The historical simulation involves daily revaluation of positions on the basis of market prices over an appropriate observation period. The empirical distribution of profits / losses deriving therefrom is analyzed to determine the effect of extreme market movements on the portfolios. The distribution value at the percentile corresponding to the fixed confidence interval represents the VaR measurement.

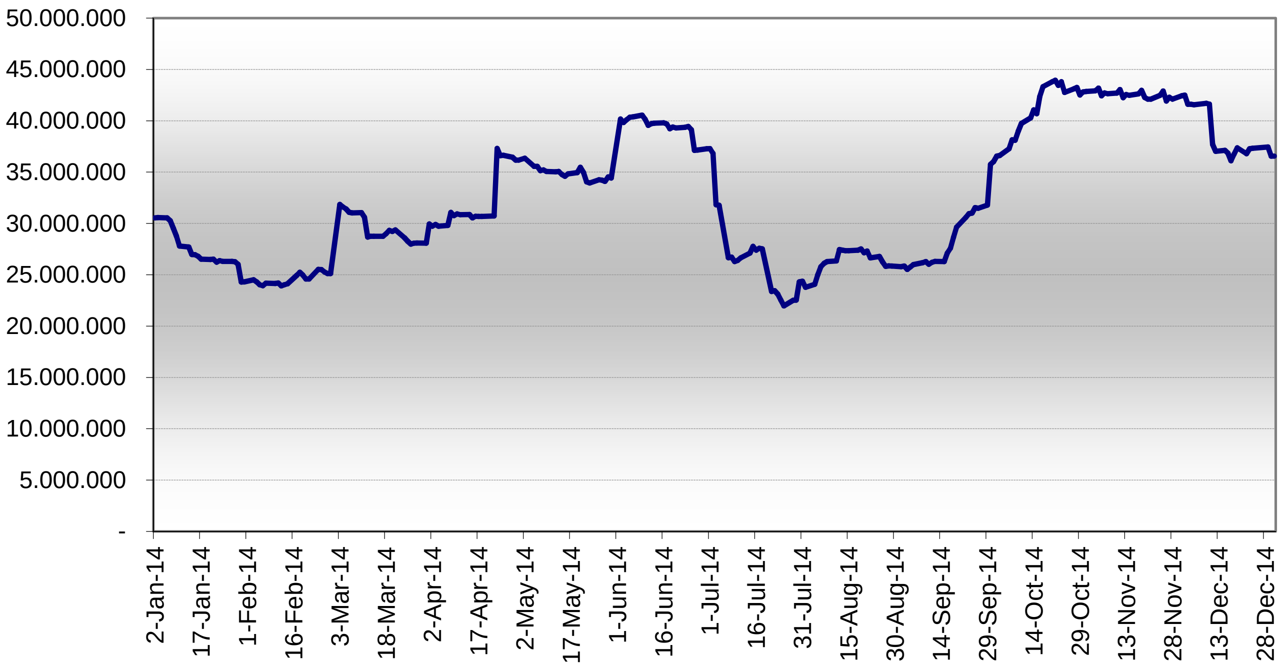
The Risk Management Group carries out checks on the performance of VaR (horizon: 10 days and 3 months and confidence margin: 99%) of the investment portfolios of the Group companies Banca Sella and performs analysis of sensitivity factors such as duration of portfolio, effects of instantaneous rate shocks and finally the verification of the operational limits in investing in securities.

The average duration of the trading portfolio of Banca Sella is equal to 0.86 years while sensitivity, estimated on a parallel movement of +100 basis points in the interest rate curve is approximately 11.09 million euros (about 0.86% of the portfolio).

The evolution of the VaR of Banca Sella (99% confidence interval, time horizon 3 months, historical method) is shown in the chart below.

During the year there were no exceedances of prudential limits approved by the parent company. During the year there was also resolved a new VaR limit by the Board of Directors of Banca Sella, within the powers assigned by the Board of Directors of the parent company.

Banca Sella – Trading book[1]
Market Risk VaR (horizon 3 months - 99% confidence interval)



[1] Refer to the Held For Trading and Available For Sale components of the own securities portfolio.

2.2 interest rate risk and price risk - banking book

The banking portfolio consists of all financial assets and liabilities, not included in the trading book referred to in Section 2.1.

Qualitative information

A. General aspects, management and measurement of interest rate risk and price risk

The main sources of interest rate risk in the banking book that are generated can be reduced to:

• timing mismatches in maturities (risk exposure of positions to changes in the slope and shape of the yield curve);

• mismatch resulting from the imperfect correlation in changes in lending and deposit rates on different instruments (so-called risk indexing).

The interest rate risk is mainly generated by the securities of the banking book, the operations of customer deposits (current accounts, deposit accounts and bonds) and use (mortgage loans), as well as derivative instruments in place to mitigate the exposure to interest rate risk from the fair value they generate**.** The Company's policy is to cover the high fixed rate and the strategic choices and management are designed to minimize the volatility of the total economic value to changes in the structure of rates.

Gruppo Banca Sella carries out, at a consolidated level, the stress test for the measurement and control of interest rate risk on the banking book at least annually, in the preparation of the ICAAP. The variables used for stress testing may be inferred from external evaluations (eg. Forecasts provided by ABI) or developed internally with support services Financial Analysis Group. Stress tests can contemplate situations and immediate parallel shock on the yield curve, of an impact also other than of 200 basis points.

B. Fair value hedging activities

The strategies of hedging transactions are mainly aimed at mitigating the risk of exposure to the interest rate implicit in the financial instruments that derive mainly from forms of lending (general hedging, such as those on mortgages) or bond issues (specific hedges).

The exposure to interest rate risk implicit in the forms of lending is covered by derivatives like interest rate swap amortizing and cap options, based on the amount of the mortgage portfolio and paid on the basis of the average maturities of the portfolio itself. Other interest rate swaps were entered into subsequent to the issuance of bonds at a fixed rate. Further hedging is carried out with the aim to mitigate the interest rate risk generated by the forms of funding. They are also entered into hedges to mitigate interest rate risk or currency risk through derivatives of simple constitution such as domestic currency swaps, currency options, overnight interest swaps traded by customers of the Group banks.

There are generally adopted methodologies and techniques based on the Black-Scholes model, Monte Carlo and Net Present Value using certain parameters, which vary according to the financial instrument that one wishes to evaluate. These parameters, validated by the Risk Management of the Parent Company, are chosen and set for this software calculating application when requesting evaluation of a new derivative. At each frequency of calculation of the fair value of the financial instrument, the above parameters are set for first and second level.

C. Cash flow hedging activities

Because of the substantial balance of the structures of liabilities and assets, no hedging is carried out for interest rate risk from cash flows generated by floating rate.

D. Foreign investment hedging activities

Because of the marginal volume of foreign investment, hedging is not carried out for the interest rate risk they generate.

Quantitative information

1. Banking portfolio: distribution by residual duration (repricing date) of the assets and financial liabilities

As allowed by the 3rd update of 22 December 2014 Circ. 262/2005, this table has not been prepared as in the notes there is an analysis of sensitivity to interest rate risk based on internal models or other methodologies.

2. Banking book: internal models and other methods for sensitivity analysis

The internal processes of management and control of the risk of interest rate are based on an organizational structure, according to which data can be examined at the operational level and critically assessed by the Group ALM Committee on a monthly basis. This Committee also provides appropriate directive lines for operation. For management purposes, there has been provided in-house - in addition to the limit of the indicator of risk defined by the regulations of 20% - more prudential attention limits, whose surpassing implies the evaluation of operational strategies aimed at lowering exposure.

Interest rate risk is measured through the use of proprietary models for the treatment of foreign liabilities by undefined contractual maturity (sight deposits). For all other assets and liabilities there are used the rules defined in the Circular of the Bank of Italy n. 285/2013 and subsequent updates. The control is carried out taking into account the totality of the positions taken in and off balance sheet, limited to interest-earning assets and interest-bearing liabilities.

For the calculation of internal capital, parallel shifts have been estimated in the yield curve, respectively, of +200 basis points (upward scenario) and -5 basis points (downward scenario compatible with the constraints of the non-negativity rate).

At 31.12.2014 the data related to the sensitivity analysis shows a low risk on the banking book of Banca Sella (see table at the end as a percentage of the total impact and economic value).

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Shift	Sensitivity Total	Regulatory equity	Sensitivity %
+200 bps / -5 bps	1.74	746.5	0.23%

In millions of euros

The banking book of Banca Sella does not contain financial instruments subject to price risk.

2.3 Foreign exchange risk

Falling within the scope of this risk profile are all assets and liabilities (balance sheet and "off balance sheet") in foreign currency, including transactions in euro indexed to the exchange rate of currencies. Also assimilated to the currency transactions are transactions in gold.

Quantitative information

A. General aspects, management processes and methods of measuring the exchange rate risk

The transactions regarding foreign currency mainly occurs at the Finance Department of the parent company, whose Treasury unit conducts transactions of interbank loans and deposits in foreign currencies and manages the exchange rate risk associated with imbalances in currencies.

Currency risk is monitored through the application of the "standardized" methodology indicated in the Circular of the Bank of Italy n. 285/2013. In the course of 2014 we have not detected overruns of the regulatory limit of 2% of regulatory capital for foreign currency positions of Banca Sella Holding, therefore there has not been detected the generation of capital requirement for exchange rate risk.

The Risk Management Group unit monitors the exposure of values to currency risk and reports them to the Group ALM Committee. This body, making use of the Parent Company Treasury, assesses any action coverage in case there are exposures to currencies considered too high.

B. Currency risk hedging activity

The hedging of transactions in foreign currency of the Banca Sella takes place on a daily basis. The only activity of the Bank subject to this risk are the loans and deposits in foreign currencies to customers that correspond to a fraction of the banking book.

Quantitative information

1. Distribution by currency of the assets, liabilities and derivatives

Items	Currencies					
	USD	AUD	CHF	GBP	NOK	OTHER CURRENCIES
A. Financial assets	**134,388**	**23,289**	**21,036**	**2,609**	**20**	**6,093**
A.1 Debt						
A.2 Equity securities						
A.3 Loans to banks	119,664	17,325	12,070	1,966	20	4,538
A.4 Loans to customers	14,724	5,964	8,966	643	-	1,555
A.5 Other financial assets						
B. Other activities	**1,856**	**169**	**1,010**	**896**	**101**	**5,023**
C. Financial liabilities	**139,783**	**5,823**	**22,176**	**3,527**	**119**	**4,958**
C.1 Due to banks	161		11	5	1	1,174
C.2 Due to customers	139,622	5,823	22,165	3,522	118	3,784
C.3 Debt						
C.4 Other financial liabilities						
D. Other liabilities	**215**	**-**		**-**		**1,620**
E. Financial derivatives	**5,364**	**(17,603)**	**(36)**	**(35)**	**(6)**	**291**
- Options						
+ Long positions	46,270	2,475	1,674	1,901		8,337
+ Short positions	46,312	2,451	1,693	1,905		8,340
- Other derivatives						
+ Long positions	134,700	6,955	12,426	3,096	1,425	2,034
+ Short positions	129,294	24,582	12,443	3,127	1,431	1,740
Total Assets	**317,214**	**32,888**	**36,146**	**8,502**	**1,546**	**21,487**
Total Liabilities	**315,604**	**32,856**	**36,312**	**8,559**	**1,550**	**16,658**
Imbalance (+/-)	**1,610**	**32**	**(166)**	**(57)**	**(4)**	**4,829**

2.4 Derivatives

The following tables fall within the financial and credit derivatives traded on an autonomous basis (ie stand-alone) and embedded derivatives in structured instruments. As regards the latter, there is an exception constituted by those embedded in structured products classified in the trading book treated for regulatory purposes based on a series of positions of sensitivity to relevant risk factors.

A. Financial derivatives

A.1 Trading book for supervisory purposes: notional values at end of period and averages

Underlying assets / Type of derivatives	Total 12/31/2014		Total 12/31/2013	
	Over the counter	Central Counterparties	Over the counter	Central Counterparties
1. Debt securities and interest rates	**438,699**	**-**	**289,173**	**-**
a) Options	66,986	-	72,997	-
b) Swap	371,713	-	216,176	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equity instruments and stock indexes	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Currency and gold	**576,194**	**-**	**383,759**	**-**
a) Options	290,056	-	206,499	-
b) Swap	49,938	-	66,023	-
c) Forward	236,200	-	111,237	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Goods	**-**	**-**	**-**	**-**
5. Other underlying	**-**	**-**	**-**	**-**
Total	**1,014,893**	**-**	**672,932**	**-**
Average values	**843,912**	**-**	**660,973**	**-**

A.2 Banking portfolio: notional values at end of period and averages

A.2.1 Hedging

Underlying assets / Type of derivatives	Total 12/31/2014		Total 12/31/2013	
	Over the counter	Central Counterparties	Over the counter	Central Counterparties
1. Debt securities and interest rates	**796,801**	**-**	**935,572**	**-**
a) Options	-	-	-	-
b) Swap	796,801	-	935,572	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2.Titoli of equity indices	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Currency and gold	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Goods	**-**	**-**	**-**	**-**
5. Other underlying	**-**	**-**	**-**	**-**
Total	**796,801**	**-**	**935,572**	**-**
Average values	**866,186**	**-**	**1,035,190**	**-**

A.2.2 Other derivatives

Underlying assets / Type of derivatives	Total 12/31/2014		Total 12/31/2013	
	Over the counter	Central Counterparties	Over the counter	Central Counterparties
1. Debt securities and interest rates	**3,203,784**	**-**	**3,185,229**	**-**
a) Options	3,203,784	-	3,185,229	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equity instruments and stock indexes	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Currency and gold	**9,909**	**-**	**16,957**	**-**
a) Options	9,909	-	16,957	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Goods	**-**	**-**	**-**	**-**
5. Other underlying	**-**	**-**	**-**	**-**
Total	**3,213,693**	**-**	**3,202,186**	**-**
Average values	**3,207,939**	**-**	**3,233,915**	**-**

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

Portfolio / Type of derivatives	Positive fair value			
	Total 12/31/2014		Total 12/31/2013	
	Over the counter	Central Counterparties	Over the counter	Central Counterparties
A. Trading Book	**19,327**	**-**	**12,502**	**-**
a) Options	4,499	-	2,903	-
b) Interest rate swap	9,728	-	7,459	-
c) Cross currency swap	-	-	-	-
d) Equity Swap	-	-	-	-
e) Forward	4,243	-	936	-
f) Futures	-	-	-	-
g) Other	857	-	1,204	-
B. Banking Book - hedging	**14,177**	**-**	**16,403**	**-**
a) Options	-	-	-	-
b) Interest rate swap	14,177	-	16,403	-
c) Cross currency swap	-	-	-	-
d) Equity Swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking book - other derivatives	**3,960**	**-**	**10,875**	**-**
a) Options	3,960	-	10,875	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity Swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	**37,464**	**-**	**39,780**	**-**

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

Portfolio / Type of product	Negative fair value			
	Total 12/31/2014		Total 12/31/2013	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Trading Book	**20,084**	**-**	**12,634**	**-**
a) Options	4,564	-	2,887	-
b) Interest rate swap	10,256	-	7,678	-
c) Cross currency swap	-	-	-	-
d) Equity Swap	-	-	-	-
e) Forward	4,204	-	927	-
f) Futures	-	-	-	-
g) Other	1,060	-	1,142	-
B. Banking book - hedging	**136,676**	**-**	**99,548**	**-**
a) Options	-	-	-	-
b) Interest rate swap	136,676	-	99,548	-
c) Cross currency swap	-	-	-	-
d) Equity Swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking book - other derivatives	**4,325**	**-**	**12,866**	**-**
a) Options	4,325	-	12,866	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity Swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	**161,085**	**-**	**125,048**	**-**

A.5 OTC financial derivatives - trading book: notional values, gross positive and negative fair value by counterparty - contracts not included in netting agreements

Contracts not covered by netting agreements	Governments and central banks	Other public bodies	Banks	Finance companies	Insurance companies	Non-financial companies	Other subjects
1. Debt securities and interest							
- notional amount	-	-	-	187,365	-	112,675	4,730
- positive fair value	-	-	-	3,901	-	5,741	162
- negative fair value	-	-	-	187	-	158	15
- future exposure	-	-	-	55	-	562	12
2. Equity instruments and stock indexes							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3. Currency and gold							
- notional amount	-	-	-	-	-	241,971	41,232
- positive fair value	-	-	-	-	-	2,473	769
- negative fair value	-	-	-	-	-	5,735	456
- future exposure	-	-	-	-	-	6,276	1,183
4. Other values							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

A.6 OTC financial derivatives - trading book: notional values, gross positive and negative fair value by counterparty - contracts included under netting arrangements

Contracts included in netting agreements	Governments and central banks	Other public bodies	Banks	Finance companies	Insurance companies	Non-financial companies	Other subjects
1. Debt securities and interest rates							
- notional amount	-	-	133,929	-	-	-	-
- positive fair value (before netting)	-	-	190	-	-	-	-
- negative fair value (before netting)	-	-	10,017	-	-	-	-
2. Equity instruments and stock indexes							
- notional amount	-	-	-	-	-	-	-
- positive fair value (before netting)	-	-	-	-	-	-	-
- negative fair value (before netting)	-	-	-	-	-	-	-
3. Currency and gold							
- notional amount	-	-	292,990	-	-	-	-
- positive fair value (before netting)	-	-	6,063	-	-	-	-
- negative fair value (before netting)	-	-	3,356	-	-	-	-
4. Other values							
- notional amount	-	-	-	-	-	-	-
- positive fair value (before netting)	-	-	-	-	-	-	-
- negative fair value (before netting)	-	-	-	-	-	-	-

A.7 OTC financial derivatives - banking book: notional values, gross positive and negative fair value by counterparty - contracts not included in netting agreements

Contracts not covered by netting agreements	Governments and central banks	Other public bodies	Banks	Finance companies	Insurance companies	Non-financial companies	Other subjects
1. Debt securities and interest rates							
- notional amount	-	72	-	43,835	-	1,086,082	1,719,721
- positive fair value	-	-	-	1	-	-	-
- negative fair value	-	-	-	-	-	66	4,258
- future exposure	-	-	-	234	-	7,954	14,638
2. Equity instruments and stock indexes							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3. Currency and gold							
- notional amount	-	-	-	-	-	2,485	7,319
- positive fair value	-	-	-	-	-	40	27
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	185	524
4. Other values							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

A.8 OTC financial derivatives - banking book: notional values, gross positive and negative fair value by counterparty - contracts included under netting arrangements

Contracts included in netting agreements	Governments and central banks	Other public bodies	Banks	Finance companies	Insurance companies	Non-financial companies	Other subjects
1. Debt securities and interest rates							
- notional amount	-	-	1,150,875	-	-	-	-
- positive fair value	-	-	18,069	-	-	-	-
- negative fair value	-	-	136,677	-	-	-	-
2. Equity instruments and stock indexes							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
3. Currency and gold							
- notional amount	-	-	105	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
4. Other values							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

A.9 Residual life of OTC financial derivatives: notional values

Underlying / Residual life		Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total
A. Trading book		**774,862**	**153,267**	**86,763**	**1,014,892**
A.1 Financial derivatives on debt securities and interest rates		209,270	142,666	86,763	438,699
A.2 Financial derivatives on equities and equity indices		-	-	-	-
A.3 Financial derivatives on exchange rates and gold		565,592	10,601	-	576,193
A.4 Financial derivatives on other values		-	-	-	-
B. Banking book		**280,204**	**785,149**	**2,945,140**	**4,010,493**
B.1 Financial derivatives on debt securities and interest rates		270,296	785,149	2,945,140	4,000,585
B.2 Financial derivatives on equity securities and stock indexes		-	-	-	-
B.3 Financial derivatives on exchange rates and gold		9,909	-	-	9,909
B.4 Financial derivatives on other values		-	-	-	-
Total	**12/31/2014**	**1,055,066**	**938,416**	**3,031,903**	**5,025,385**
Total	**12/31/2013**	**718,536**	**939,010**	**3,153,142**	**4,810,688**

B. Credit derivatives

At 31 December 2014 and during the year the Bank has not had this type of transaction.

C. Financial and credit derivatives

C.1 Financial derivatives and credit derivatives: net fair values and future exposure by counterparty

	Governments and central banks	Other public bodies	Banks	Finance companies	Insurance companies	Non-financial companies	Other subjects
1) Bilateral Financial Derivatives	**-**	**-**	**182,321**	**-**	**-**	**-**	**-**
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	150,051	-	-	-	-
- future exposure	-	-	16,135	-	-	-	-
- net counterparty risk	-	-	16,135	-	-	-	-
2) Bilateral credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
- net counterparty risk	-	-	-	-	-	-	-
3) Agreements "Cross product"	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
- net counterparty risk	-	-	-	-	-	-	-

Section 3 - Liquidity risk

Qualitative information

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

Liquidity risk is manifested as the risk resulting from the inability to meet its payment obligations, which can be caused by an inability to raise funds (*funding liquidity risk*) or the presence of restrictions to sell assets (*market liquidity risk*) .

Monitoring and management of liquidity for Banca Sella are formalized in the *Group's Liquidity Polic* , which contains both the guidelines for the management of liquidity risk and the strategies to be taken in critical moments. These strategies are part of the emergency plan called the *Liquidity Contingency Plan.*

The governance model established for the management and control of liquidity risk of the Banca Sella Group is based on the following principles:

- compliance of the processes and methods for managing and monitoring the liquidity risk with signs of prudential supervision;
- shared decision-making and clarity of responsibility between governing bodies, control and operational bodies.

The monitoring of the liquidity of the Group follows the directives issued by Circular 285/2013 (Part II, Chapter 11) and subsequent updates. This legislation, in addition to the rationalization of national laws previously in force (mainly Circular 263/2006), aims to implement and integrate the principles of the Regulation (EU) No. 575/2013 (CRR) and those covered by the Basel Committee (Basel III: *International framework for liquidityriskmeasurement, standards and monitoring* ") which will apply from 1 January 2015.

The management of liquidity is entrusted to the Finance Department of Banca Sella Holding, which with the support of the Group ALM Committee promptly intervenes with corrective action if and when the need occurs. The second level controls related to liquidity risk are made by the Risk Management of the Parent Company.

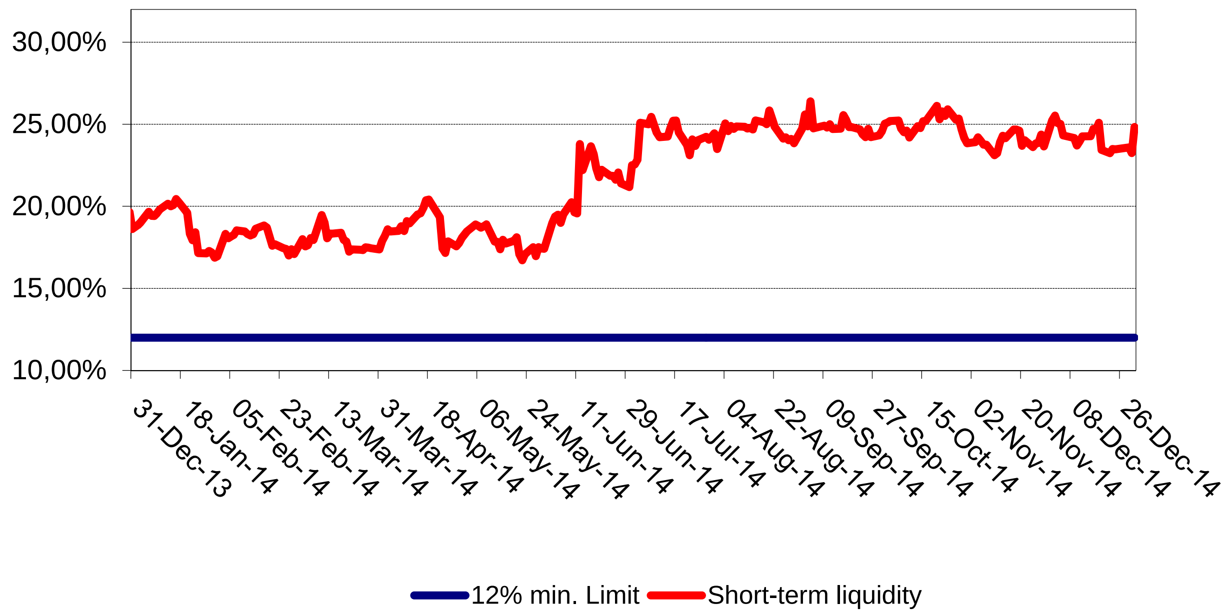
The Liquidity Policy Group foresees, along with the traditional detection indicator of short-term liquidity, the continuous monitoring of a broad set of indicators focused on the progress of systemic liquidity situation and specific, in the short and medium-long term.

The table below shows the trend of short-term liquidity relative to Gruppo Banca Sella, giving information about the ability to meet its commitments both to ordinary customers and towards the banks in case of a sudden tension in liquidity. The lower limit of this indicator is conservatively set equal to 12%. The actual level of the indicator during the year was still above this threshold showing how the liquidity reserves are sufficient to meet the commitments laid down in stress condition.

This indicator, of a managerial nature, is calculated on a daily basis by the Risk Management of the Parent Company.

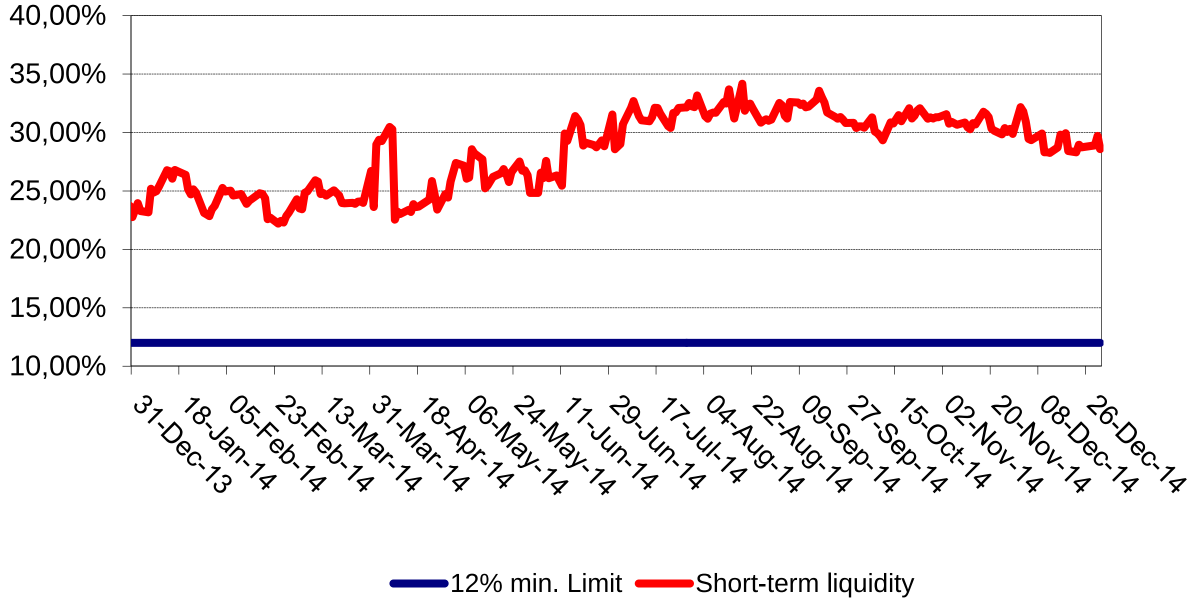
Performance indicator for short-term liquidity of the Group Banca Sella

Short-term Liquidity Paramenter - Historical trend



Similarly the following table shows the performance of the said indicator with reference to Banca Sella.

Short-term Liquidity Paramenter - Historical trend



To supplement the information provided by the indicators of liquidity, the Risk Management of the Parent Company and the Finance Department of the Banca Sella Group are tasked to perform stress tests on the basis of the Group's liquidity.

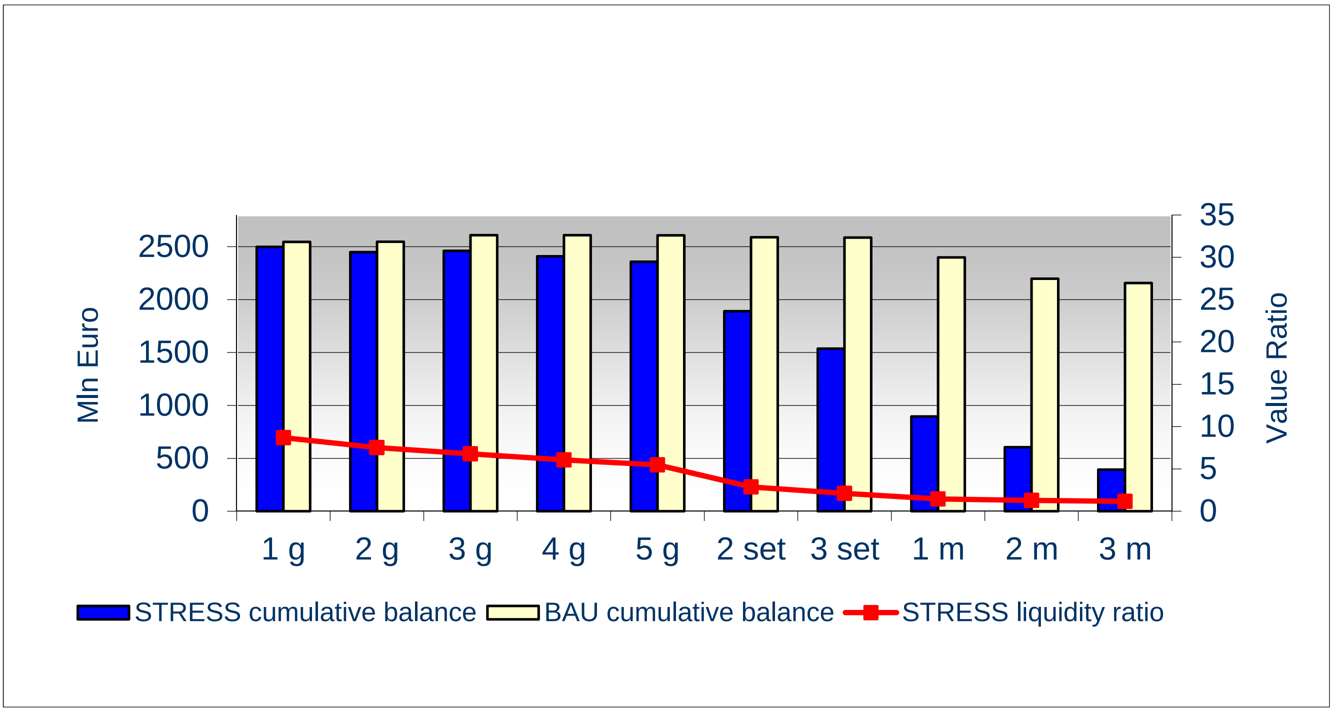
The methodology underlying the stress analysis is to assess, through the use of the Maturity Ladder[2], the ability of resistance to the liquidity crisis (measured in days), of the whole Gruppo Banca Sella

[2]MaturityLadder means the projection of the net financial position over time

to the occurrence of a systemic-specific crisis situation. Stamina is calculated with the assumption that you do not change the business structure and the balance sheet of the Group. The stress scenarios used refer to those set by Basel III, integrated with internal assumptions in order to make the analysis more representative of the operations of the Bank.

The Maturity Ladder is created by mapping in time bands (horizon up to 3 months) the cash flows, both certain and estimated, in conjunction with items considered as "potential reserves" of liquidity. The tool allows one to observe in different operational scenarios (*business as usual* and *stress scenario,*) the net financial position of liquidity in different time buckets.
The stress test has always shown for the group cash or highly liquid assets, adequate to deal with any crisis whether of systemic or specific origin

Stress Scenario: Projection of cumulative net financial position and liquidity ratios (Stress test at 31 December 2014)



The scenario analyses provided by Banca Sella Group are structured under different stress scenarios, in accordance with the provisions of Circular 285/2013 of the Bank of Italy (New Minimum Capital Requirements for Banks, Title III, Chapter 1) and subsequent updates, and consider the occurrence of modifying events of certain items in the various segments that make up the maturity ladder.

The two hypotheses, linked to several configurations of *occurence* (frequency of occurrence) and *severity* (impact on the bank), are:

- Acute tension at the individual bank level, which requires extraordinary countermeasures, often linked to interventions outside the bank itself;
- systemic crisis, which affects the whole market.

According to Basel 3, the Bank monitors the performance indicators LCR (liquidity coverage ratio) and NSFR (net stable funding ratio), refining and adapting constantly to the rules of calculation as shown in the current legislation. The two indicators stood at the end of 2014 at levels far higher than currently provided for in Basel 3.

Quantitative information

1. Temporal breakdown by contractual residual maturity of financial assets and liabilities

Currency: EURO

Item/ Time period	On sight	From more than one day to 7 days	From 7 days to 15 days	For more than 15 days to 1 month	For over one month until 3 months	For over three months up to 6 months	For over six months up to one year	From over 1 year up to 5 years	Over 5 years	Indefinite duration
Cash assets	**2,322,457**	**66,951**	**100,824**	**258,583**	**624,144**	**450,845**	**679,805**	**3,499,551**	**1,884,002**	**-**
A.1 Government securities	150	-	-	-	1,296	9,284	112,715	1,026,055	80,802	-
A.2 Other debt	23	-	7,417	21,084	26,497	44,481	123,952	178,579	1	-
A.3 Mutual Funds	-	-	-	-	-	-	-	-	-	-
A.4 Loans	2,322,284	66,951	93,407	237,499	596,351	397,080	443,138	2,294,917	1,803,199	-
- Banks	1,042,552	-	-	79,311	20	-	-	-	-	-
- Customers	1,279,732	66,951	93,407	158,188	596,331	397,080	443,138	2,294,917	1,803,199	-
Cash liabilities	**7,068,135**	**22,796**	**63,632**	**98,885**	**273,927**	**363,923**	**374,213**	**841,198**	**251,164**	**-**
B.1 Deposits and current accounts	6,967,789	16,401	24,470	46,032	156,278	136,772	167,917	224,176	1,221	-
- Banks	2,551	-	-	-	-	-	-	20,418	-	-
- Customers	6,965,238	16,401	24,470	46,032	156,278	136,772	167,917	203,758	1,221	-
B.2 Debt	68	243	8,188	15,944	32,943	110,169	158,251	509,691	119,988	-
B.3 Other liabilities	100,278	6,152	30,974	36,909	84,706	116,982	48,045	107,331	129,955	-
"Off balance sheet"										
C.1 Financial derivatives with exchange of										
- Long positions	-	25,203	7,023	42,985	49,779	29,751	25,228	4,485	394	-
- Short positions	-	18,308	7,428	42,449	55,102	28,683	26,273	2,115	-	-
C.2 Financial derivatives without exchange of										
- Long positions	9,834	3,052	-	-	2,755	5,566	10,205	64,533	54,862	-
- Short positions	10,190	189	-	-	1,053	2,475	2,329	8,055	152	-
C.3 Deposits and loans to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds										
- Long positions	148,437	733	307	537	851	6,049	2,648	39,822	70,935	-
- Short positions	157,134	2,427	-	-	39,822	15,441	55,494	-	-	-
C.5 Financial guarantees issued	5	-	-	-	-	10	2	26	37	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of										
- Long positions	-	-	-	-	-	-	-	-	-	-

- Short positions	-	-	-	-	-	-	-	-	-	-

1. Temporal breakdown by contractual residual maturity of financial assets and liabilities

Currency: US DOLLAR

Items/ Time period	On sight	From over 1 day to 7	From 7 days to 15 days	For more than 15 days to 1 month	For over one month until 3 months	For over three months up to 6 months	For over six months up to one year	From over 1 year up to 5 years	Over 5 years	Indefinite duration
Cash assets	**121,478**	**1,347**	**1,320**	**2,967**	**3,311**	**2,015**	**-**	**741**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt	-	-	-	-	-	-	-	-	-	-
A.3 Mutual Funds	-	-	-	-	-	-	-	-	-	-
A.4 Loans	121,478	1,347	1,320	2,967	3,311	2,015	-	741	-	-
- Banks	118,440	-	-	-	-	-	-	-	-	-
- Customers	3,038	1,347	1,320	2,967	3,311	2,015	-	741	-	-
Cash liabilities	**85,083**	**780**	**292**	**551**	**15,074**	**23,837**	**13,895**	**-**	**-**	**-**
B.1 Deposits and current accounts	84,659	780	292	551	15,074	23,837	13,895	-	-	-
- Banks	161	-	-	-	-	-	-	-	-	-
- Customers	84,498	780	292	551	15,074	23,837	13,895	-	-	-
B.2 Debt	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	424	-	-	-	-	-	-	-	-	-
"Off balance sheet"										
C.1 Financial derivatives with exchange of										
- Long positions	-	11,345	7,506	46,735	47,158	25,565	22,158	2,138	-	-
- Short positions	-	6,437	7,211	50,552	43,585	23,757	21,084	2,129	-	-
C.2 Financial derivatives without exchange of										
- Long positions	762	-	-	-	-	-	-	-	-	-
- Short positions	1,018	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds										
- Long positions	-	122	-	-	-	-	-	-	-	-
- Short positions	-	122	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

1. Temporal breakdown by contractual residual maturity of financial assets and liabilities

Currency: SWISS FRANC

Items/ Time period	On sight	Since more than one day to 7 days	From 7 days to 15 days	For more than 15 days to 1 month	For over one month until 3 months	For over three months up to 6 months	For over six months up to one year	From over 1 year up to 5 years	Over 5 years	Indefinite duration
Cash assets	**12,104**	**3,784**	**-**	**2,276**	**2,913**	**33**	**-**	**-**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt	-	-	-	-	-	-	-	-	-	-
A.3 Mutual Funds	-	-	-	-	-	-	-	-	-	-
A.4 Loans	12,104	3,784	-	2,276	2,913	33	-	-	-	-
- Banks	12,071	-	-	-	-	-	-	-	-	-
- Customers	33	3,784	-	2,276	2,913	33	-	-	-	-
Cash liabilities	**20,942**	**-**	**-**	**-**	**602**	**331**	**285**	**-**	**-**	**-**
B.1 Deposits and current accounts	20,933	-	-	-	602	331	285	-	-	-
- Banks	11	-	-	-	-	-	-	-	-	-
- Customers	20,922	-	-	-	602	331	285	-	-	-
B.2 Debt	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	9	-	-	-	-	-	-	-	-	-
"Off balance sheet"										
C.1 Financial derivatives with exchange of										
- Long positions	-	34	-	8,317	2,545	383	1,158	-	-	-
- Short positions	-	51	-	8,317	3,875	719	1,174	-	-	-
C.2 Financial derivatives without exchange of										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	2	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

1. Temporal breakdown by contractual residual maturity of financial assets and liabilities

Currency: AUSTRALIAN DOLLAR

Items/ Time period	On sight	From more than one day to 7 days	From 7 days to 15 days	For more than 15 days to 1 month	For over one month until 3 months	For over three months up to 6 months	For over six months up to one year	For over 1 year up to 5 years	Over 5 years	Indefinite duration
Cash assets	**17,208**	**175**	**-**	**-**	**5,812**	**-**	**-**	**-**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt	-	-	-	-	-	-	-	-	-	-
A.3 Mutual Funds	-	-	-	-	-	-	-	-	-	-
A.4 Loans	17,208	175	-	-	5,812	-	-	-	-	-
- Banks	17,203	-	-	-	-	-	-	-	-	-
- Customers	5	175	-	-	5,812	-	-	-	-	-
Cash liabilities	**3,826**	**-**	**-**	**-**	**-**	**-**	**1,952**	**-**	**-**	**-**
B.1 Deposits and current accounts	3,826	-	-	-	-	-	1,952	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	3,826	-	-	-	-	-	1,952	-	-	-
B.2 Debt	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
"Off balance sheet"										
C.1 Financial derivatives with exchange of										
- Long positions	-	91	119	3,053	3,448	717	2,002	-	-	-
- Short positions	-	17,718	119	18	76	379	1,979	-	-	-
C.2 Financial derivatives without exchange of										
- Long positions	83	-	-	-	-	-	-	-	-	-
- Short positions	18	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

1. Temporal breakdown by contractual residual maturity of financial assets and liabilities

Currency: BRITISH STERLING

Items / Time period	On sight	From more than one day to 7 days	From 7 days to 15 days	For more than 15 days to 1 month	For over one month until 3 months	For over three months up to 6 months	For over six months up to one year	For over 1 year to up to 5 years	Over 5 years	Indefinite duration
Cash assets	**1,966**	**1**	**-**	**637**	**4**	**-**	**-**	**3**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt	-	-	-	-	-	-	-	-	-	-
A.3 Mutual Funds	-	-	-	-	-	-	-	-	-	-
A.4 Loans	1,966	1	-	637	4	-	-	3	-	-
- Banks	1,965	-	-	-	-	-	-	-	-	-
- Customers	1	1	-	637	4	-	-	3	-	-
Cash liabilities	**2,469**	**-**	**80**	**-**	**195**	**294**	**484**	**-**	**-**	**-**
B.1 Deposits and current accounts	2,428	-	80	-	195	294	484	-	-	-
- Banks	5	-	-	-	-	-	-	-	-	-
- Customers	2,423	-	80	-	195	294	484	-	-	-
B.2 Debt	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	41	-	-	-	-	-	-	-	-	-
"Off balance sheet"										
C.1 Financial derivatives with exchange of										
- Long positions	-	59	128	1,367	1,757	385	172	49	-	-
- Short positions	-	553	-	1,239	2,374	-	175	50	-	-
C.2 Financial derivatives without exchange of										
- Long positions	7	-	-	-	-	-	-	-	-	-
- Short positions	15	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

1. Temporal breakdown by contractual residual maturity of financial assets and liabilities

Currency: NEW ZEALAND DOLLAR

Items / Time period	On sight	From more than one day to 7 days	From 7 days to 15 days	For more than 15 days to 1 month	For over one month until 3 months	For over three months up to 6 months	For over six months up to one year	From over 1 year up to 5 years	Over 5 years	Indefinite duration
Cash assets	**32**	**-**	**-**	**-**	**1,258**	**-**	**-**	**-**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt	-	-	-	-	-	-	-	-	-	-
A.3 Mutual Funds	-	-	-	-	-	-	-	-	-	-
A.4 Loans	32	-	-	-	1,258	-	-	-	-	-
- Banks	32	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	1,258	-	-	-	-	-
Cash liabilities	**1,363**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits and current accounts	1,363	-	-	-	-	-	-	-	-	-
- Banks	934	-	-	-	-	-	-	-	-	-
- Customers	429	-	-	-	-	-	-	-	-	-
B.2 Debt	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
"Off balance sheet"										
C.1 Financial derivatives with exchange of										
- Long positions	-	212	-	-	-	442	113	-	-	-
- Short positions	-	137	-	-	-	442	113	-	-	-
C.2 Financial derivatives without exchange of										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

1. Temporal breakdown by contractual residual maturity of financial assets and liabilities

Currency: OTHER CURRENCIES

Items / Time period	On sight	From more than one day to 7 days	From 7 days to 15 days	For more than 15 days to 1 month	For over one month until 3 months	For over three months up to 6 months	For over six months up to one year	From over 1 year up to 5 years	Over 5 years	Indefinite duration
Cash assets	**1,124**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt	-	-	-	-	-	-	-	-	-	-
A.3 Mutual Funds	-	-	-	-	-	-	-	-	-	-
A.4 Loans	1,124	-	-	-	-	-	-	-	-	-
- Banks	1,124	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
Cash liabilities	**1,071**	**-**	**-**	**67**	**-**	**18**	**1**	**-**	**-**	**-**
B.1 Deposits and current accounts	298	-	-	67	-	18	1	-	-	-
- Banks	25	-	-	-	-	-	-	-	-	-
- Customers	273	-	-	67	-	18	1	-	-	-
B.2 Debt	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	773	-	-	-	-	-	-	-	-	-
"Off balance sheet"										
C.1 Financial derivatives with exchange of capital										
- Long positions	-	91	-	-	71	23	324	27	-	-
- Short positions	-	54	-	-	-	23	320	27	-	-
C.2 Financial derivatives without exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	2	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

2. Information on the encumbered assets listed in the financial statements

Technical forms	Encumbered		Not Encumbered		Total 12/31/2014	Total 12/31/2013
	VB	FV	VB	FV		
1. Cash and cash equivalents	-	x	130,632	x	130,632	130,208
2. Debt	293,787	294,334	1,351,755	1,351,799	1,645,542	1,522,556
3. Equities	-	-	3,141	-	3,141	2,926
4. Loans	963,476	x	7,237,789	x	8,201,265	7,937,121
5. Other financial assets	-	x	171,266	x	171,266	39,796
6. Non-financial assets	-	x	416,203	x	416,203	455,637
Total 12/31/2014	**1,257,263**	**294,334**	**9,310,786**	**1,351,799**	**10,568,049**	**x**
Total 12/31/2013	**1,191,494**	**411,505**	**8,896,750**	**1,152,397**	**x**	**10,088,244**

Legend
BV = book value
FV = fair value

3. Information on the encumbered property assets not listed in the financial statements

Technical forms	Encumbered	Not Encumbered	Total 12/31/2014	Total 12/31/2013
1. Financial assets	446,914	164,807	611,721	605,249
- Securities	446,914	164,807	611,721	605,249
- Other	-	-	-	-
2. Non-financial assets	-	-	-	-
Total 12/31/2014	**446,914**	**164,807**	**611,721**	**x**
Total 12/31/2013	**471,663**	**133,586**	**x**	**605,249**

Section 4 - Operational risks

Qualitative information

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

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. This type of risk includes, among other things, losses due to internal / external fraud, human error, interruption of operations, system unavailability, breach of contract and natural disasters. Operational risk includes legal risk, but does not include strategic and reputational risk.

The parent company Banca Sella Holding performs the function of management and coordination to control exposure to the risks undertaken by the Companies of the Gruppo Banca Sella during the course of the ordinary and extraordinary activities, delegating the operational aspects to the Risk Management service. This service has the responsibility to measure, monitor and manage the exposure to the risks of the entire group of first and second pillar of Basel 3, constantly improving the tools and methodologies for quantitative and qualitative assessment of exposure to risks.

The measurement systems, management and control systems of operational risk adopted by Gruppo Banca Sella are synthesized in the *framework* of operational risk management consists of:

- data collection (quantitative) of operating loss and income statement loss;
- organizational controls to mitigate and control;
- evaluation of exposure to operational risk;
- output and tools to support the operational risk management.

Through the activities of data collection there are gathered the information needed to carry out the assessment of exposure to operational risk of the Group as a whole and of the individual companies. In addition, the business of data collection allows the Risk Management to be promptly informed of the operational risk events that occur within the Group and its operating losses in order to put in place the necessary interventions. Are among the tools of detection of operational risk are:

- computer applications for the collection of operational losses (procedure Trouble Reporting to support the Cycle of Control");
- data loss operational risk events from external sources (DIPO - Italian Operational Loss Database, to which the Banca Sella Group adheres)[3];
- factors of the business environment and internal control system, or specific KPI *(Key Performance Indicators*) or KRI (*KeyRiskIndicators*) reflecting the improvement or worsening of the risk profile of the bank / group as a result of actions taken or the strengthening of controls (eg indicators of service levels, faults and inspection findings, rating processes and business growth). These factors included in the calculation of the internal rating of Operational Risk[4].

The control cycle is an internal process, effectively adopted throughout the Group for several years, which regulates the treatment of abnormalities, the removal of the effects and causes that generated them. This process, through the use of a special computer application, oversees the activities of census, monitoring and management of all anomalous events that occur within each Group company, in order to facilitate the subsequent follow-up activities.

The ex-ante and ex-post organizational garrisons, prepared to mitigate and control operational risk, allow one to monitor and limit the occurrence of operational risk events and related losses. Effective organizational garrisons allow early detection of inefficiencies and the preparation of appropriate mitigation strategies.

Among the main organizational structures adopted by Gruppo Banca Sella for the mitigation and control of operational risk, in addition to the aforementioned process of the cycle of control, are the mapping and validation of business processes, certification and calculate levels service and line controls, the checks carried out by the so-called "red flags" (automatic processing and / or KRI related to accounting entries, handling accounts, use of products and access to services with the aim to identify and / or prevent possible malfunctions, generated from internal and / or external subjects).

[3] The information from the DIPO allow, furthermore, analyses of confrontation of the data of internal loss and data of system loss.
[4] The “internal rating of operational risk” is a synthetic indicator, calculated internall and organized in discrete classes of growing risk from 1 to 5 /where 5 is the highest value) that allows one to represent the exposure to risk of a given Service, Area or Company of the group.

As part of the validation of business processes there is "assigned" a rating of operational risk inherent in the process (which evaluates the risk factors on the process without taking into account the mitigating effect of existing controls) and a rating of the residual operational risk process (obtained by assessing the mitigating effect of controls on risks). The risk ratings are measured on a discrete scale with values from 1 (lowest risk) to 5 (highest risk). The introduction of new processes or modifying existing processes with a rating of the residual operational risk equal to or greater than 4 is subjected to prior examination and evaluation of the Operational Risk Committee.

With a view to intercepting early symptoms of vulnerability processes and of having immediate perception of the areas most exposed to the risks, there is carried out a mapping of business processes in an end to end optic[5]. This activity provides that the processes are grouped into macro-processes and the latter in macro-classes and foresees the awarding of a rating of operational risk not only to the single process but also to the higher levels of grouping, in order to provide an overview of areas of intervention in the entire process chain and to plan actions to reduce the overall exposure to operational risk.

The mitigation of operational risk also helps the work done by the "Controls and Follow Up" function of Banca Sella, aimed at maintaining an adequate supervision on the control of operational risks. The activities performed by this service consist of centralized controls and secondary activities carried out by Banca Sella.

The risk monitoring results also in features of reporting aimed at all levels of the organization, in accordance with the rules that are expected to be insured timely information concerning operational risks. The Cycle Control provides the basic information that, at the occurrence of abnormal and reported according to precise escalation, generates streams of communication to stakeholders.

In addition, in order to enable an assessment of performance of the operational risk management the Risk Management regularly produces summary and detailed reports that sum up for each Group company and the Group as a whole the level of risk assumed in relation to:

- to unusual occurrences and operating losses reported in the database of the control cycle, highlighting the anomalies with a higher gravity;
- all outcome of line controls;
- all trends in service levels;
- the trend of the “internal rating of operational risk".

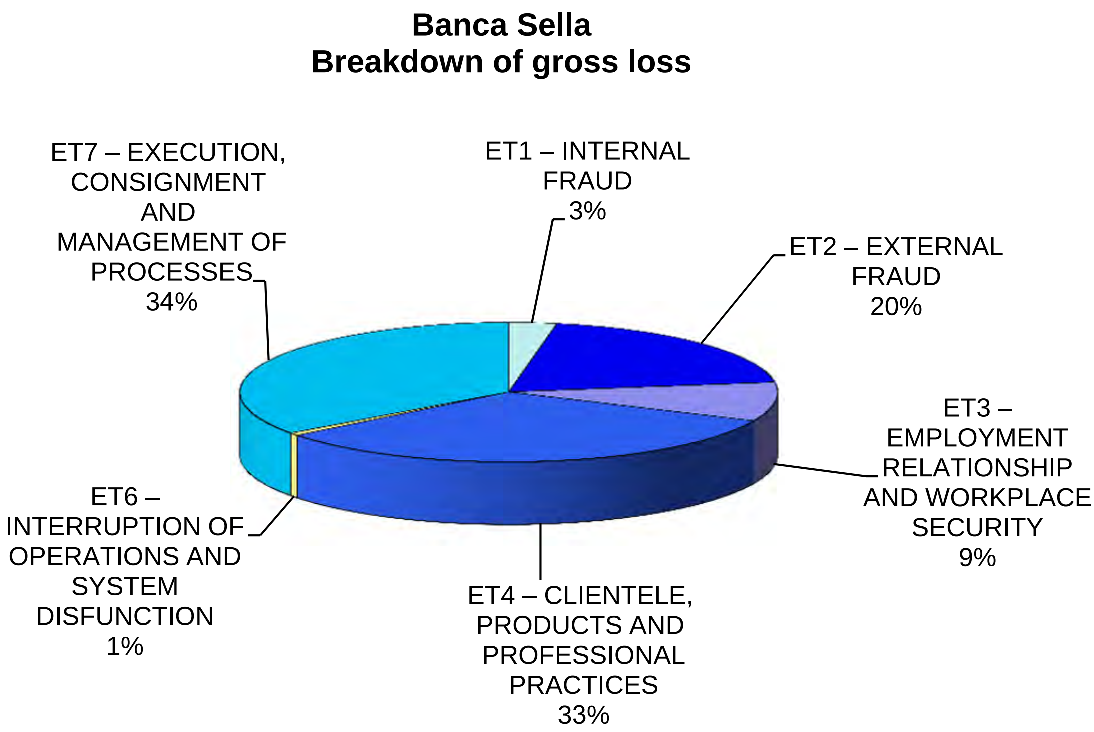
These findings are made known, with different levels of detail and depending on the severity, by managers overseeing risks, the CEO, the committees responsible and to the governing bodies of the Company.

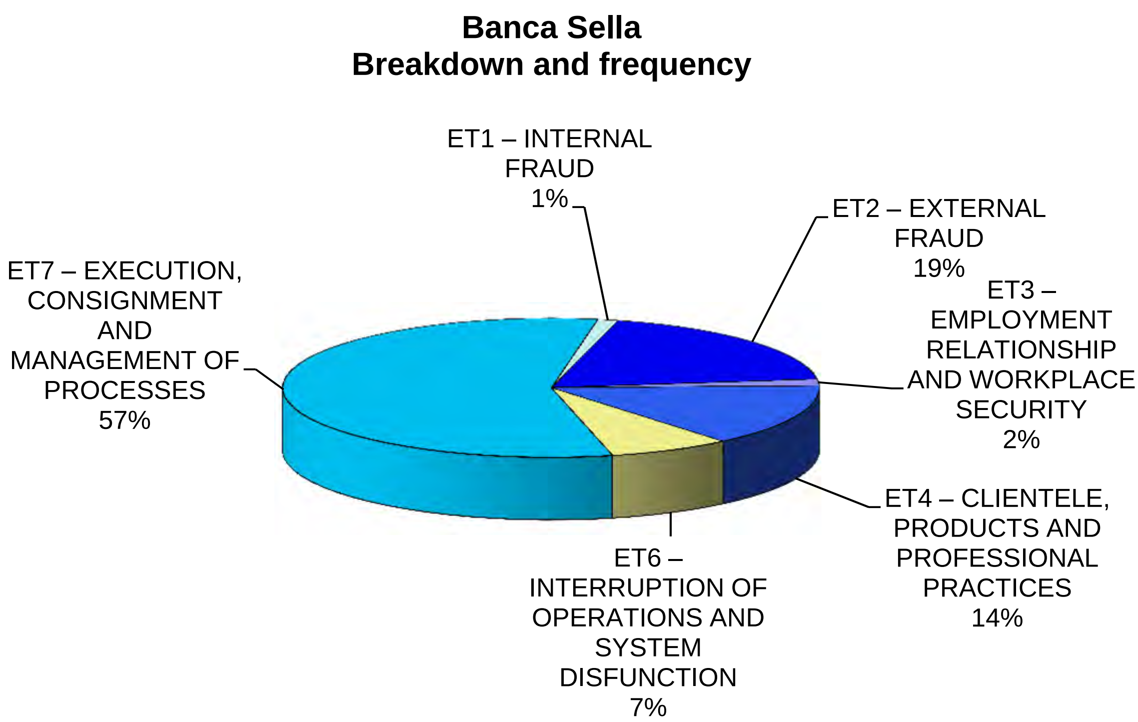
With regard to legal disputes it should be noted that the Bank is involved in a number of court proceedings of varying nature and legal proceedings arising from the ordinary course of its business. While it is not possible to predict with certainty the final outcome, it is considered that an unfavorable conclusion of these proceedings would not have, either individually or as a whole, a significant adverse effect on the financial and economic situation of the Bank.

For the purposes of calculating the capital requirement for operational risk exposure, there is adopted the method of calculation Basic (*Basic IndicatorApproach* , BIA). In the Basic Approach the capital requirement is calculated by applying a regulatory coefficient fixed rate of 15% at the three-year average of the relevant indicator[6].

[5]The process is defined as end to end when it is set so as to be a “value flow” according to a total logic of satisfying the usage function of the customer, whether internal or external, starting from its risk level up to the furnishing of the service.

[6] Article 316 -Section III – PART THREE of the EU Regulation n. 575/2013 of the European Parlaiment and of the Council of 26 June 2013 details the elements to sum up to calculate the relevant indicator. Table 1 of this article posts: 1) Assimilated interest and proceeds; 2) Assimilated interest and charges; 3) Income from shares, quotas and other variable/fixed income securities; 4) Income on commissions/provisions; 5) Charges for commissions/provisions; 6) Profit (loss) from financial transactions; 7) Other income from trading.


Banca Sella
Breakdown of gross loss
ET1 – INTERNAL FRAUD 3%
ET2 – EXTERNAL FRAUD 20%
ET3 – EMPLOYMENT RELATIONSHIP AND WORKPLACE SECURITY 9%
ET4 – CLIENTELE, PRODUCTS AND PROFESSIONAL PRACTICES 33%
ET6 – INTERRUPTION OF OPERATIONS AND SYSTEM DISFUNCTION 1%
ET7 – EXECUTION, CONSIGNMENT AND MANAGEMENT OF PROCESSES 34%


Banca Sella
Breakdown and frequency
ET1 – INTERNAL FRAUD 1%
ET2 – EXTERNAL FRAUD 19%
ET3 – EMPLOYMENT RELATIONSHIP AND WORKPLACE SECURITY 2%
ET4 – CLIENTELE, PRODUCTS AND PROFESSIONAL PRACTICES 14%
ET6 – INTERRUPTION OF OPERATIONS AND SYSTEM DISFUNCTION 7%
ET7 – EXECUTION, CONSIGNMENT AND MANAGEMENT OF PROCESSES 57%

Part F – Information on capital

Section 1 – The company's capital

A. Qualtitative information

From 1 January 2014 came into force the new harmonized rules for banks and investment firms in Regulation No. 575/2013 ("CRR") and Directive 2013/36/EU ("CRD IV") transposing EU standards as defined in the Basel Committee on Banking Supervision (Basel 3).

To implement and facilitate the implementation of the new guidelines, as well as to achieve an overall revision and simplification of the rules of supervision of banks, the Bank of Italy issued on 17 December 2013, the Circular 285 "Provisions supervision for banks" that:

i) incorporates the provisions of CRD IV, the implementation of which, in accordance with the Banking Law, is the responsibility of the Bank of Italy;

ii) indicates how were exercised the national discretions conferred by the Community framework to national authorities;

iii) outlines a comprehensive, organic, rational regulatory framework, integrated with the direct application of Community provisions, in order to facilitate its use by operators.

In Banca Sella the oversight of capital adequacy is ensured by the activity of capital management.

The plan of Capital Management is defined in conjunction with the strategic plan and the Risk Appetite Framework (RAF) and is realized in the impact assessment of the ordinary activities and in the definition of any extraordinary transactions in order to pursue the objectives of capital (represented from Common Equity Tier 1 ratio) considered necessary and appropriate to put the Bank in a situation of a sound and sustainable present and future.

The plan of Capital Management is subject to systematic monitoring by the Risk Management of the Parent Company through a process of supervision on the assets and removals which provides:

i) final monthly calculations, depending on the operating results achieved progressively;

II) quarterly simulation of the evolution on a prospective basis in order to prevent situations of non-compliance of the defined levels.

The capital ratios of the Bank are included in the reporting month prepared for the Board of Directors and the Meeting of Alignment and Performance Verification Group and Banca Sella.

B. Quantitative information

B.1 Company capital: breakdown

Items/Amounts	Amount 31/12/2014	Amount 31/12/2013
1. Capital	281,597	281,597
2. Share premium	298,722	298,722
3. Reserves	(39,145)	(49,401)
- Profit	(39,145)	(49,401)
a) Legal	27,959	25,510
b) statutory	67,879	59,715
c) own shares	-	-
d) other	(134,982)	(134,626)
- other	-	-
3.5 Advances on dividends	-	-
4. Equity instruments	-	-
5. (Own shares)	-	-
6. Valuation reserves	4,817	3,861
- Financial assets available for sale	9,951	4,889
- Gains (losses) related to defined benefit pension plans	(5,134)	(1,028)
7. Profit (loss) for the year	64,230	20,409
Totale	**617,220**	**555,188**

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

Asset / Value	Total	31/12/2014	Total	31/12/2013
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt	9,951	-	4,889	-
2. Equities	-	-	-	-
3. Mutual funds	-	-	-	-
4. Loans	-	-	-	-
Total	**9,951**	**-**	**4,889**	**-**

B.3 Valuation reserves of financial assets available for sale: annual changes

	Debt securities	Equity securities	UCITS units	Loans
1. Opening	**4,889**	**-**	**-**	**-**
2. Increases	**8,752**	**-**	**-**	**-**
2.1 Fair value increases	8,560	-	-	-
2.2 Transfer to income statement of negative reserves	192	-	-	-
- impairment	-	-	-	-
- realised	192	-	-	-
2.3 Other changes	-	-	-	-
- of which business combinations	-	-	-	-
3. Decreases	**3,690**	**-**	**-**	**-**
3.1 Fair value	618	-	-	-
3.2 Impairment	-	-	-	-
3.3 Transfer to income statement of positive reserves: from sale	3,072	-	-	-
3.4 Other changes	-	-	-	-
- Of which business combinations	-	-	-	-
4. Closing	**9,951**	**-**	**-**	**-**

B.4 Revaluation reserves related to defined benefit plans: annual changes

	31/12/2014
1. Opening	**(1,028)**
2. Increases	**148**
2.1 Component positive evaluation	
2.2 New entries	148
3. Decreases	**4,254**
3.1 Component negative evaluation	3,477
3.2 New Release	777
4. Closing	**(5,134)**

Section 2 – Own funds and regulatory ratios

2.1 Own funds

Qualitative information

1. Primary capital class 1 (Common Equity Tier 1 – CET1)

As required by the 3rd update Circ.262/05 of 22 December 2014, the following table shows the main features of the actions that have been included in the Common Equity Tier 1 - CET1 Banca Sella at 31 December 2014:

- n. 563,193,010 ordinary shares with a nominal value of EUR 0.50 (zero point fifty) each, inclusive of share premium, reserves and retained earnings accrued to a calculable value of EUR 609,451, 078;

2. Additional Tier 1 – AT1

In Additional Tier 1 at 31 December 2014 there are no financial instruments computable.

3. Tier2 – T2

As required by the 3rd update Circ.262/05 of 22 December 2014, the following table shows the main features of the subordinated loans, which were computed in Tier 2 - T2 issued by Banca Sella at 31 December 2014:

N.	Interest rate %	Type Rate	Nominal value at the date	Computability	issue	early amortization	expirty	Sinking fund	Computabile balance
1	5.30	Fixed	2,000,000	Calculable (after transitory dispositions)	07/16/08	07/16/10	07/16/15	YES	863,562
2	0.43	Variable	12,000,000	Calculable (after transitory dispositions)	09/30/08	09/30/11	09/30/16	YES	8,397,536
3	4.00	Fixed	500,000	Calculable (after transitory dispositions)	01/12/09	01/12/10	01/12/15	YES	13,139
4	3.90	Fixed	500,000	Calculable (after transitory dispositions)	02/06/09	02/06/10	02/06/15	YES	40,511
5	3.45	Fixed	2,000,000	Calculable (after transitory dispositions)	02/18/09	02/18/10	02/18/15	YES	214,599
6	3.50	Fixed	500,000	Calculable (after transitory dispositions)	02/24/09	02/24/10	02/24/15	YES	60,219
7	1.06	Variable	1,200,000	Calculable (after transitory dispositions)	03/05/09	03/05/10	03/05/15	YES	168,329
8	0.88	Variable	4,000,000	Calculable (after transitory dispositions)	03/16/09	03/16/10	03/16/15	YES	657,534
9	1.18	Variable	4,300,000	YES	06/03/09	06/03/14	06/03/19	NO	3,803,122
10	3.50	Fixed	2,000,000	Calculable (after transitory dispositions)	05/21/09	05/21/11	05/21/16	YES	1,110,472
11	4.55	Fixed	1,000,000	YES	05/21/09	05/21/14	05/21/19	NO	877,327
12	0.88	Variable	2,130,000	YES	07/15/09	07/15/14	07/15/19	NO	1,917,000
13	0.88	Variable	210,000	YES	07/15/09	07/15/14	07/15/19	NO	190,000
14	0.79	Variable	2,500,000	YES	07/31/09	07/31/14	07/31/19	NO	2,250,000
15	0.78	Variable	2,500,000	YES	09/04/09	12/04/14	12/04/19	NO	2,250,000
16	4.075	Fixed	1,000,000	YES	09/04/09	12/04/14	12/04/19	NO	969,000
17	0.78	Variable	10,000,000	YES	09/10/09	12/10/14	12/10/19	NO	9,000,000
18	0.78	Variable	930,000	YES	09/16/09	12/16/14	12/16/19	NO	840,000
19	4.10	Fixed	2,500,000	YES	10/05/09	01/05/15	01/05/20	NO	2,323,000
20	4.10	Fixed	5,000,000	YES	10/15/09	01/15/15	01/15/20	NO	4,500,000
21	4.10	Fixed	5,000,000	YES	10/26/09	01/26/15	01/26/20	NO	4,581,000
22	4.10	Fixed	2,500,000	YES	10/26/09	01/26/15	01/26/20	NO	2,409,000
23	4.10	Fixed	10,000,000	YES	10/29/09	01/29/15	01/29/20	NO	9,000,000
24	4.10	Fixed	5,000,000	YES	11/23/09	02/23/15	02/23/20	NO	4,679,000
25	4.00	Fixed	5,000,000	YES	12/16/09	03/16/15	03/16/20	NO	4,546,000
26	2.95	Fixed	2,500,000	YES	10/12/10	10/12/12	10/12/17	NO	1,391,019
27	2.50	Variable	5,000,000	YES	10/20/10	10/20/12	10/20/17	NO	2,803,943
28	3.15	Fixed	1,500,000	Calculable (after transitory dispositions)	11/22/10	11/22/12	11/22/17	YES	1,157,722
29	3.70	Fixed	10,000,000	YES	01/14/11	01/14/12	01/14/17	NO	4,077,723
30	4.65	Fixed	10,000,000	YES	03/15/11	03/15/16	03/15/21	YES	9,710,000

31	4,30	Fixed	6,613,600	Calculable (after transitory dispositions)	06/15/11	06/15/13	06/15/18	YES	4,570,845
32	5,20	Fixed	1,800,000	Calculable (after transitory dispositions)	10/25/11	10/25/12	10/25/17	YES	1,352,464
33	5,10	Fixed	5,880,600	Calculable (after transitory dispositions)	11/11/11	11/11/12	11/11/17	YES	4,491,499
34	5,75	Fixed	12,000,000	Calculable (after transitory dispositions)	12/12/11	12/12/12	12/12/17	YES	9,437,021
35	5,60	Fixed	6,000,000	Calculable (after transitory dispositions)	12/30/11	12/30/12	12/30/17	YES	4,797,371
36	5,40	Fixed	16,000,000	NO	01/17/12	01/17/13	01/17/18	YES	0
37	5,50	Fixed	4,000,000	NO	02/01/12	02/01/13	02/01/18	YES	0
38	5,00	Fixed	12,000,000	NO	02/14/12	02/14/13	02/14/18	YES	0
39	4,45	Fixed	6,000,000	NO	03/01/12	09/01/12	09/01/17	YES	0
40	4,15	Fixed	6,000,000	NO	03/13/12	09/13/12	09/13/17	YES	0
41	4,55	Fixed	5,000,000	YES	08/31/12	02/28/13	02/28/18	NO	3,162,651
42	3,50	Fixed	10,000,000	YES	11/15/12	11/15/13	11/15/18	NO	7,749,179
43	3,45	Fixed	5,000,000	YES	12/10/12	12/10/13	12/10/18	NO	3,943,045
44	3,25	Fixed	15,000,000	YES	01/07/13	01/07/14	01/07/19	NO	12,059,146
45	3,05	Fixed	2,500,000	YES	01/17/13	07/17/13	07/17/18	NO	1,771,632
46	3,00	Fixed	5,000,000	YES	01/31/13	01/31/14	01/31/19	NO	4,085,433
47	3,20	Fixed	10,000,000	YES	01/31/13	01/31/15	01/31/20	NO	9,452,000
48	3,15	Fixed	15,000,000	YES	03/22/13	03/22/14	03/22/19	NO	12,667,032
49	3,30	Fixed	10,000,000	YES	05/03/13	05/03/15	05/03/20	NO	9,631,000
50	3,20	Fixed	15,000,000	YES	05/17/13	05/17/15	05/17/20	NO	15,000,000
51	2,90	Fixed	10,000,000	NO	08/19/13	08/19/14	08/19/19	YES	0
52	3,10	Fixed	5,000,000	YES	10/04/13	10/04/14	10/04/19	NO	4,759,036
53	2,75	Fixed	5,000,000	NO	10/04/13	10/04/14	10/04/19	YES	0
54	3,10	Fixed	5,000,000	YES	10/22/13	10/22/14	10/22/19	NO	4,759,036
55	3,00	Fixed	10,000,000	YES	11/06/13	11/06/14	11/06/19	NO	9,753,560
56	3,00	Fixed	7,500,000	YES	11/13/13	11/13/14	11/13/19	NO	7,302,848
57	1,95	Fixed	4,541,000	YES	05/29/14	05/29/15	05/29/20	NO	4,541,000
58	3,25	Fixed	5,100,000	YES	11/07/14	11/07/16	11/07/21	YES	5,100,000
59	3,25	Fixed	900,000	YES	12/15/14	12/15/16	12/15/21	YES	900,000
60	3,25	Fixed	10,200,000	YES	12/30/14	12/30/16	12/30/21	NO	10,200,000
61	3,25	Fixed	3,000,000	YES	10/27/14	10/27/16	10/27/21	YES	3,000,000
	Total		348,305,200						239,286,552

Quantitative information

	Total 2014	Totale 2013
A. Capital primary class 1 (Common Equity Tier 1 - CET1) before application of prudential filters	**609,451**	**506,512**
of which tools CET1 subject to transition	-	-
B. Prudential filters CET1 (+/-)	(539)	(358)
C. CET1 before items to be deducted and the effects of the transitional arrangements (A +/- B)	608,912	506,154
D. Deductions from CET1	45,588	1,066
E. Transitional arrangements - Impact on CET1 (+/-)	(9,951)	-
F. Total Capital primary class 1 (Common Equity Tier 1 - CET1) (C - D +/- E)	**553,373**	**505,088**
G. Additional Tier 1 Capital (Additional Tier 1 - AT1) before items to be deducted and the effects of the transitional arrangements	**-**	**-**
of which AT1 instruments subject to transition	-	-
H. Deductions from AT1	-	-
I. Transitional arrangements - Impact of AT1 (+/-)	-	-
L. Total Capital Additional Tier 1 (Additional Tier 1 - AT1) (G - H +/- I)	**-**	**-**
M. Capital Class 2 (Tier 2 - T2) before items to be deducted and the effects of the transitional arrangements	**239,287**	**299,010**
of which tools T2 subject to transition	37,333	-
N. Deductions from T2	-	(635)
O. Transitional arrangements - Impact on T2 (+/-)	11	-
P. Total Share class 2 (Tier 2 - T2) (M - N +/- O)	**239,298**	**299,645**
Q. Total own funds (F + L + P)	**792,671**	**804,733**

Given the entry into force of the new regulatory framework known as Basel 3 from 01.01.2014, the table for Own Funds shows the comparative information as of 12.31.2013 related to the previous regulatory framework known as Basel 2, therefore the data is not substantially comparable.

2.2 Capital adequacy

Qualitative information

Under the provisions of prudential supervision, the overall requirement is equal to the sum of the capital requirements prescribed in respect of credit risk and counterparty risk, credit valuation adjustment, and settlement, market and operational valuations.

The methods of calculating capital requirements refer generally to standard methodologies (Standardized Approach) and the basic method (basic indicator approach, "BIA") with regard to operational risk.

The policies of capital management of Banca Sella aim to ensure that the capital base is consistent with the level of risk assumed, with regulatory constraints and with the development plans of the company.

31 December 2014, the capital ratios are higher than the minimum requirements of the relevant regulations in force at the time:

- Common Equity Tier 1 ratio: it stood at 10.81% compared to a minimum of 5.125%;
- Tier 1 ratio: it stood at 10.81% compared to a low of 6.125%;
- Total Capital ratio: it stood at 15.48% compared to a minimum of 8.625%.

Quantitative information

Categories / Amounts	Unweighted		Weighted / requirements	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
A. RISK ACTIVITIES				
A.1 Credit risk and counterparty risk	**10,563,872**	**10,102,280**	**4,296,555**	**4,584,410**
1. Standardized approach	10,563,872	10,102,280	4,296,555	4,584,410
2. Methodology based on internal ratings	-	-	-	-
2.1 Base	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitization	-	-	-	-
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit risk and counterparty risk			**343,724**	**275,065**
B.2 Risk of credit valuation adjustment			**4,119**	**-**
B.3 Regulatory Risk			**-**	**-**
B.4 Market Risks			**2,194**	**890**
1. Standard method			2,194	890
2. Internal models				
3. Concentration risk			**-**	
B.5 Operational			**59,588**	**41,358**
1. Method base			59,588	41,358
2. Standardised Method				
3. Advanced approach				
B.6 Other prudential requirements				
B.7 Other calculation elements				
B.8 TOTAL PRUDENTIAL REQUIREMENTS			**409,624**	**317,312**
C. RISK ACTIVITIES AND RATIOS				
C.1 Risk-weighted assets			5,120,302	3,966,399
C.2 Capital primary Class 1 / Risk-weighted assets (CET1 capital ratio)			10.81%	-
C.2 Tier I capital / risk-weighted assets (Core Tier 1 capital ratio) for the 2013 budget			-	12.73%
C.3 Capital Tier 1 / Risk-weighted assets (Tier 1 capital ratio)			10.81%	-
C.3 Core capital / risk-weighted assets (Tier 1 capital ratio) for the 2013 budget			-	12.73%
C.4 Total capital / risk-weighted assets (Total capital ratio)			15.48%	
C.4 capital including Tier 3 / Risk-weighted assets (Total capital ratio) for the 2013 budget			-	20.29%

Given the entry into force of the new regulatory framework known as Basel 3 from 01.01.2014, the table on the capital adequacy does not report comparative information as of 12.31.2013 in relation to B.2 and B.3 because not calculated in accordance with the previously applicable regulatory provisions in force until that date.

We also point out that in 2013 the regulatory capital requirements enjoyed a facilitated weighting of 75% compared to 2014, but having to comply with a minimum requirement of 8% of assets.

Part G – Business mergers with companies or branches

Section 1 - Transactions carried out during the exercise

During the year 2014 there were no business mergers.

Section 2 - Transactions carried out after the end of the year

After year-end 2014, there were no business mergers.

Section 3 - Retrospective adjustments

During the year 2014, since there have not occurred any business mergers, there are no retrospective adjustments.

Part H – Transactions with related parties

The types of related parties, on the basis of information provided by IAS 24, in relation to the specific organizational structure and governance, here following, include:

a. Banca Sella Holding SpA as Parent Company controls Banca Sella SpA;
b. Directors and Senior Management of Banca Sella SpA (Managers with a strategic responsibility);
c. A subsidiary or affiliated company of one of the persons referred to in point b);
d. Close relatives of one of the persons referred to in points b);
e. Directors and Senior Management of the Parent Company Banca Sella Holding (executives with strategic responsibilities);
f. the Companies of the Group, together with Banca Sella SpA, subject to activities of management and coordination of Banca Sella Holding SpA

With the 9th update of 12 December 2011, the Bank of Italy has introduced in the Circular. 263, "New Minimum Capital Requirements for Banks", the new Title V - Chapter 5 (Section IV), "Risk assets and conflicts of interest in connected persons", in application of Resolution CICR, 29 July 2008, n. 277 and Art. 53, paragraphs 4, 4 and 4-ter-quater of Legislative Decree 1 September 1993, n. 385.

The Bank of Italy introduced the aforementioned provisions, explaining that "The governing transactions with related parties aim to limit the risk that the proximity of certain people to decision-making centers of the bank might compromise the objectivity and impartiality of decisions on the allocation of financing and other transactions in the same subjects, with possible distortions in the allocation of resources, the bank's exposure to risks not adequately measured or controlled and potential damage to depositors and shareholders."

Banca Sella Holding SpA, as Parent Company, has set up appropriate Group procedures for compliance with the provisions mentioned above whose general framework is dictated by two internal regulatory documents: the "Group Regulations on the management of transactions with related persons" and "internal control policies".

Both documents were approved by the Board of Directors of the parent company and, subsequently endorsed by the Bank.

The table below shows the compensation paid to key management personnel. Among the "key management personnel" also includes the directors and members of supervisory bodies.

1. Information on the compensation of executives with strategic responsibilities

Compensation paid to key management personnel *in thousands of euro*

Items	Total 12/31/2014
a) Short-term benefits for employees	717
b) Post-employment Benefits	-
c) Other long-term benefits	-
d) Compensation for the transfer of the employment relationship	42
e) Share-based payments	-
Total	**759**

Compensation paid to Directors and Statutory Auditors *in thousands of euro*

Items	Total 12/31/2014
Board members	343
Auditors	106
Total	**449**

2. Information on transactions with related parties

Transactions with related parties were carried out, as a rule, under conditions equivalent to those applied to transactions with independent third parties.

Transactions with related parties *(in thousands of euro)*

Type of related party	Asset	Liability	Income	Charges	Guarantees received	Guarantees granted
Parent company	-	-	-	-	-	-
Entities exercising significant influence on company	-	-	-	-	-	-
Directors and key management personnel	1,852	8,945	65	106	248	1,320
Subsidiaries	-	-	-	-	-	-
Associates	-	-	-	-	-	-
Companies subject to joint control	-	-	-	-	-	-
Other related parties	1,932	839,217	205	306	2.912	156
Total	**3784**	**848,162**	**270**	**412**	**3,160**	**1,476**

Outsourcing contracts

Banca Sella has offered outsourcing. Services related to the Corporate Secretary, Department, IT Security, Issue Bonds remain in Banca Sella Holding.

These activities, regulated by specific contracts, are carried out following assessments of mutual and market conditions with the aim of creating value within the Group.

A summary is below the standards that Banca Sella has paid for outsourcing services:

Outsourcing fees paid by Banca Sella *(in thousands of euro)*

Company	Amount at 12/31/2014
Banca Sella Holding S.p.A.	845
Easy Nolo S.p.A.	6,117
Banca Patrimoni Sella & C. S.p.A.	222
Brosel S.p.A.	22
Family Advisory SIM S.p.A. - Sella & Partners	281
Selir S.r.l.	3,826

A summary is below the standards that Banca Sella received for services provided in outsourcing:

Outsourcing fees received from Banca Sella *(in thousands of euro)*

Company	Amount at 12/31/2014
Banca Sella Holding S.p.A.	5,182
Easy Nolo S.p.A.	642
Banca Patrimoni Sella & C.	2,800
Biella Leasing S.p.A.	696
Sella Gestioni SgR	230
Consel S.p.A.	230
Selir S.r.l.	91

Part I – Payment agreements based on own equity instruments

The Bank does not make use of this type of agreement.

Part L – Segment report

Segment reporting is provided on a consolidated basis in the consolidated financial statements.

Other informations

Parent company or EU parent bank

Denomination

Banca Sella Holding SpA

Office

Piazza Gaudenzio Sella 1 - BIELLA
Biella Business Register – Tax Code 01709430027
Register of Banking Groups no. 03311

Financial statements of the company exercising management and coordination

Attached are the balance sheet and income statement of Banca Sella Holding SpA for the years 2013 and 2012 as the company that on December 31, 2014 exercised management and coordination.

	Asset items	12/ 31/2013	12/ 31/2012	% change
20.	Financial assets held for trading	706,205,493	535,697,310	31.83%
40.	Financial assets available for sale	363,519,157	365,683,273	-0.59%
50.	Financial assets held to maturity	202,562,272	194,364,011	4.22%
60.	Loans to banks	620,149,213	586,663,872	5.71%
70.	Loans to customers	406,703,228	555,816,242	-26.83%
80.	Hedging derivatives	534,002	661,651	-19.29%
100.	Investments	840,010,080	865,842,616	-2.98%
110.	Tangible assets	38,258,460	39,379,149	-2.85%
120.	Intangible assets	910,009	568,470	60.08%
	of which:			
	- goodwill	-	-	-
130.	Tax assets	26,068,370	19,341,920	34.78%
	a) current	12,679,935	6,037,128	110.03%
	b) deferred	13,388,435	13,304,792	0.63%
	- Contained in L.214_2011	9,899,469	8,631,815	14.69%
150.	Other activities	17,590,753	18,818,606	-6.52%
Total assets		**3,222,511,037**	**3,182,837,120**	**1,25%**

	Liabilities and shareholders' equity	12/31/2013	12/31/2012	% change
10.	Due to banks	1,673,896,682	1,347,709.657	24.20%
20.	Due to customers	93,858,544	159,960,985	-41.32%
30.	Outstanding securities	427,707,515	679,437,448	-37.05%
40.	Trading financial liabilities	296,536,372	277,783,489	6.75%
80.	Tax liabilities	5,069,824	8,804,075	-42.42%
	a) current	3,288,287	7,804,509	-57.87%
	b) Deferred	1,781,537	999,566	78.23%
100.	Other liabilities	94,832,904	110,649,036	-14.29%
110.	Employee termination indemnities	2,490,031	2,774,065	-10.24%
120.	Provisions for risks and charges:	20,363,106	22,584,807	-9.84%
	a) pensions and similar obligations	-	-	-
	b) Other provisions	20,363,106	22,584,807	-9.84%
130.	Revaluation reserves	3,283,299	1,366,376	140.29%
160.	Stocks	373,806,720	359,107,070	4.09%
170.	Share premium	105,550,912	90,074,793	17.18%
180.	Capital	107,013,670	104,988,000	1.93%
190.	Own shares (-)	-	-	-
200.	Profit for the year	18,101,458	17,597,319	2.86%
Total liabilities		**3,222,511,037**	**3,182,837,120**	**1.25%**

	Items	12/ 31/2013	12/31/2012	% change
10.	Interest and similar income	39,441,559	57,655,200	-31.59%
20.	Interest payable and similar charges	(19,870,012)	(39,734,796)	-49.99%
30.	**Net interest income**	**19,571,547**	**17,920,404**	**9.21%**
40.	Commission income	16,696,306	14,269,776	17.00%
50.	Commission expense	(12,464,016)	(11,853,111)	5.15%
60.	**Net commission income**	**4,232,290**	**2,416,665**	**75.13%**
70.	Dividends and similar income	15,580,716	9,998,354	55.83%
80.	Net income from trading	13,599,390	30,232,096	-55.02%
90.	Net income from hedging	8,082	130,126	-93.79%
100.	Gains (losses) from sale or repurchase of:	3,524,728	3,572,875	-1.35%
	a) loans	3,793	(232,664)	-101.63%
	b) financial assets available for sale	3,505,504	2,682,391	30.69%
	c) financial assets held to maturity	-	-	-
	d) financial liabilities	15,431	1,123,148	-98.63%
120.	**Net banking income**	**56,516,753**	**64,270,520**	**-12.06%**
130.	Impairment / write-backs for impairment of:	(457,822)	(571,026)	-19.82%
	a) loans	(2,740)	57,022	-104.81%
	b) financial assets available for sale	(251,358)	(588,626)	-57.30%
	c) financial assets held to maturity	-	-	-
	d) other financial transactions	(203,723)	(39,422)	416.77%
140.	**Net income from financial**	**56,058,932**	**63,699,494**	**-11.99%**
150.	Administrative expenses	(35,235,889)	(38,386,914)	-8.21%
	a) staff costs	(18,096,038)	(20,064,787)	-9.81%
	b) other administrative expenses	(17,139,851)	(18,322,127)	-6.45%
160.	Net provisions for risks and charges	(55,971)	(800,101)	-93.00%
170.	Impairment / write-backs on tangible assets	(2,032,029)	(2,015,800)	0.81%
180.	Impairment / write-backs on intangible assets	(323,381)	(431,454)	-25.05%
190.	Other expenses / income	2,974,355	3,111,044	-4.39%
200.	**Operating costs**	**(34,672,915)**	**(38,523,225)**	**-9.99%**
210.	Gains (losses) on investments	(149,923)	(768,682)	-80.50%
240.	Gains (losses) on disposal of investments	20	988	-97.98%
250.	**Profit (loss) from continuing operations before tax**	**21,236,114**	**24,408,575**	**-13.00%**
260.	Taxes on income from continuing operations	(3,134,656)	(6,811,256)	-53.98%
270.	**Profit (loss) from continuing operations, net of tax**	**18,101,458**	**17,597,319**	**2.86%**
290.	**Profit (loss)**	**18,101,458**	**17,597,319**	**2.86%**

Report of Independent Auditors

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AUDITOR'S REPORT ON THE STATUTORY FINANCIAL STATEMENTS PURSUANT TO ARTICLES 14 AND 16 OF LEGISLATIVE DECREE N. 39 OF 27 JANUARY, 2010)

To the Shareholders of
BANCA SELLA S.p.A.

1. We have audited the statutory financial statements of Banca Sella S.p.A. as of and for the year ended December 31, 2014, which comprise the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and the related notes to the financial statements. These financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n. 38/2005 are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards recommended by Consob, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the prior year's financial statements, the data of which are presented for comparative purposes, reference should be made to our auditors' report issued on April 10, 2014.

3. In our opinion, the statutory financial statements of Banca Sella S.p.A. as of and for the year ended December 31, 2014 comply with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of the Italian Legislative Decree n. 38/2005; accordingly, they give a true and fair view of the financial position of Banca Sella S.p.A., and of the results of its operations and its cash flows for the year then ended.

4. The Directors of Banca Sella S.p.A. are responsible for the preparation of the report on operations in accordance with the applicable law and regulations. Our responsibility is to express an opinion on the consistency of the report on operations with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by Consob. In our opinion the report on operations is consistent with the financial statements of Banca Sella S.p.A. as of, and for the year ended December 31, 2014.

DELOITTE & TOUCHE S.p.A.

Signed by
Vittorio Frigerio
Partner

Turin, Italy
April 14, 2015

This report has been translated into the English language solely for the convenience of international readers.