# GRUPPO BANCA SELLA

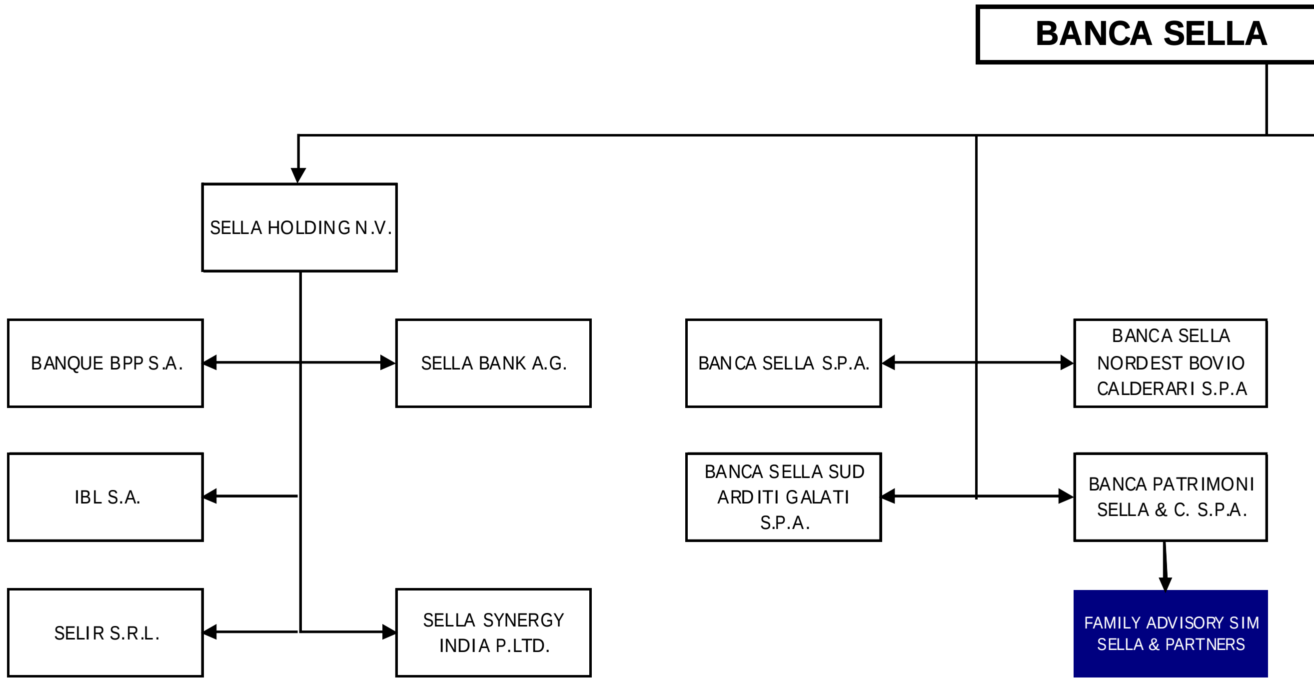
# 2010 HALF-YEAR CONSOLIDATED FINANCIAL REPORT

**Drawn up by the Parent Company**

**BANCA SELLA HOLDING S.p.A.**

# Map Of The Banca Sella Group

at 1st July 2010



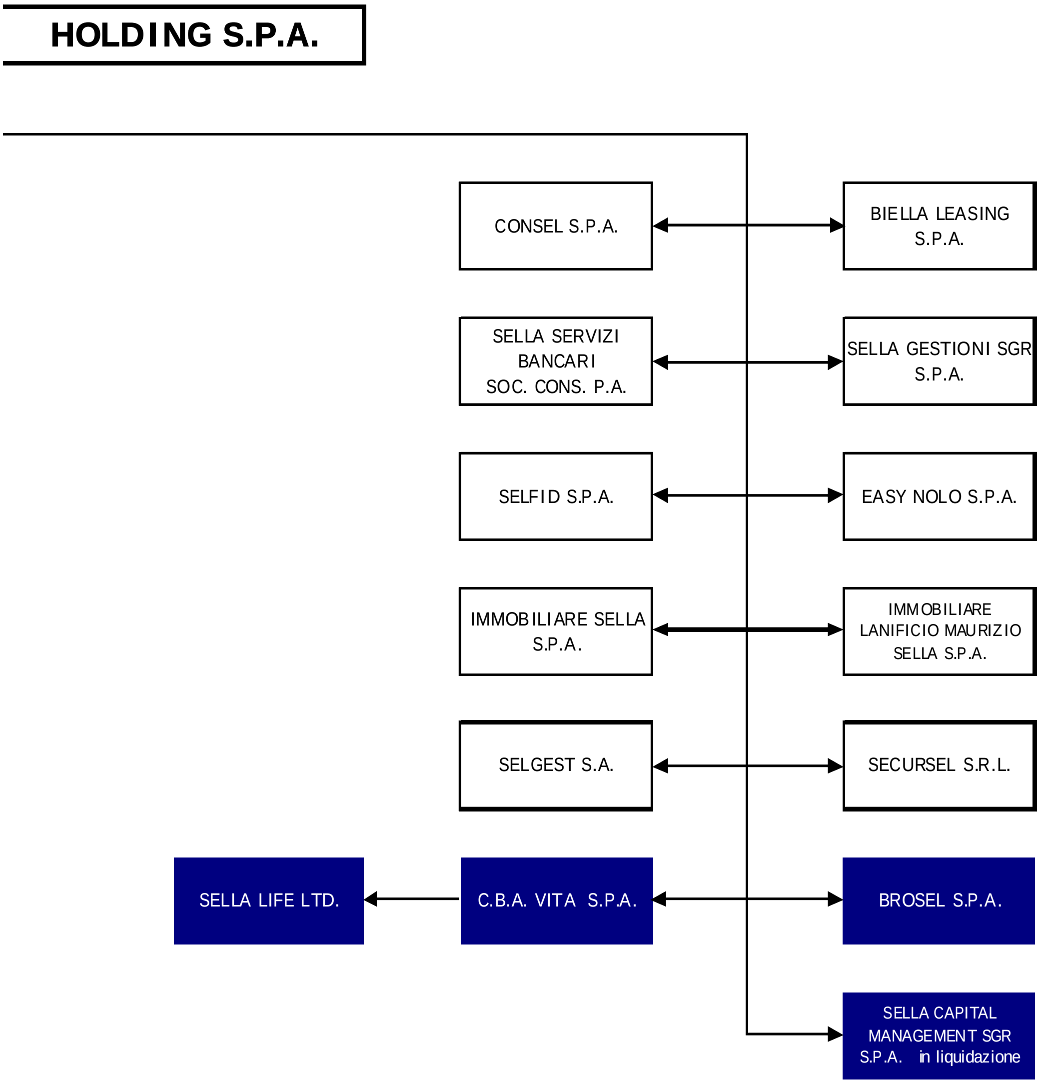

Controlled companies but not included in the Group's perimeter

**Other Me-by-line consolidated companies:**

MARS 2600 S.r.l. (the company is the special purpose vehicle for the Group's securitization transactions)

**Net equity method consolidated companies :**

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


HOLDING S.P.A.
CONSEL S.P.A.
BIELLA LEASING S.P.A.
SELLA SERVIZI BANCARI SOC. CONS. P.A.
SELLA GESTIONI SGR S.P.A.
SELFID S.P.A.
EASY NOLO S.P.A.
IMMOBILIARE SELLA S.P.A.
IMMOBILIARE LANIFICIO MAURIZIO SELLA S.P.A.
SELGEST S.A.
SECURSEL S.R.L.
SELLA LIFE LTD.
C.B.A. VITA S.P.A.
BROSEL S.P.A.
SELLA CAPITAL MANAGEMENT SGR S.P.A. in liquidazione

# REPORT ON OPERATIONS

# Banca Sella Group
# Main figures and indicators

**BANCA SELLA GROUP SUMMARY DATA** *(in millions of Euro)*

| BALANCE SHEET DATA | 30/06/2010 | 31/12/2009 | Change absolute | Change % |
|---|---|---|---|---|
| Total assets | 13,385.9 | 13,424.1 | (38.2) | -0.3% |
| Cash loans [(1)] | 8,693.8 | 8,499.2 | 194.6 | 2.3% |
| Guarantees given | 358.2 | 355.1 | 3.1 | 0.9% |
| Financial assets | 3,486.8 | 3,128.3 | 35 8.5 | 11.5% |
| Equity investments | 25.0 | 26.1 | (1.1) | -4.2% |
| Tangible and intangible fixed assets | 290.9 | 290.4 | 0.5 | 0.2% |
| Direct deposits (exclusive of repurchase agreements) | 10,073.6 | 10,593.5 | (520.0) | -4.9% |
| Repurchase agreements | 40.9 | 56.9 | (16.0) | -28.2% |
| Indirect deposits [(2)] | 15,668.8 | 15,034.5 | 63 4.3 | 4.2% |
| Total deposits | 25,783.3 | 25,685.0 | 9 8.3 | 0.4% |
| Regulatory capital | 985.4 | 990.2 | (4.8) | -0.5% |

| ECONOMIC DATA[(3)] | 30/06/2010 | 30/06/2009 | Change absolute | Change % |
|---|---|---|---|---|
| Net interest income [(4)] | 148.0 | 147.4 | 0.6 | 0.4% |
| Net income from services | 113.9 | 114.6 | (0.8) | -0.7% |
| Net income from insurance activities | 2.2 | 6.9 | (4.7) | -68.7% |
| Net banking income | 264.1 | 269.0 | (4.9) | -1.8% |
| Operating costs | 202.9 | 203.0 | (0.0) | 0.0% |
| Operating profit | 61.1 | 66.0 | (4.9) | -7.4% |
| Net value adjustments for impairment losses | 47.3 | 33.0 | 14.3 | 43.1% |
| Income tax | 8.9 | 12.7 | (3.9) | -30.5% |
| Profit for the year (net) pertaining to Parent Company | 3.2 | 17.4 | (14.2) | -81.7% |

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

*(2)* *The aggregate, excluding "cash" (included in direct deposits from customers), is the sum of the following items of the section "Other Information" of the Notes to the Financial Statements: "Asset management", "Third party securities on deposit as custodian bank," "Other third-party securities held in deposit (net of securities issued by companies included in the consolidation)" and the item related to income from insurance activities, as indicated in the note related to the table on Management and intermediation on third parties behalf.*

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

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

**STAFF AND BRANCHES** *(at half-year)*

| | 30/06/2010 | 30/06/2009 | 30/06/2008 | 30/06/2007 |
|---|---|---|---|---|
| Employees | 4,353 | 4,438 | 4,521 | 4,206 |
| Branches in Italy and abroad | 334 | 334 | 333 | 333 |

## ALTERNATIVE PERFORMANCE INDICATORS: BANCA SELLA GROUP

| Economic indicators | 30/06/2010 | 30/06/2009 |
|---|---|---|
| **PROFITABILITY RATIOS (%)** | | |
| R.O.E. (return on equity) [6] [10] | 1.0% | 6.0% |
| R.O.A.A. (return on average assets) [7] [10] | 0.05% | 0.29% |
| Net interest income/Net banking income | 56.1% | 54.8% |
| Net income from services [8] / Net banking and insurance income [8] | 43.1% | 42.6% |
| Net income from insurance activities [8] / Net banking and insurance income [8] | 0.8% | 2.6% |
| Cost to income[9] | 74.5% | 73.0% |
| **PRODUCTIVITY RATIOS** *(in thousands of Euro)* | | |
| Net banking and insurance activity income [8] / Average number of employees [10] | 120.2 | 120.1 |
| Gross operating profit [8] / Average no. of employees [10] | 27.8 | 2 9.5 |
| Cash loans / No. of employees at half-year | 1,997.2 | 1.94 2.1 |
| Direct deposit / No. of employees at half-year | 2,314.2 | 2,375.9 |
| Total deposit / No. of employees at half-year | 5,923.1 | 5,828.4 |
| **Balance-sheet indicators** | **30/06/2010** | **31/12/2009** |
| **BALANCE-SHEET RATIOS (%)** | | |
| Cash loans / Direct deposits | 86.3% | 80.2% |
| Cash loans / Total assets | 64.9% | 63.3% |
| Direct deposits / Total assets | 75.3% | 78.9% |
| **CREDIT RISK RATIOS (%)** | | |
| Impaired assets / Cash loans | 3.9% | 4.1% |
| Net value adjustments to loans / Cash loans [10] | 1.1% | 1.0% |
| **SOLVENCY RATIOS** (%) | | |
| Tier 1 capital ratio | 6.88% | 6.84% |
| Total Capital Ratio | 11.59% | 11.67% |

*(6) Ratio between operating profit and equity, net of valuation reserves, both including minority interests.*
*(7) Ratio between "Net profit including minority interests" and "Average total assets".*
*(8) As per items reported in the reclassified consolidated Income Statement.*
*(9) Ratio between operating costs, after deducting IRAP on personnel costs and net of losses connected to operating risks and banking and insurance income.*
*(10) Annualized indicator.*

# Macroeconomic scenario (1st half 2010)

**GLOBAL SCENARIO**

The first half of 2010 was characterised by the ongoing economic recovery, despite the variation in the intensity of the recovery between the various areas of the world. Emerging countries, above all those in Asia, proved to be an important driver of the world economy. In the United States, economic growth was more contained than expected, due to the slow recovery in consumptions and the persisting weakness of the residential real estate market. The Euro area ended the first half with exceptional growth, thanks to the extremely positive results seen in the German economy. Evidence of difficulty in public debt sustainability in some Euro countries (Greece, Ireland, Portugal, and Spain) made it necessary to define a mechanism for community intervention to support economies in difficulty, as well as the adoption of restrictive fiscal policies on a national level. Japan benefited from the recovery of global demand, which worked in favour of its exports, in contrast to internal demand that continued to be slack.

Analysing the global macroeconomic situation at a more detailed level, the following aspects can be noted:

- the **U.S. economy** concluded the first half of 2010 with an average gross domestic product rate of change of 2.7%, an improvement in respect to the -2.6% seen in 2009. The recovery was assisted above all by improvements in the growth trend for production investments, in particular in terms of machinery and software, as well as the restocking process. Investments in the residential real estate market saw a notable improvement in the second quarter of 2010, with the help of tax incentives. Nonetheless, the residential real estate market continues to suffer from an excess in supply which limits the possibilities for a complete recovery. Personal consumption, although it showed growth in respect to the second quarter of 2009, was limited in its intensity by the high unemployment rate, the modest growth in income, the low level of real estate equity, and the strict credit disbursement conditions. Public spending, in general, made a positive contribution to the growth of GDP during the first half of 2010. During the entire reference period, the Fed left the official rate untouched, equal to 0%-0.25%, while maintaining its willingness to adopt new forms of unconventional monetary policies in the face of the notable deterioration of the macro reference area.
- The **Euro zone** recorded a generally positive change of 1.35% in gross domestic product during the first half of the year. Analysis of the dynamics of the individual components of aggregate demand demonstrate a significant recovery in exports, a modest recovery in general consumption, positive contributions from public spending and restocking, and a decrease in the weakness of investments. The first few months of 2010 were notable for the worsening of the economic and financial crisis in Greece and the intensification of worries about the sustainability of the public debt in other economics within the Euro zone. In terms of Greece, the progressive increase in revenues requested by the market notably decreased its capacity to finance through the issuing of government bonds. This made a joint intervention of the European Union and the International Monetary Fund (IMF) necessary, which on 2nd May, in the face of new restrictive fiscal policies enacted by the Greek government, they approved a plan for financial support totalling €110 billion over three years. The persistence of tensions on the financial market led to a need for an additional intervention, larger and more generalized, on the part of the institutions of the EU and the IMF. Between 9th and 10th May, Ecofin approved a financial support mechanism for the countries in the Euro Zone which may find themselves in difficulty in the future. The plan, with a total value of €750 billion calls for: the intervention of the countries within the Euro zone through bilateral loans for a total amount of €440 billion, the intervention of the European Commission for a total amount of €60 billion, and the intervention of the IMF for a total amount of €250 billion. The notable efforts to restore faith in the financial markets was also made concrete through the creation of the European Financial Stability Fund, the operational arm for implementation of the assistance plan outlined above. The most vulnerable European countries also adopted additional

discretionary fiscal measures with respect to those defined in the Stability and Growth Plans formulated at the beginning of the year. On the other hand, the most solid European countries strongly affirmed their commitment to balance public accounts by 2014, precisely defining the measures to be adopted. The European Central Bank (ECB), in its turn, carried out purchase operations for securities on the public debt market and continued to provide the liquidity necessary for the system through unconventional refinancing operations. Italy also adopted consolidation measures for its public debt in order to avoid the risk of turbulence on the financial markets. In terms of economic growth, the country benefited from the global recovery seen through a notable recovery in exports. The first half of the year was also characterized by a recovery in investments in machinery, while the general consumption aspect remained weak.

- • In Asia, the Japanese economy, after a first quarter characterized by particularly dynamic growth, showed signs of slowing, traceable to the gradual depletion of fiscal stimuli, the limited assistance provided by the restocking process, both internally and in foreign markets, and due to the partial decrease in foreign demand. Inflation remained negative, despite the extremely accommodating position taken by the Japanese Central Bank. China and India saw steady growth. However, in the second quarter, the economy in China showed signs of slowing growth. In fact, the Chinese government implemented restrictive administrative measures in order to slow the expansion of the domestic real estate market. Inflation in China remained under control while in India it grew quickly, requiring a cycle of interventions through which the Central Bank raised the official interest rate.

## THE FINANCIAL MARKETS

In the United States, interest rates on the long-term market showed a slight tendency towards growth in the first months of the year, benefiting from macroeconomic figures that were better than expected. Successively, the increased fears in regards to the sustainability of the public debt for certain European countries led to a turnaround due to increased risk aversion of investors that identified US government bonds as a more secure investment. In the Euro area the sovereign debt crisis led to a decrease in the German ten-year interest rate for the entire first half, which became even more significant starting in May. The average US ten-year interest rate was 3.59% in the first half of 2010, in comparison to an average of 3.24% in 2009. The average Euro Zone ten-year interest rate was 3.02% in the first half of 2010, a decrease from the 3.27% seen in 2009.

In the first half of 2010 the stock markets saw a decrease of approximately 10.4% (MSCI World), suffering from the uncertainties linked to the European sovereign debt crisis.

## THE BANKING SYSTEM

The increased turbulence of the financial markets during the course of the first half of 2010 brought back the fear of contagion -- fears regarding Greek government bonds extended to the debt of other countries, and to the banks holding said debt. The intervention of the European Union authorities and the International Monetary Fund (IMF), aimed at assisting Greece with its needs for liquidity did not initially obtain the desired effect of market stabilization. After the downgrading of the Greek debt it was necessary to turn to the ECB, which by suspending minimum rating requirements for Greek bonds allowed said bonds to be used for refinancing.

The European financial system was heavily hit by the uncertainties regarding the solvency of Greece. The ECB attempted to contain the spread of the crisis of faith in terms of public and private entities through a program which acquired securities from the hardest hit market segments, sterilizing the effects of the orientation of monetary policy. In addition, the ECB extended its special longer-term refinancing measures to the end of 2010 and the precisely regulated operations, as the perception of counterparty risk had disrupted proper functioning of the interbank market.

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

Italian bank lending in terms of the private residence sector amounted to €1,571 billion at the end of the first half year[1] showing a positive annual change of 2.5%, a decrease in respect to the growth of 2.6% seen in the first half of 2009. This increase in lending for the first half can be attributed to the family sector, for which lending grew by 8% in respect to 4.6% in the first half of 2009. The volume of loans to non-financial companies reduced during the first half, but the speed of the decrease slowed from -3.1% in January to -1.5% in June, in line with the improvement in the overall situation for the second quarter of the year. For both sectors, a tendency towards longer-term debt is clear, an effect caused both by the decrease of short-term loans and the low cost of long-term loans. A portion of the residential mortgages, which grew by 8.5% with respect to the first half of 2009, involve purchases for investment purposes.

In terms of the Euro area, Italy is near the top of the list in terms of growth in loans to families and businesses. One of the factors behind this situation is the interest rate for loans, which is on average lower than those of other member states.

In terms of loan quality, gross non-performing loans totalled €69 billion, an increase of 40.0% with respect to the first half of 2009, and an increase of 80.5% if non-performing loans net of value adjustments are added. Considering the ratio between non-performing loans and loans to other residents[2], a notable deterioration in the quality of credit was seen with respect to the first half of 2009. In fact, this indicator went from 2.74% to 3.63%, the highest value since 2005, and from 1.51% to 2.11% if non-performing loans after write downs are considered. Over the course of the first half, annual growth of non-performing loans in the consumer family sector gradually grew to exceed that of non-financial companies, highlighting the gradual improvement in the financial conditions of companies, led by foreign demand, and persistent weakness in terms of national consumption.

Deposits in Euro to Italian banks, represented by deposits from residents and bonds[3], reached a level of €2,015 billion at the end of the first half, an increase of 5.6% over the annual base. After a few years of double-digit growth, the stock of bank bonds at €798 billion returned to the levels of the first half of 2009. On the other hand, deposits maintained a sustained growth rate, +9.7% with respect to the first half of 2009, reflecting an increased preference for liquidity on the part of investors.

Money offerings in the system remained abundant, and the cost of money for banks in the Euro zone fell to historic lows in the second quarter of the year, starting upon a path towards growth mainly dictated by the tensions on the interbank market. In the context of low interest rates and decreased loan development, interest income for Italian banks decreased significantly with respect to the first half of 2009. The decrease was partially compensated for by increased commission income linked to the improved situation for indirect deposits and the good results in terms of trading activities. Cost containment has allowed banks to absorb the cost of credit, which will still high, is lower than it was in the first half of 2009.

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[1] *This figure is net of the statistical discontinuity of the series produced by the Bank of Italy. Starting from the month of June 2010, the historical series for lending includes all securitised or sold loans which do not satisfy the IAS derecognition criteria. The application of said criteria can be quantified by the re-recognition of €65.2 billion of loans in the financial statements, including non-performing loans, to which are added €80.9 billion of securities in portfolio and €146.2 billion of counter party liabilities sold but not derecognized. For additional details, please refer to the Supplementi del Bollettino Statistico, Indicatori Monetari e Finanziari, Moneta e Banche, no. 40, of 6th August 2010.*

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

[3] *The deposits figure does not take into consideration the €146.2 billion of counter party liabilities for loans transferred but not derecognised introduced to the supervisory reporting requirements starting in June.*

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

# Important events during the period

### CREATION OF FAMILY ADVISORY SIM SpA. - SELLA & PARTNERS

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

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

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

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

Following its creation, Family Advisory SIM S.p.A. - Sella & Partners requested authorisation from CONSOB to perform the activities described above. As the authorisation procedure has not yet been completed, at the present time the company is not yet operative.

The Group's stake in the company is entirely held by Banca Patrimoni Sella & C. and is equal to 80%.

### CREATION OF SELLA SERVIZI BANCARI S.C.p.A. CHENNAI BRANCH

As of 15th February 2010, Sella Servizi Bancari S.C.p.A. Chennai Branch became operative, as a "permanent establishment abroad" of Sella Servizi Bancari, which purchased the information assets of Sella Synergy India Ltd..

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

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

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

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

## BANK BRANCHES

During the course of the first half of 2010, the number of bank branches within the Group remained unchanged from 31st December 2009, at 334 units.

This result is the consequence of the following operations:

- on 6th April Banca Sella Nordest Bovio Calderari closed the branch in Trento at via Perini no. 18;
- on 12th April 2010 two new Group branches began activities -- the Banca Sella branch in Asti and the Banca Patrimoni Sella & C. branch in Palermo. At the same time Banca Patrimoni Sella & C. closed its branch in Asti, transferring its operations and accounts to the operational offices in Turin in Piazza C.L.N. 255, while in Asti, at the offices in Via A. Bruno no. 9, the financial promoters office continues operations.

# Human resources

At 30th June 2010, the number of Banca Sella Group civil-law employees (including the companies in the insurance sector) was 4,353, a decrease of 76 with respect to the figure at 31st December 2009. Data relative to just the bank group, on the other hand, shows a number of employees at the end of the first half totalling 4,307, a 1.7% decrease with respect to the end of 2009.

Analysis of this data demonstrates that the companies with the highest proportion of the total number of staff are Banca Sella, the main network bank of the Group (with 34.9% of the total), and the consortium company Sella Servizi Bancari (22.3% of the total). The third force, as to number of staff, is Banca Sella Sud Arditi Galati with 9% of the total.

The foreign companies of the Group (Selir in Romania, Sella Bank in Switzerland, Sella Bank Luxembourg and Selgest in Luxembourg, Sella Life in Ireland and Sella Synergy India in India) together account for 7.3% of the total.

| Company | Employees at 30/06/2010 | Proportion (%) of total 2010 | Employees at 31/12/2009 | Percentage (%) of total 2009 | Changes absolute | Changes % |
|---|---|---|---|---|---|---|
| **Parent Company** | | | | | | |
| Banca Sella Holding S.p.A. | 328 | 7.5% | 343 | 7.7% | -15 | -4.4% |
| **Banca Sella Group banking group** | | | | | | |
| Banca Sella Sud Arditi Galati S.p.A. | 392 | 9.0% | 402 | 9.1% | -10 | -2.5% |
| Banca Patrimoni Sella & C. S.pA. | 183 | 4.2% | 186 | 4.2% | -3 | -1.6% |
| Banca Sella S.p.A. | 1,519 | 34.9% | 1,536 | 34.7% | -17 | -1.1% |
| Banca Sella Nordest Bovio Calderari S.p.A. | 211 | 4.8% | 224 | 5.1% | -13 | -5.8% |
| Biella Leasing S.p.A. | 59 | 1.4% | 59 | 1.3% | 0 | 0.0% |
| Consel S.p.A. | 263 | 6.0% | 261 | 5.9% | 2 | 0.8% |
| Easy Nolo S.p.A. | 3 | 0.1% | 5 | 0.1% | -2 | -40.0% |
| Selir S.r.l. | 239 | 5.5% | 227 | 5.1% | 12 | 5.3% |
| Sella Bank A.G. | 35 | 0.8% | 34 | 0.8% | 1 | 2.9% |
| Sella Bank Luxembourg S.A. | 35 | 0.8% | 37 | 0.8% | -2 | -5.4% |
| Sella Gestioni SGR S.p.A. | 64 | 1.5% | 68 | 1.5% | -4 | -5.9% |
| Sella Servizi Bancari S.C.p.A [(1)] | 972 | 22.3% | 829 | 18.7% | 143 | 17.2% |
| Sella Synergy India PLtd. [(1)] | - | 0.0% | 168 | 3.8% | -168 | -100.0% |
| Selgest S.A. | 4 | 0.1% | 4 | 0.1% | 0 | 0.0% |
| **Total Banca Sella Group banking group** | **4,307** | **98.9%** | **4,383** | **99.0%** | **-76** | **-1.7%** |
| **Average total Banca Sella Group banking group** | **4,345** | | **4,398** | | **-53** | **-1.2%** |
| Brosel S.p.A. | 17 | 0.4% | 17 | 0.4% | - | 0.0% |
| CBA Vita S.p.A. | 23 | 0.5 | 23 | 0.5% | 0 | 0.0% |
| Sella Life Ltd | 6 | 0.1% | 6 | 0.1% | 0 | 0.0% |
| **Total Banca Sella Group civil-law group** | **4,353** | **100.0%** | **4,429** | **100.0%** | **-76** | **-1.7%** |
| **Average total Banca Sella Group civil-law group** | 4,391 | | 4,443 | | -52 | -1.2% |

[(1)] *As of 15th February, Sella Servizi Bancari S. C.p.A. Chennai Branch became operative, as a "permanent establishment abroad" of Sella Servizi Bancari, which purchased the information assets of Sella Synergy India Ltd.. Hence, the workforces of the two companies show the effects of said operation.*

# Results for the period

## Profitability

**RECLASSIFED INCOME STATEMENT (in millions of Euro)**

| Item | 30/06/2010 | 30/06/2009 | % change over 2009 |
|---|---|---|---|
| 10 Interest and similar income [1] | 216.8 | 247.0 | -12.2% |
| 20 Interest and similar expense [1] | (70.7) | (1 00.7) | -29.8% |
| 70 Dividends and similar income | 1.9 | 1.2 | 64.4% |
| **NET INTEREST INCOME AND DIVIDENDS** | **148.0** | **147.4** | **0.4%** |
| 40 Fee income [1] | 148.2 | 126.1 | 17.5% |
| 50 Fee expenses [1] | (39.8) | (35.5) | 12.0% |
| 80 Net gains/(losses) on trading activities [1] | 4.9 | 27.4 | -82.0% |
| 90 Net gains/(losses) on hedging activities | 0.5 | (3.3) | - |
| **Net income from services** | **113.9** | **114.6** | **-0.7%** |
| 150 Net premiums | 331.6 | 57.5 | 476.4% |
| Other costs/income pertaining to insurance activities [1] | 17.0 | 15.4 | 10.1% |
| 110 Net gains/(losses) on financial assets and liabilities carried at fair value | (5.6) | 6.7 | |
| 160 Balance of other income/expenses from insurance operations | (340.8) | (72.8) | 368.4% |
| **Net income from insurance activities** | **2.2** | **6.9** | **-68.7%** |
| **NET BANKING AND INSURANCE INCOME** | **264.1** | **269.0** | **-1.8%** |
| 180 Administrative expenses: | | | |
| a) Personnel expenses | (118.2) | (121.5) | -2.7% |
| IRAP on net personnel and seconded personnel expenses [2] | (4.5) | (4.4) | 1.2 |
| b) Other administrative expenses | (78.7) | (82.0) | -4.0% |
| Recovery of stamp duty and other taxes [3] | 11.6 | 12.1 | -4.1% |
| 200 Value adjustments on tangible assets | (9.3) | (10.1) | -7.8% |
| 210 Value adjustments on intangible assets | (7.6) | (6.8) | 11.5% |
| 220 Other operating expenses/income (after deducting "Recovery of stamp duty and other taxes") | 3.7 | 9.8 | -62.2% |
| **Operating costs** | **(202.9)** | **(203.0)** | **0.0%** |
| **OPERATING PROFIT/(LOSS)** | **61.1** | **66.0** | **-7.4%** |
| 190 Net provisions for risks and charges | (5.3) | (2.3) | 127.6% |
| 130 Net value adjustments for impairment on: | | | |
| - loans and receivables | (47.3) | (33.0) | 43.1% |
| - financial assets available-for-sale | - | (1.3) | - |
| - other financial transactions | (0.2) | (0.6) | -74.8% |
| 100 Gains/losses) from sale or repurchase of: | | | |
| - loans and receivables available-for-sale | 0.9 | 0.1 | 1592.7% |
| - financial assets | 4.5 | 2.0 | 126.3% |
| - financial liabilities | (0.0) | 1.7 | - |
| 240 Gains/(losses) on equity investments | (0.9) | (0.3) | 253.4% |
| 260 Impairment of | (1.3) | - | - |
| 270 Gains/(losses) on disposal of investments | 0.5 | 0.0 | 7950.0% |
| **PROFIT FROM CONTINUING OPERATIONS BEFORE TAXES** | **12.1** | **32.3** | **-62.5%** |
| 290 Income taxes for the period on continuing operations (after deducting "IRAP on net personnel and seconded personnel expenses") | (8.9) | (12.7) | -30.5% |
| **PROFIT FROM CONTINUING OPERATIONS AFTER TAXES** | **3.2** | **19.6** | **-83.4%** |
| 310 Profits/(losses) on asset disposal groups held for sale after tax | - | - | - |
| **PROFIT/(LOSS) FOR THE YEAR** | **3.2** | **19.6** | **-83.4%** |
| **330 Parent company profit (losses) for the period** | **3.2** | **17.4** | **-81.7%** |
| **340 Profit (loss) of minority interests for the year** | **0.1** | **2.2** | **-97.2%** |

[1] *The insurance sector items have been separated from the Income Statement items and grouped under a specific item called "Other net income from insurance activities".*

[2] *Separated from the item "Income taxes for the period on continuing operations".*

[3] *Separated from the item "Other operating expenses/income".*

As described in the section dedicated to the macroeconomic scenario, the first half of 2010, similar to the previous year, was characterised by the persistence of the financial crisis which began in 2007, despite some weak signs of improvement. In this difficult context, the Banca Sella Group concluded the first half of 2010 with profits pertaining to the Parent Company of €3.2 million.

When compared with the first half of the previous year, in which profits pertaining to the Parent Company totalled €17.4 million, a decrease of 81.7% can be seen. The main factors which determined performance (set out in the analysis of the Reclassified Income Statement) are:

- the decrease (-1.8%) in net banking and insurance income, due to the lower contribution provided by the net income coming from insurance activities;
- the essential stability of operating costs;
- a significant increase (+ 43.1%) in value adjustments for impairment losses, mainly due to the difficult external economic scenario.

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

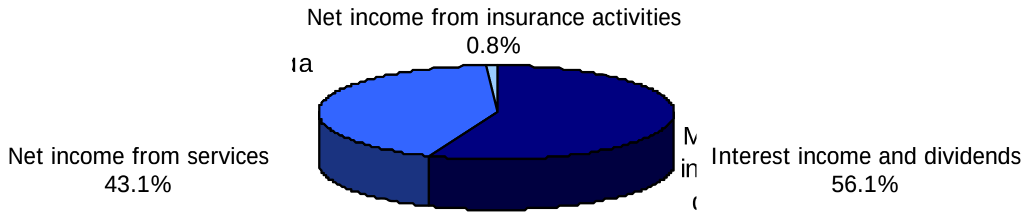
## Net interest income and dividends

Net interest income at 30th June 2010 totalled €148.0 million, an increase of 0.4% over the first half of the previous year, thanks to the increased contribution provided by the dividends component.

## Net banking and insurance income

Consolidated net banking and insurance income for the first half of 2010 totalled €264.1 million, a 1.8% decrease in respect to the first half of the previous year, in which the amount was €269 million. This result was the consequence of a slight decrease (-0.7%) in net income from services, and above all, the decrease in net income from insurance activities, which went from the €6.9 million recorded at 30th June 2009, to €2.2 million.

**Breakdown of net banking and insurance income**



## NET INCOME FROM SERVICES

Total aggregate net income from services amounted to €113.9 million, a decrease from the first half of the previous year, in which it was €114.6 million.

This result is the consequence of two opposing forces:

- the decreased amount coming from the component relative to trading and hedging activities, which, after the excellent results seen in the Finance area during the course of 2009, returned to values in line with those of previous years, amounting to €4.9 million a €22.5 million decrease with respect to 30th June 2009;
- the good performance of commission income which recorded a net balance of €108.5 million, an increase of €17.9 million over that seen in the first half of 2009, when the net balance was €90.6 million. This dynamic is connected with the reclassification to commission income of account expenses on current account liabilities starting with the financial statements at 31st December 2009, which previously had been included as part of other operating income.

## NET INCOME FROM INSURANCE ACTIVITIES

Net income from insurance activities totalled €2.2 million, a 68.7% decrease with respect to the €6.9 million in June 2009, and was the main factor in the decrease in banking and insurance income.

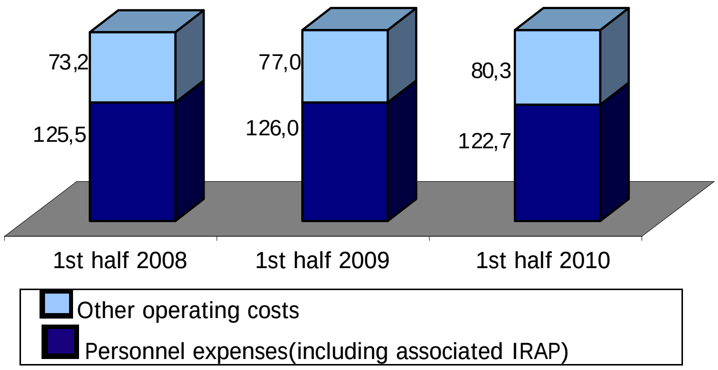
In the context of the aggregate, the most important changes can be attributed to the following components:

- Net premiums, totalling €331.6 million were vastly increased over the €57.5 million seen in the first half of the previous year, due to the launch of the new product Conto Tuo Valore;
- the Balance of other income/expenses from insurance operations, which recorded total expenses of €340.8 million, was decidedly worse than the €72.8 million recorded in the first half of 2009 as a consequence of the increase in the mathematical reserves linked to the increase in premiums;
- Net gains/losses on financial assets and liabilities carried at fair value which had a negative balance of -€5.6 million due to increased write downs, in comparison to the positive balance of €6.7 million which was recorded at 30th June 2009 in virtue of the capital gains from valuation of class D bonds.

## Operating costs

Total operating costs amounted to €202.9 million and were essentially unchanged from those of the first half of the previous year.

**Trend of operating costs in the last few consolidated half-year financial statements**




The total for administrative expenses, €189.7 million, fell overall by 3.1% with respect to June 2009, when they amounted to €195.8 million. Within the aggregate figure, the component relative to personnel expenses, including associated IRAP, totalled €122.7 million, and was a 2.6% improvement over the €126 million recorded in the first half of 2009. This result can mainly be explained by a decrease of 85 employees in the Group's workforce, which substantially compensated for the increases linked to salary rises which incorporated the effects of contract renewals, promotions, and seniority increments. Other administrative expenses (net of recovery of indirect taxes) totalled €67.0 million, a 4% decrease over the figure at 30th June 2009, €69.8 million.

With regards to other components of operating costs, write downs on tangible and intangible assets, totalling €16.9 million, did not show any changes in regards to that recorded in the first half of the previous year, while other operating income (after deduction of "Recovery of stamp duty and other taxes"), totalling €3.7 million, provided a smaller positive contribution with respect to that of the first half of the previous year, when it amounted to €9.8 million. This last aspect is connected to the reclassification to commission income of account expenses on current account liabilities which is referred to above.

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

**NET PROVISIONS FOR RISKS AND CHARGES**

New provisions for risks and charges amounted to €5.3 million, compared with the figure of €2.3 million for the first half of the previous year.

### NET ADJUSTMENTS FOR IMPAIRMENT:

Net value adjustments on loans and advances amounted to €47.3 million, an increase of 43.1% in comparison to the €33 million for the first half of the previous year. The deterioration of the macroeconomic scenario affected the quality of the loan portfolio, with the subsequent need for greater provisions.

As a result of this, the ratio between net value adjustments and total cash loans went from 0.8% at 30th June 2009 to 1.1%, in line with the general trend of the banking system.

Performance of the item "Net value adjustments for impairment of financial assets available for sale" can be traced to the effects of the impairment recorded in the first half of 2009 for the equity interest held in Intesa Sanpaolo (for the amount of €1.3 million).

### GAINS ARISING FROM THE SALE OF OTHER FINANCIAL ASSETS/LIABILITIES

Gains arising from the sale of loans amounted to €0.9 million, in comparison to €0.1 million at 30th June 2009, while the item Gains arising from the disposal of financial assets available for sale at the end of the first half totalled €4.5 million due to the partial disposal of some minority interests. The figure shows marked improvement when compared with the first half of the previous year, when it totalled €2 million.

### VALUE ADJUSTMENTS ON GOODWILL AND INCOME (LOSSES) FROM EQUITY INVESTMENTS

These two items include, among other things, the effects of the devaluation of the equity interest held by Banca Sella Holding and CBA Vita in Banca Monte Parma S.p.A.. In fact, this company was subjected to an impairment test at the end of the first half. The result of this, as well as in consideration of the losses recorded by the same during the first half of 2010, resulted in devaluation with results for the income statement totalling €1.3 million for the item "value adjustments on goodwill" and €1.2 million for the item "income (losses) from equity investments."

## Taxes on profit

Income taxes (net of IRAP on personnel expenses, which increased this item) amounted to €8.9 million, compared to €12.7 million in the previous year, a decrease of 28.3%, resulting from a 61.9% decline in profit from continuing operations.

The tax rate, net of the IRAP component on personnel expenses, thus went up from 39.4% in the first half of the previous year, to 73.2% at 30th June 2010. This increase was mostly due to the difference in tax regulations for the income components that characterized the two years.

# Results for the period
# Balance sheet items

**RECLASSIFED BALANCE SHEET** *(in millions of Euro)*

| ASSETS | 30/06/2010 | 31/12/2009 | % change over 2009 |
|---|---|---|---|
| Financial assets [(1)] | 3,486.8 | 3,128.3 | 11.5% |
| Due from banks | 383.5 | 933.0 | -58.9% |
| Cash loans [(2)] | 8,693.8 | 8,499.2 | 2.3% |
| Equity investments | 25.0 | 26.1 | -4.2% |
| Reinsurers' share of technical reserves | 4.4 | 4.8 | -6.7% |
| Tangible and intangible fixed assets ([3)] | 290.9 | 290.4 | 0.2% |
| Tax assets | 148.0 | 170.3 | -13.1% |
| Other assets ([4)] | 353.4 | 372.0 | -5.0% |
| **TOTAL ASSETS** | **13,385.9** | **13,424.1** | **-0.3%** |

| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
|---|---|---|---|
| Due to banks | 299.2 | 266.3 | 12.3% |
| Direct deposits [(5)] | 10,114.4 | 10,650.4 | -5.0% |
| Financial liabilities [(6)] | 683.0 | 531.2 | 28.6% |
| Tax liabilities | 33.2 | 62.1 | -46.5% |
| Other liabilities [(7)] | 557.6 | 451.3 | 23.6% |
| Provisions for specific purposes [(8)] | 89.9 | 94.3 | -4.6% |
| Technical reserves | 921.4 | 675.8 | 36.3% |
| Valuation reserves | 2.6 | 10.2 | -74.5% |
| Shareholders' equity [(9)] | 684.5 | 682.4 | 0.3% |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **13,385.9** | **13,424.1** | **-0.3%** |

*[(1)] Given from the sum of the following items on the balance sheet 30 "Financial assets carried at fair value," 40 "Financial assets available for sale," and 50 "Financial assets held to maturity."*

*[(2)] Given by the sum of the following balance sheet asset items: 70 "Due from customers, 90 "Change in value of financial assets subject to macrohedgeing"*

*[(3)] Given from the sum of the following items from the assets section of the balance sheet: 120 "Tangible assets" and 130 "Intangible assets"*

*[(4)] Given by the sum of the following balance sheet asset items: 10 "Cash and cash equivalents", 80 "Hedging derivatives" and 160 "Other assets"*

*[(5)] Given by the sum of the following balance sheet asset items: 20 "Due to customers" and 30 "Securities in issue"*

*[(6)] Given by the sum of the following balance sheet liability items: 40 "Financial liabilities held for trading" and 50 "Financial liabilities carried at fair value"*

*[(7)] Given by the sum of the following balance sheet liability items: 60 "Hedging derivatives" and 100 "Other liabilities"*

*[(8)] Given by the sum of the following balance sheet liability items: 110 "Provisions for severance indemnities" and 120 "Provisions for risks and charges."*

*[(9)] Given by the sum of the following items on the liabilities section of the balance sheet: 170 "Reserves", 180 "Share premiums", 190 "Capital", 210 "Equity pertaining to third-parties," and 220 "Profit for the period."*

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

In the first half of 2010 total assets saw a slight decrease (-0.3%), totalling €13,385.9 million, compared to the €13,424.1 million recorded at 31st December 2009.

Banking business with customers saw a 2.3% increase in lending (€8,693.8 million, with respect to €8,499.2 recorded at the end of the last period) compared to a 0.4% increase in total deposits with respect to December 2009, mainly due to the positive dynamic recorded by the indirect component, which grew 4.2% with respect to the figure at 31st December 2009.

Analysis of the balance sheet shows how the new liquidity portfolio management policy adopted in the last period continued. In fact, already in 2009 as the macroeconomic situation continued on after the profound changes in the economic and financial context which occurred in 2008, the considerable liquidity held by the European Central Bank in order to deal with said context was converted to securities. This led to an additional increase in financial assets (+11.5%) countered by a decrease in amounts due from banks (-58.9%).

Partially as a result of the factors outlined above, the net interbank position – the difference between amounts due from and due to banks – showed total receivables from the banking system in the amount of €84.3 million, compared with €666.7 million recorded in December of the previous year.

At 30th June 2010 financial assets amounted to €3,486.8 million, an increase in comparison to the €3,128.3 million of the previous year - an increase of 8% when aggregate net financial liabilities are taken into account (€2,803.8 million at 30th June 2010, compared to €2,597.1 million at the end of 2009).

Finally, net shareholders' equity amounted to €684.5 million, a slight increase from the previous year in which it was €682.4 million.

# Risk management and control

## Credit risks

The Banca Sella Group considers the measurement and management of risks related to credit to be of fundamental importance.

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

In reference to the activities performed by the Parent Company's Risk Management and Control Service, during the first half of 2010 the evolutionary maintenance of the IT processes and procedures which support credit risk evaluation continued, including:

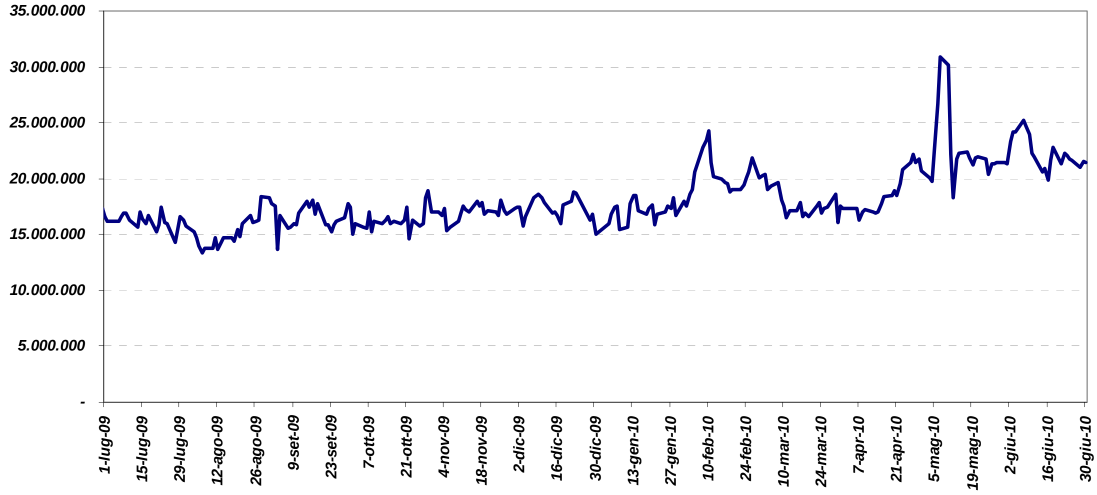
- the rating system for determining the credit quality of corporate and large corporate segments;
- the scoring system for determining the credit quality of private customers and companies internally defined as Small Business and Small and Medium Businesses;
- IT procedure for identifying legal and economic bonds existing among customers;
- monitoring of risk-adjusted return;
- the procedures to check the admissibility requirements of credit-risk mitigation techniques.

## Interest rate, market, and liquidity risk

### MARKET RISK

Market risk, meaning potential losses connected to adverse changes in the price of shares, interest rates, and exchange rates, as well as volatility of the same, is measured by the Risk Management service of the Parent Company, using the standard Bank of Italy methodology (Bank of Italy circular no. 263/2006). In addition, for management purposes identification of VaR (time horizon 10 days and 3 months, confidence interval 99%) for the own portfolios of the companies in the Banca Sella Group is carried out as well as analysis of sensitivity factors including: portfolio duration, effects of sudden interest rate shocks, and finally, checks on the operational limits on investments in securities. The average duration of the Banca Sella Group trading book at 30th June 2010 is equal to 0.8 years while sensitivity, estimated on a parallel movement of +100 basis points in the interest rate curve, is approximately €2.0 million (about 0.78% of the portfolio). The trend in the VaR of the Banca Sella Group (confidence interval 99%, time horizon 3 months, historical method with full repricing used by the provider Statpro) is shown in the chart below:

**Banca Sella Group – Trading Book**
Market Risks VaR (time horizon 3 months - confidence interval 99%)




## INTEREST RATE RISK

The term interest rate risk refers to risks deriving from potential changes in interest rates. This risk, measured and monitored in terms of the assets and liabilities contained in the banking book, is reflected in the current net value of the assets and liabilities, with impacts on the current value of future cash flows.

Interest rate risk for the banking book is measured in accordance with the methodology provided in Bank of Italy Circular no. 263/2006. In order to improve the significance of the analyses in relation to the Banca Sella Group structure, in the context of this calculation current accounts deposits and lending (so-called "on-demand") are treated specially, with the aim of better reflecting their behavioural characteristics ("Modelling of on-demand entries," approved by the Board of Directors of the Parent Company on 24th February 2010).

Below we provide the results of the calculations to determine internal capital for the Banca Sella Group at 30th June 2010, to which were applied both the provisions called for under the norms (standard methodology) as well as the internal methodology for on-demand entries (the latter used in order to evaluate capital adequacy).

**Interest rate risk and risk indicator - Standard Bank of Italy methodology**

| Shift | Internal Capital | Regulatory Capital | Sensitivity % |
|---|---|---|---|
| + 200 bps | 43.2 | 985.3 | 4.4 |

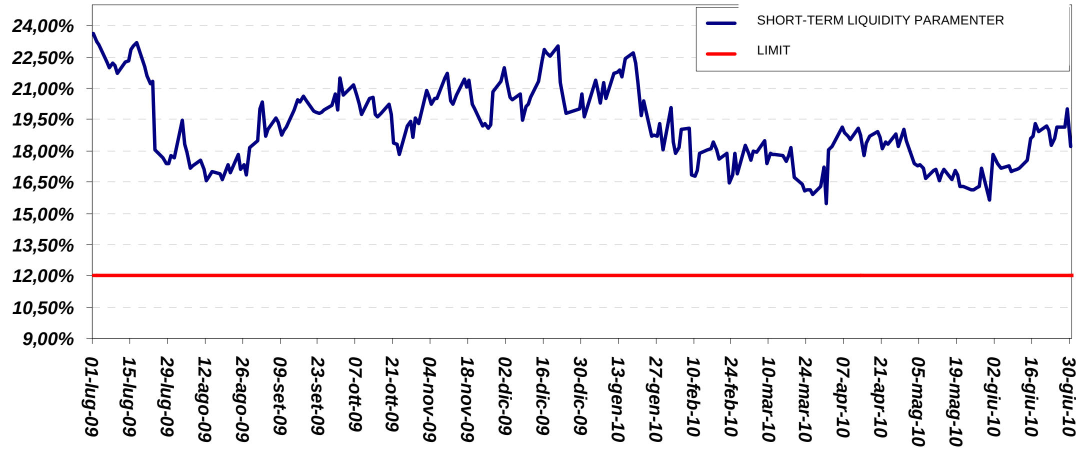
**Interest rate risk and risk indicator – Internal methodology**

| Shift | Internal Capital | Regulatory Capital | Sensitivity % |
|---|---|---|---|
| + 200 bps | 2.1 | 985.3 | 0.2 |

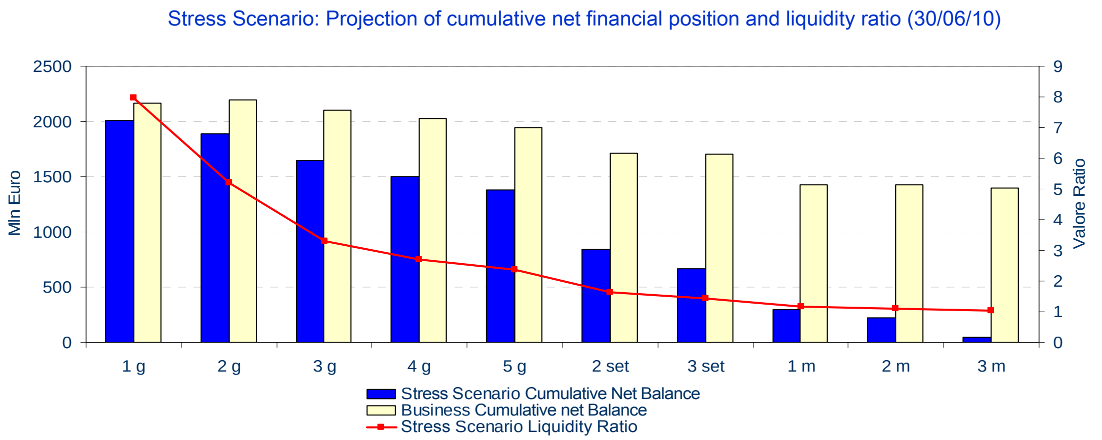
## LIQUIDITY RISK

Liquidity risk corresponds to the risk arising from the inability to meet promises to pay, which may be caused by the inability to raise funds (funding liquidity risk) or by the presence of asset liquidity limits (market liquidity risk).

Below is the trend of the Banca Sella Group short-term liquidity indicator, which provides indications about the ability to fulfill the obligations taken both with regular customers and banks in case of a sudden liquidity strain. The minimum limit for said indicator was prudentially established at 12% during the course of the period. Throughout the period, the effective level of the indicator was always safely above this threshold.




The Banca Sella Group Risk Management and Control Service and Finance Department are responsible for performing stress analyses on the liquidity reserves of the Group itself, through the use of the Maturity Ladder, which measures the entire Banca Sella Group's capacity to resist liquidity crises (measured in days) in the case that a systemic or specific crisis occurs.




## Operating risk

During the first half of 2010, the Banca Sella Group continued to pay particular attention to management of operating risk, planning and completing interventions aimed at reinforcing the so-called "Audit Cycle," the organisational process that governs treatment of anomalies and removal of the effects and causes that generated such anomalies at a Group level. In particular, a project to reinforce follow up activities was carried out, through which these activities were concentrated in a single structure. Follow up activities consist in verifying that the solutions adopted to remove the events are able to prevent the same situation from recurring in the future. The concentration of these activities makes it possible to have a single actor for Group services/companies in terms of follow-up, focusing interventions on anomalous events of a relevant degree (degree 3 ) or higher (4 and 5), which are the result of anomalies in terms of poor service, claims, or inspection reports, whether they derive from internal audits, inspection offices, or the compliance department, as well as for all anomalies reported by regulators for any Group companies. At the same time, actions were taken to review escalation activities for anomalies not yet resolved, in function of the time passed between the manifestation of the anomaly in question and its seriousness.

In addition, during the first half the project to improve mapping of company processes was planned. This project is aimed at improving the efficacy of beforehand analysis of risk exposure, through the introduction of a reporting instrument that makes it possible to obtain information immediately in terms of the macro-processes most impacted by operating, compliance, legal, and/or reputation risk, and hence, to determine which take priority.

Finally, again with an eye to reinforcing management and mitigation of operating risk beforehand, an audit of the computational methodology used to determine the "Internal Operational Risk Rating," an indicator adopted by the Banca Sella Group to measure the exposure of the Group companies and Parent Company Area to operating risk. The new measurement methodology will be applied in the second half of 2010.

## The ICAAP process and Disclosure

The Banca Sella Group carried out an independent valuation of the Group's capital adequacy, in both current and prospective terms, in relation to the risks assumed and assumable and the company strategies, as a consequence of the preparation of the ICAAP Report at 31st December 2009, which was sent to the Bank of Italy in April 2010.

In line with the regulatory provisions relative to the consolidated ICAAP process, Basel 2 First and Second Pillar risks to which the Group is exposed were identified, measured, and valuated. This information was then used to determine total internal capital, using a building block approach.

Risk measurement was also integrated through the performance of stress tests, in order to evaluate the adequacy of the exposure to said risk in relation to the available capital and robustness of the associated control and mitigation systems.

In May 2010 the Disclosure (so-called Basel 2 Third Pillar) was published on the Banca Sella Group website, providing the qualitative and quantitative informational tables required by the norms.

## Information on exposure to “high risk” financial products

### BANCA SELLA

#### SPE (Special Purpose Entities)

At 30th June 2010, and during the entire first half of 2010, Banca Sella was not exposed to special purpose entities (SPEs), structured investment vehicles (SIVs) or other conduit structures, considered risky as they are associated with the crisis caused by sub-prime mortgages, which became a generalized crisis of the global financial system.

The securitization transactions concluded by Banca Sella involved performing loans; the vehicle companies are Secursel S.r.l., a Banca Sella Group company, and Mars 2600 S.r.l., in which Banca Sella Holding holds a 10% stake.

### Sub-prime and Alt-A exposures

At 30th June 2010, and during the entire first half of 2010, Banca Sella was not exposed to structured CDO-type products or other financial instruments perceived by the market as highly risk as associated with the sub-prime mortgage and Alt-A crisis.

### ABS (CMBS, RMBS)

There are no exposures in ABSs linked to sub-prime mortgages, and the ABSs present in Banca Sella's own portfolio are of the following kinds: ABSs deriving from securitisations carried out by Banca Sella S.p.A. on performing residential mortgage loans.

Banca Sella's own portfolio comprises:

- Junior tranche securities subscribed in 2001 against the issue of the SPV Secursel. The nominal value is €2.052 million;
- Junior tranche securities from the Mars 2600 SPV subscribed in 2009. The nominal value is €14.6 million (+€15,369 million of accruals matured).

## BANCA SELLA HOLDING

### SPE (Special Purpose Entities)

At 30th June 2010, and during the entire first half of 2010, Banca Sella Holding was not exposed to special purpose entities (SPEs), structured investment vehicles (SIVs) or other conduit structures, considered risky as they are associated with the crisis caused by sub-prime mortgages, which became a generalized crisis of the global financial system.

### Sub-prime and Alt-A exposures

At 30th June 2010, and during the entire first half of 2010, Banca Sella Holding was not exposed to structured CDO-type products or other financial instruments perceived by the market as highly risk as associated with the sub-prime mortgage and Alt-A crisis.

### ABS (CMBS, RMBS)

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

- • *ABSs from third-party securitisations*
  - ˜ ABSs issued by Italian companies (Società di Cartolarizzazione Italiana Crediti ARL and Società Cartolarizzazione Crediti INPS) found in Banca Sella Holding portfolio since 2004 and gradually decreased. The total countervalue is €2.7 million and represents about 0.12% of the total Banca Sella Holding portfolio (floating+fixed).

| description of security | Isin | Currency | Nominal Value | Book Value *(in thousands of Euro)* |
|---|---|---|---|---|
| SCIC A2 TV EUR CART | IT0003731426 | EURO | 27.00 | 930.54 |
| SOC CART INPS TV EUR | IT0003953376 | EURO | 330.00 | 1,746.20 |
| | | | **Total** | **2,677.14** |

- ABSs issued in securitization of residential and non-residential loans and leasing credits carried out by European banks (Spain, Germany, and Netherland). The total held at 30 June 2010 amounted to a countervalue of €3.64 million, representing a residual part of the whole portfolio, about 0.17% .

| description of security | Isin | Currency | Nominal Value | Book Value *(in thousands of Euro)* |
|---|---|---|---|---|
| BUMF 6A2 TV 40 LR | XS0299446103 | EURO | 674.40 | 1,023.44 |
| TDAC 8A TV 49 LR | ES0377966009 | EURO | 1,516.69 | 613.28 |
| CAJA MADRID TV 50 LR | ES0359093012 | EURO | 1,500.00 | 1,425.65 |
| PASTOR TV EUR 21 LR | ES0338454004 | EURO | 500.00 | 398.76 |
| E-MAC TV EUR 36 LR | XS0188806870 | EURO | 1,000.00 | 203.38 |
| | | | **Total** | **3,664.50** |

- *Units of ABSs present in SICAV segments or units of Hedge Funds*
  - The Banca Sella Holding portfolio contains units of Group SICAVs that invest in ABSs (the investment decisions taken in the segment favoured instruments with medium-high ratings with careful selection of the underlying and excluding investments linked to US sub-prime mortgages). This was a marginal investment, totalling about €15,000.
    The Hedge Funds in the portfolio, whose countervalue is € 0.67 million, represent only 0.03% of the portfolio itself.

# Group companies

### BANCA SELLA S.P.A.

The net profit for the half year, which came out at €3.2 million (-68.9% compared with the first half of the previous year) took the level of R.O.E. up to 1.7%, compared with 5.6% achieved in the first half of 2009.

At 30 June 2010 net interest income amounted to €72.2 million, a decrease of 10.6% compared with the first half of the previous year, and accounting for 59.4% of net banking income (66.3% in 2009).

The financial scenario for the first half of 2010 confirmed the performance of market interest rates, no longer at historic lows, but still low, which inhibited improvement of the spread. In terms of the decrease in net interest income, one contributor was the worsening in terms of deposits (-4.3%), mainly in line for volumes, which was compensated for by good performance in terms of intermediation on behalf of customers (+11.5%).

Total aggregate net income from services amounted to €49.4 million, highlighted an increase of 20.6% from the first half of the previous year, in which it was € 41 million. This component represented 40.6% of net banking and insurance income (33.7% in the first half of 2009). In this context, the positive performance of fee income (+19.6%) had an impact, which in contrast to 30th June 2009, includes account expenses, account fees for creditors, and amount availability fees. The slight decrease in fee expense (-4.9%) also was an influence.

With respect to 2009, these was a large drop in trading activities (-178.1%) mainly due to -€1.5 million in capital losses on debt securities.

Net income from banking activities, together with net income from services, led to total operating income of €121.6 million, in line with the figure in June 2009.

Operating costs, totalling €88.5 million saw a slight 0.9% increase with respect to the first half of the last year, during which they amounted to €87.7 million. Testifying to the continuation of actions aimed at containing and rationalizing all expense components is the decrease seen in all items that make up the figure under operating costs:

- "Other administrative expenses", which, net of "Recovery of stamp duties and other taxes" totalled €51.5 million, a decrease with respect to the €53.7 million recorded in the first half of 2009;
- "Personnel Expenses" (including the associated IRAP tax), which stood at €41.1 million, a decrease of 2.5% over the first half of the previous year.

The only item that worsened was "Other operating expenses/income," -115% with respect to 20th June 2009, this item amounted to €7.1 million, after deducting recovery of stamp duties totalling €7.6 million, it went into negative.

As a result, the efficiency indicator known as the cost-to-income ratio, which is the ratio between operating costs (after deducting IRAP on personnel expenses) and net banking income, came out at 71.2%, worsened in respect to the 70.3% of the previous year.

Owing to the above trends, the operating results amounted to €33.1 million, down by 2.5% compared with the figure for the first half of the previous year.

During the first half, provisions of €2.4 million were set aside for risks and charges. The aggregate increased with respect to the first half of 2009, during which it totalled €0.8 million. A fund was established to deal with recovery activities for interest on mortgages with guarantees relative to the years 2009-2010 with "minimum mortgage interest rate" conditions.

Net value adjustments on loans and advances amounted to €23.2 million, an increase of 23.7% in comparison to the €18.8 million for the first half of the previous year. This item represents 0.9% of total lending. The protraction of the deterioration of the macro economic situation contributed to the decline in loan portfolio quality, with the consequent necessity for greater provisions.

Income taxes (net of IRAP on personnel expenses, which increased this item) amounted to €4.6 million, compared to €5.7 million in first half of the previous year, a decrease of 19.2%.

The positive effect of the decrease in rates was mostly compensated for by the application of the new financial law, which reduced the ability to deduct interest rate losses.

### BANCA SELLA SUD ARDITI GALATI S.P.A.

The net profit for the half year, which came out at €1.5 million (-67.8% compared with the first half of the previous year) took the level of R.O.E. up to 1.7%, compared with 5.6% achieved in the first half of 2009.

At 30 June 2010 net interest income amounted to €17.1 million, a decrease of 20.9% compared with the first half of the previous year, and accounting for 63.9% of net banking income (72.7% in June 2009).

The financial scenario for the first half of 2010 confirmed the performance of market interest rates, no longer at historic lows, but still low, which inhibited improvement of the spread.

Total aggregate net income from services amounted to €9.7 million, an increase of 18.9% from the first half of the previous year, in which it was €8.1 million. This component represented 36.1% of net banking income (27.3% in the first half of 2009). In this context, the positive performance of fee income (+35.3%) had an impact, which in contrast to 30th June 2009, includes account expenses, account fees for creditors, and amount availability fees. The decrease in fee expense (-8.5%) also was an influence.

With respect to 2009, trading activities fell greatly (-116.1%), compensated for by the excellent performance of the main components of income from services.

Net income from banking activities, together with net income from services, led to total operating income of €26.8 million, a decrease with respect to the figure in June 2009 (-10%).

Operating costs, totalling €21.2 million saw a 2.8% decrease with respect to the first half of the last year, during which they amounted to €21.8 million. Testifying to the continuation of actions aimed at containing and rationalizing all expense components is the decrease seen in all items that make up the figure under operating costs:

- “Other administrative expenses”, which, net of “Recovery of stamp duties and other taxes” totalled €11.9 million, a decrease with respect to the €12 million recorded in the first half of 2009;
- “Personnel Expenses” (including the associated IRAP tax), which stood at €10.6 million, a decrease of 3.9% over the first half of the previous year.

This result is net of the positive contribution totalling €0.7 million of the item "Other operating income/losses," which went up 16% in relation to 30th June 2009.

As a result, the efficiency indicator known as the cost-to-income ratio, which is the ratio between operating costs (after deducting IRAP on personnel expenses) and net banking income, came out at 76.8%, worsened in respect to the 69.7% of the previous year.

Owing to the above trends, the operating results amounted to €5.6 million, down by 29.7% compared with the figure for the first half of the previous year.

During the first half, provisions of €0.2 million were set aside for risks and charges. The aggregate decreased with respect to the first half of 2009, during which it totalled €0.3 million.

Net value adjustments on loans and advances amounted to €2.6 million, an increase of 76% in comparison to the €1.5 million for the first half of the previous year. This item represents 0.4% of total lending. The protraction of the deterioration of the macro economic situation contributed to the decline in loan portfolio quality, with the consequent necessity for greater provisions.

Income taxes (net of IRAP on personnel expenses, which increased this item) amounted to €1.4 million, compared to €2.3 million in first half of the previous year, a decrease of 39%.

The positive effect of the decrease in rates was mostly compensated for by the application of the new financial law, which reduced the ability to deduct interest rate losses.

## BANCA SELLA NORDEST BOVIO CALDERARI S.P.A.

Total results for the first half, amounting to a loss of €4.3 million, were worse than the €1.5 million loss recorded in the first half of the previous year.

Net interest income remained essentially unchanged with respect to the first half of 2009. This result was caused by the decrease in market interest rates and the spread in the first six months of the year with respect to the same period in 2009, as well as by the decrease in assets administered.

Net income from services at the end of the first half totalled €3.6 million, an increase of 4.3% over the first half of 2009. The main component of the aggregate was "Fee income" which ended the first half with a balance of €4.6 million and a significant increase of 27.5% over the first half of 2009. This change is partially due to the change in classification for some items falling under "account expenses," which in the first half of 2009 were classified in "Other operating income/losses," and which after the 18/11/2009 amendment to Bank of Italy Circular no. 262/2005, were moved to "Fee income." Net of the effects of this reclassification, the item "Fee income" recorded an 18.3% increase.

On the other hand, the final figure for "net income from services" was negatively influenced by the performance of the finance division, which in the first half of 2009 had a positive contribution of €544 thousand, but this year contributed negatively in the amount of €271 thousand.

Net income from banking activities, together with net income from services, led to total operating income of €11.6 million, an improvement of 1.4% compared with the first half of 2009.

Operating costs, totalling €12.1 million, recorded a 2.6% decrease with respect to the first half of 2009. Net of the item "Other operating income/losses," which at June 2009 included recovery of account expenses, the reduction in "operating costs" amounts to 7.7%. The most important items which make up the aggregate in question are:

- personnel expenses: at the end of the first half these amounted to €6.1 million (including relative IRAP), a 12% decrease in comparison to the first half of 2009;
- other administrative expenses: these totalled €6.0 million (-3.7% over 30th June 2009)

Due to the effects of the factors above, gross operating losses totalled -€0.4 million, an improvement over the first half of 2009, when they totalled -€0.9 million.

Net value adjustments to loans net of writebacks totalled €5.2 million, with respect to €972 thousand for the first half of 2009.

During the first half of the year, provisions of €177,000 were made for risks and charges (+187% compared to the first half of 2009). The largest portion of this item was represented by provisions made due to forecasts of adverse judgements relative to lawsuits already brought against the company (€137 thousand).

Taxes on income (net of IRAP relative to personnel expenses) were improved and totalled €1.5 million.

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

The first half of 2010 ended with a net profit of €0.4 million, a notable improvement over the profits of €0.007 million recorded at 30th June 2009.

In analysing the data, the Sella Gestioni SGR purchase operation for the business operations for individual asset management operations opened in the SGR of the Group, or supervised by this company on the basis of the management delegations assigned by other intermediaries (mainly part of the Banca Sella Group). In fact, this operation took effect on 23rd November 2009, due to which its effects are included within the data relative to the first half of 2010.

In comparison with the first six months of the last year, the results at 30th June 2010 were above all determined by the contribution of the interest and fees components, which led banking income to see a larger increase (+€3 million) with respect to the increase seen in operating costs (€2.4 million). This led to operating profit increasing by 202.4% with respect to the previous year.

In addition, the final results were influenced by increased net provisions for risks and charges, which were €0.6 million higher with respect to 30th June 2009, and the aggregate of profits from sales of financial assets held for sale, which increased profits by €0.5 million.

As a result of the performance outlined above, income from current operations before taxes totalled €0.5 million, with respect to €0.2 million recorded in the previous year.

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

Net interest income, including the item "Dividends and other income," totalled €3.8 million, a 44.3% increase with respect to the €2.7 million recorded in the first half of 2009. This result is a direct consequence of the interest expense situation. It decreased by €2.1 million with respect to the first half of the last year, which more than compensated for the decreased revenues seen as a result of the decline in interest income, which decreased by €1 million.

As regards own portfolio investments, the traditional prudence policy was maintained.

Net income from services totalled €11.9 million, an increase of 17.7% in respect to 30th June 2009. This can mainly be attributed to the performance of fees, the net aggregate of which increased by €2.7 million, thanks to the increase in volumes, and led to a greater increase of the assets component rather than the liabilities one. In particular, net fees increased in the assets management sector, as well as those seen for individual management for Bank clients, and management of Group banks delegated to Banca Patrimoni Sella & C.

Totalling €1.4 million, the net results for own account trading activities decreased by 39.7% with respect to the first semester of the previous year, in which they totalled €2.3 million.

Operating costs stood at €14.9 million, an increase of 19.1% compared with the €12.5 million recorded in the previous year. Within the total, personnel expenses (including IRAP relative to the same) totalled €8,174.3 million, an increase of 21.4% when compared to the first half of 2009. This result is closely connected to the purchase operation of the business activities by Sella Gestioni SGR referred to above. The network of private bankers is still being developed and allocations relative to objective awards and contractual prizes are being restored.

The total sum relative to other administrative expenses at the end of the first half totalled €6.1 million, a 6.5% increase with respect to the figure at the first half of the last year.

Owing to the above trends the operating results at 30th June 2010 amounted to €0.9 million, an improvement in respect to the €0.3 million recorded at 30th June 2009.

Provisions for risks and charges amounted to €0.7 million. In the previous financial year this aggregate totalled €78.2 thousand.

Net value adjustments to loans net of write-backs totalled €0.1 million at the end of the first half, testifying to the limited risk taken on by the company in the credit disbursement sector, while the value adjustments on other financial operations, net of write-backs, amounted to €36.1 thousand.

Income from disposals include, in the amount of €44.5 thousand, profit from the disposal of loans deriving from the advance reimbursement for bonds from Group companies, and in the amount of €0.5 million, profit from transfer of financial assets available for sale.

Income taxes for the period on continuing operations (exclusive of reclassified IRAP relative to personnel expenses, which increases said component) amounted to €152.9 thousand, in comparison to €213.5 thousand in June 2009. Their percentage of profit on continuing operating before tax was 28.1%, with respect to 96.8% in the first half of 2009.

## SELLA BANK AG

A Swiss bank and member of the Group, Sella Bank A.G., following the transfer of its registered offices from Zurich to Lugano which occurred in August 2010, carried out its activities from its registered offices in Lugano and its agency in Geneva.

During the first six months of the year, interest income totalled €0.3 million, a 25.2% decrease with respect to the first half of 2009.

Net income from services amounted to €3.8 million, a decrease of 12.3%. During the first half of 2009 the Bank realised a net performance fee of €0.8 million deriving from the final liquidation of a venture capital investment fund managed by the Bank. Net of said performance fees, net profits from services increased by 15.1%.

Net banking income, amounting to €4.8 million, decreased 7% (+16.2% net of the performance fee above) with respect to the first half of 2009.

Administrative costs, totalling €2.8 million, showed an increase of 4.2%, while the cost to income ratio was 61.5%.

The above performance has enabled the Bank to achieve a net profit of €1.4 million, a decrease in respect to the €1.8 million seen in the first half of 2009.

## SELLA BANK LUXEMBOURG S.A.

In the first half of 2010, interest income for Sella Bank Luxembourg totalled €0.9 million, in comparison to €1.2 million recorded in June 2009. Net banking income amounted to €2.3 million, essentially in line with the previous year, in which it totalled €2.2 million.

Personnel expenses in the amount of €1.6 million are in line with those of the first half of the last year, while operating costs decreased by 23%.

After allocation of amortisations and other operating profit, the first half ended with negative results of €0.4 million (in comparison with losses of €0.9 million in 2009).

At the end of June, total fiduciary assets collected amounted to €1.0 billion (in line with the figure at the end of December 2009), of which €200 million were direct deposits. Cash loans to customers stabilized at €31 million.

Please note than on 22nd June 2010 two extraordinary shareholders' meetings were held for Sella Bank Luxembourg. The first focussed on the partial division of the company and simultaneous transfer of the assets and liabilities relative to the banking operations of the company forming and responsible for the division -- Banque BPP S.A. The second meeting focussed on, among other things, changing of the official name of the divided company (Sella Bank Luxembourg S.A.) to "IBL S.A." and the official purpose of the same, which will no longer deal with banking operations, but will instead exclusively focus on administrative activities deriving from the transferred management. The decisions of the meetings described above were made effective 1st July 2010, hence the division of Sella Bank Luxembourg did not have effects for the present half-year financial statements.

**We note that the operating risks which are referred to briefly below are related to relationships not subject to assignment to the banking company Banque BPP SA. and hence remain within the equity of the divided company Sella Bank Luxembourg S.A., which as of 1st July 2010 became IBL SA.**

The operational risks of Sella Bank Luxembourg are only those referring to events that can be entirely attributed to the old management (2001 – 2003), which was dissolved by dismissing the managers in charge and replacing them immediately in November 2003. This subject was already reported on in the financial statements for previous years.

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

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

With reference to litigation sub (a), the action suits by the aforementioned Sicav against Sella Bank Luxembourg came under the transaction signed on 21 March 2008 and were judged by the Court of Luxembourg on 3 July 2008 - now res judicata. This transaction was carried out regularly by Sella Bank Luxembourg through the deposit of €21.8 million on 8th August 2008 (deriving from the capital amount of €21.5 million plus interest at conventional rate). Besides a complex mechanism of guarantees given by the Liquidators to Sella Bank Luxembourg for the eventuality of subsequent suits filed by third parties, the settlement states that, in the context of the judicial liquidation procedure, the Liquidators will pay off investors in the Vario Invest product distributed by Amis AG and with respect to which Sella Bank Luxembourg had dealt, up to 4 March 2004, with the amounts used for investments with assumption of responsibility as regards their mixing with the assets of the SICAV. The Liquidators thus undertook, against the payment made by Sella Bank Luxembourg of the further sum of €4 million, to collect by 3 July 2011 the waivers of at least 85% of the Vario Invest investors of all claims against Sella Bank Luxembourg. On 30th March 2010, the Liquidators informed that they had collated the waivers of Vario Invest customers in accordance with that required through a transaction in the amount of €18.9 million, equal to 86.50% of the total indicated in the transaction signed on 21st March 2008. As a consequence, on 8th June 2010, Sella Bank Luxembourg continued the above mentioned transaction, depositing the amount of €3.5 million, the full charge of which was sustained by Banca Sella Holding, as in the signed letter of financial support. The conclusion of the condition and the subordinate obligation to pay the remaining amount of €540 thousand at this point appear to be highly probable.

With reference to sub (b) risks, while the suits filed in the previous financial years were still pending, on 14th September 2010, and hence after the end of the first half, a BVI fund presented IBL S.A. with an appeal of the 30th October 2009 Court of Luxembourg judgement, which accepting the arguments of Sella Bank Luxembourg, had refused the request for restitution of US$6.9 million and €3.7 thousand as assets of the fund itself deposited with the bank. Refutation of the judgement, after an initial summary examination, does not appear to be supported by new or significant arguments that would judicial review.

Other cases with BVI funds and directly or indirectly related parties did not see any significant changes, as negotiations between parties are still under way and no decision has been taken yet as regards the preliminary ruling procedures introduced by Sella Bank Luxembourg for pending civil trials.

As a whole, having carried out the transaction with the judicial winding-up of Sicav Amis Fund and Top Ten Multifonds including as regards the Vario Invest investors (section a above), operating risk for Sella Bank Luxembourg (IBL S.A. as of 1st July) is being modified as to the rights claimed. However, until the judicial authority of Luxembourg makes any decisions on the opposed claims of BVI funds and the relevant management and/or sub-management companies briefly mentioned in sub-section b), no elements can be attributed to a quantitative variation of the risk estimated in the 2009 financial statements.

## SELLA GESTIONI SGR S.P.A.

The Company, which is based in Milan, has operated in the managed savings sector, in the segment of collective management since 1983 and since 1999 it also been present in the sector of complementary pensions.

At the end of the first half, the company managed 16 Italian-law mutual funds, a fund of funds made up of 2 segments, a pension fund made up of 5 segments, and, with delegated powers, 3 Luxembourg-law SICAVs and one Monaco-based fund. For the placing of its products the Company works with banks and security brokerage companies both within and beyond the Group.

At 30 June 2010 total assets managed (net of duplications) amounted to €2,193.4 million, a decrease of 1.52% with respect to the end of 2009. This decrease was mainly determined by performance of deposits, which recorded a negative balance of €28.3 million.

The market share held by the company in the sphere of collective management was 0.475% at the end of June, compared to 0.492% at the end of 2009.

As far as collective management is concerned, at the end of the first half, assets were invested as follows: 80.293% in bond funds, 9.919% in balanced and flexible funds and 9.789% in equity funds.

The first half of 2010 ended with net profit of €0.4 million, in comparison to net losses of €0.1 million recorded in the first half of 2009. The results of the first half were positively influences by the sale of the real estate asset located in via Pirelli in Milan, which led to capital gains of €0.5 million.

Net interest and other income was €3.2 million, a decrease of 12.7% with respect to the figure for the first half of 2009. The negative change in income was influence by decreased income from liquidity investments and the lack of profit coming from the individual management section which was transferred to Banca Patrimoni Sella & C. in November 2009.

Operating costs, at €3.5 million, were lower than those of the first half of 2009 by 18.6% and are the result of careful attention to cost reduction. In particular, the number of personnel of the Company, including attached staff and collaborators, went down from 75.34 full time equivalent at 30th June 2009 to 55.99 full time equivalent at 30th June 2010.

## BIELLA LEASING S.P.A.

The company, the head office of which is in Biella, operates in the sector of financial leasing of motor vehicles, instrumental goods, real estate and leisure craft It has 9 branches in Italy in addition to its head office in Biella.

The first half ended with performing loan contracts totalling €1,006 million, and net interest and other income equal to €14 million, a 67.7% increase with respect to the same period in the previous year (€8.357 million).

At 30th June, there were 2,037 contracts stipulated, totalling €136.6 million. These two figures amount to a 30.5% and 3.8% growth, respectively, in comparison to the first six months of the previous year. The Company, in respect to the Italian leasing sector, grew both in terms of volumes and contracts stipulated. Market share also grew, going from 0.98% at 31st December 2009 to 1.02% at the end of June. Comparing the various sectors with the figures at the end of 2009, net growth was recorded in the market share for leisure craft which went from 1.71% to 3.52%. Shares for instrumental goods and motor vehicles also improved, going from 1.12% to 1.24%, and from 1.26% to 1.50%, respectively. The performance of the real estate sector went the other way, falling sharply from 0.65% to 0.24%.

Operating costs, inclusive of personnel expenses and other overheads, amounted to a total of €3.3 million, an increase of 7.4% compared with the first half of 2009 when they were €3.1 million.

Due to the difficult macroeconomic situation, credit quality worsened notably. In fact, value adjustments to loans increased by 37.2% with respect to that recorded in the first half of 2009, and amounted to €2.952 million.

Income before taxes totalled €6.3 million, in comparison to €3 million for the same period in the previous year (+108.9%), while net profit totalled €3.9 million, an increase of 101.9% over the figure recorded at 30th June 2009 (€1.9 million).

## CONSEL

The company, which has its operational office in Turin, works in the consumer credit sector, providing its customers with a wide range of credit-based products, in particular financing for hire purchase, personal loans, credit cards, salary-backed loans and motor vehicle leasing.

The Italian consumer credit market in the first half of 2010 continued the contraction that had begun the previous year. New disbursals, totalling €27.7 billion show a decrease of 5.7% over the same period in 2009. The dynamic in terms of the number of operations financed (about 56 million) remained stable due to the effects of the transactions carried out with revolving credit cards.

In this difficult context, the market underwent negative changes for cash flows transmitted through revolving credit cards (-3.8%) and for salary/pension backed loans (-11.9%). Personal loans distributed through the retailers also recorded negative changes in all their components (motorized vehicles -6.6%; other consumer loans for specific purposes -3.0%), due to both the decrease in consumption of goods subject to financing, as well as due to the process of reshaping the offerings in favour of loans not for specific purposes which has been going on for several year. Disbursements for personal loans also decreased by -2.1%.

During the course of the first half of 2010, Consel increased its market share with respect to the first half of 2009, going from 0.728% to 0.747%.

In contrast to the total Italian consumer credit market, during the period, the Company recorded overall growth in terms of volumes disbursed, completing 60,212 financing operations, in contrast to 53,077 in 2009. In terms of volumes disbursed, however, the trend in the first half was in line with the negative performance of the market. Including operations carried out with revolving credit cards (154,813 compared with 158,669 in 2009), Consel disbursed loans totalling €206.8 million (€211.4 million at the end of June 2009), for a -2.2% decrease with respect to the same period in the previous year.

Examining the details of the various sectors, personal loans decreased by 30.7% in comparison to the previous year, with total amounts disbursed of €45.8 million in 4,548 operations, while the motorized vehicle sector grew by 8.1% (€68.9 million and 6,653 operations completed), and the other loans for specific purposes sector grew by 14% (€66.4 million and 48,676 operations).

In regards to credit cards, at the end of June 2010 there were 51,779 active cards (42,349 in the first six months of 2009), with a total of €53.2 million utilized (€43.5 in 2009).

For salary/pension-backed loans, Consel disbursed €5.2 million (€3.0 in 2009) and completed 335 requests (192 in 2009).

Net interest income at the end of the first half amounted to €19 million (€15.6 million at 30th June 2009), growing by 22%, while net interest and other income totalled €27.6 million (€24.2 million in June 2009, +14.2%), and total revenue was €9.5 million (€9.7 million in June 2009, -1.8%).

Operating costs amounted to €14.9 million (13.6 at 30th June 2009), in line with the company's growth and development rates.

Net profit was €1.1 million, in line with the figure at 30th June 2009.

# Outlook

**THE SCENARIO**

The forecast for the global macroeconomic situation for the second half of 2010 assumes a change in economic growth. This expected performance is due to the removal of certain temporary support factors, including a expansive fiscal policy measures and the restocking process.

The United States will continue to grow at less than its potential, as a consequence of the notable weakness of the employment market which penalizes consumer consumption and the persistent difficulties of the residential real estate market. On the other hand, production should remain healthy, in a context of global growth that remains positive, providing an element of support for production investments made by companies. The macroeconomic framework for the country nonetheless will remain notable for factors of uncertainty linked to the possibility of new actions put in place by policy-makers. Specifically, changes in the country's fiscal policy will be affected by the results of the mid-term elections to be held on 2nd November. The question of whether or not the tax cuts adopted by Bush in 2001 and 2003 will be renewed or not, which expire at the end of the year and are the subject of heated political debate. The Obama administration, in the light of a slower than expected recovery has also put forward a proposal for a new stimulation package for the month of September 2010. This plan must be submitted to Congress for approval -- the nearing elections make both the final contents and the timeline for approval uncertain. The Euro area is likely to show signs of a change in growth during the next few quarters, in the face of restrictive fiscal policies that will have a negative impact on internal demand and will not be fully compensated for by export growth. Growth in the individual countries will continue to be asymmetrical, with greater weakness seen in the peripheral countries. In Japan, the tendency towards slowing economic growth is likely to continue in the next few months, reflecting the expected slowing of foreign demand. The reference framework for Emerging Countries should remain positive, despite a slowing growth rate with respect to the levels seen in the initial phase of the economic recovery.

In terms of consumer prices, the moderate growth situation described above will likely lead to the persisting lack of inflationary tensions, despite the recent pressure from prices for raw agricultural materials.
With reference to the trend in interest rates in the US and in the Euro zone, it is likely that the expansive monetary policies of the Federal Reserve and the ECB. Long-term interest rates may show a slight tendency to increase, in the absence of any notable deterioration in the economic reference framework.

Performance for Italian bank loans should be sustained over the year in particular by the demand from exporting companies, while for families only an increase in employment prospects would be able to significantly impact the demand for new loans. The cost of credit is likely to remain high in a context of low economic growth.
Direct deposits may weaken in the second half, as the decreased growth in bond funding is compensated for by a significant increase in deposits, and in a context of low interest rates, this could lead to an advantage for indirect deposits, which offer products with a better risk/return ratio.

The impact of the new prudential regulations are likely to be minimized by the long transition period, which is expected to end in 2018.

## STRATEGY, VOLUMES, AND PROFITABILITY OF THE GROUP

The 2010-2012 Banca Sella Group Strategic Plan includes widespread and detailed organisational changes which will be the basis for the development of the Group in the next few years. The plan, while taking inspiration from the guidelines followed in the 2008-2010 Plan, was conceived with an eye to change with respect to today, and includes certain important strategic choices that are aimed at further improving:

- competitive capacity, thanks to a decrease in organisational complexity;
- efficiency, through appropriate cost containment;
- Customer service, thanks to an increase in the time dedicated to commercial activities and personal relationships with Customers;

and at the same time establishes the following economic/equity targets:

- positive EVA;
- Cost To Income between 60% - 65% (to be achieved mainly through cost-related actions);
- Core Tier 1 (according to the calculation methods currently in use) consistently above the level of 7.5% by 2012 and from then on respecting the requirements of Basel 3 at the checkpoints in 2014 and 2019.

With the objective of achieving structural cost savings and enacting a high degree of simplification of the operational and governing structure, review of the corporate frameworks and "Organization 2012" will occur simultaneously. The heart of the initiative is the "One Bank" project, that will be completed after approval from the Board of Directors of the relevant companies, and which calls for the concentration into a single area of Banca Sella, Banca Sella Sud Arditi Galati, Banca Sella Nordest Bovio Calderari, Sella Servizi Bancari and Banca Sella Holding's "Payment systems" business operations.

From this operation and the contextual review of Group processes, the objective will be to achieve structural cost savings, including thanks to the recovery of about 138 jobs. The individuals made available through this project, after professional training, will then be used for Group development projects.

Finally, large changes are planned for the commercial model with the objective of increasing Customer satisfaction, improving the frequency of excellent behaviour, and improving service levels, as well as increasing time dedicated to Customer relationships and commercial relations, reducing branch operating costs, increasing branch profits, and better managing risks. This evolution, which takes advantage of the achievements seen in the context of the Bank of the Future project, combined with a serious organizational review of branch operations, will make it possible to sustainably increase our territorial network as well increase the time dedicated to commercial activities, thanks to the improved efficiency it will bring.

# Significant events after year end

### DIVISION OF SELLA BANK LUXEMBOURG

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

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

### GROWTH OF THE DISTRIBUTION NETWORK

After the end of the first half, the following two operations took place, which involved the Group's distribution network:

- on 5th July 2010 activities for the new Banca Sella branch at the Group's new registered offices began, located in Piazza Gaudenzio Sella no.1 . At the new branch, two distinctive areas were created: a more "traditional" area with rooms dedicated to consulting and larger rooms available for customer use, and an "innovative/self-service" area, with a 24hr. annex zone.
- on 15th July 2010 Banca Sella turned the treasury of Villareggia into a branch, due to the transfer of the Biella Via Tripoli branch, which ceased its activities at the same time.

### APPROVAL OF THE 2010-2012 THREE-YEAR STRATEGIC PLAN

The 2010-2012 Three-Year Strategic Plan was approved.

# Statement of reconciliation between shareholders' equity and profit of the parent company and consolidated shareholders' equity and profit

| STATEMENT OF RECONCILIATION BETWEEN SHAREHOLDERS' EQUITY AND PROFIT OF THE PARENT COMPANY AND CONSOLIDATED SHAREHOLDERS' EQUITY AND PROFIT | | |
|---|---|---|
| *(in thousands of Euro)* | **Profit for the year 30 June 2010** | **Shareholders' equity at 30 June 2010** |
| **Balances as per parent company financial statements** | **2,805** | **469,669** |
| Treasury shares deducted | - | - |
| Equity pertaining to the consolidated Group companies using the line by line and net-equity methods | - | 87,381 |
| Income for the period of the consolidated subsidiaries, after deducting minority interest profit for the period | 6,697 | 6,697 |
| Profit for the period for subsidiaries valuated using the net equity pertaining to the Group method | -840 - | -840 - |
| Elimination of intra group dividends collected in the period | 10,296 | - |
| Consolidation adjustments: | | |
| Reversal of writedowns of consolidated investee companies | 6,514 | 56,751 |
| Valuation of goodwill | -1,279 | -52,076 |
| Reversal of gains on sales made between group companies | - | -9,773 |
| Other adjustments | -413 | -616 |
| **Balances as per consolidated financial statements** | **3,188** | **557,193** |

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

# CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2010

# Consolidated balance sheet

| | Assets<br>*(in thousands of Euro)* | 30/06/2010 | 31/12/2009 | Differences % |
|---|---|---|---|---|
| **10.** | Cash and available liquidity | 95,971 | 122,323 | -21.54% |
| **20.** | Financial assets held for trading | 1,442,194 | 1,530,056 | -5.74% |
| **30.** | Financial assets at fair value through profit or loss | 788,160 | 668,070 | 17.98% |
| **40.** | Financial assets available for sale | 958,461 | 709,220 | 35.14% |
| **50.** | Financial assets held to maturity | 297,999 | 220,932 | 34.88% |
| **60.** | Due from banks | 383,507 | 933,026 | -58.90% |
| **70.** | Due from customers | 8,576,114 | 8,422,371 | 1.83% |
| **80.** | Hedging derivatives | 8,842 | 3,037 | 191.14% |
| **90.** | Change in value of financial assets | | | |
| | subject to macrohedging (+/-) | 117,735 | 76,792 | 53.32% |
| **100** | Equity investments | 25,038 | 26,131 | -4.18% |
| **110** | Reinsurers' share of technical reserves | 4,447 | 4,764 | -6.65% |
| **120** | Tanginle assets | 188,741 | 185,780 | 1.59% |
| **130** | Intangible assets | 102,148 | 104,661 | -2.40% |
| | of which: | | | |
| | - goodwill | 62,655 | 63,934 | -2.00% |
| **140** | Tax assets | 148,017 | 170,270 | -13.07% |
| | a) current | 70,031 | 99,913 | -29.91% |
| | b) deferred | 77,986 | 70,357 | 10.84% |
| **160** | Other assets | 248,550 | 246,657 | 0.77% |
| | **Total assets** | **13,385,924** | **13,424,090** | **-0.28%** |

| | **Liabilities and shareholders' equity** *(in thousands of Euro)* | **30/06/2010** | **31/12/2009** | **Differences %** |
|---|---|---|---|---|
| **10.** | Due to banks | 299,191 | 266,303 | 12.35% |
| **20.** | Due to customers | 8,221,193 | 8,658,539 | -5.05% |
| **30.** | Outstanding securities | 1,893,241 | 1,991,882 | -4.95% |
| **40.** | Financial liabilities held for trading | 61,788 | 46,259 | 33.57% |
| **50.** | Financial liabilities at fair value through profit or loss | 621,223 | 484,941 | 28.10% |
| **60.** | Hedging derivatives | 124,747 | 85,074 | 46.63% |
| **80.** | Tax liabilities | 33,204 | 62,073 | -46.51% |
| | a) current | 25,879 | 55,700 | -53.54% |
| | b) deferred | 7,325 | 6,373 | 14.94% |
| **100** | Other liabilities | 432,863 | 366,249 | 18.19% |
| **110** | Employee severance indemnities | 40,000 | 40,720 | -1.77% |
| **120** | Provision for risks and charges: | 49,940 | 53,585 | -6.80% |
| | a) retirement and similar obligations | - | - | |
| | b) other provisions | 49,940 | 53,585 | -6.80% |
| **130** | Technical reserves | 921,428 | 675,823 | 36.34% |
| **140** | Valuation reserves | 2,605 | 10,225 | -74.52% |
| **170.** | Reserves | 401,486 | 374,192 | 7.29% |
| **180.** | Share premiums | 49,414 | 49,414 | 0.00% |
| **190.** | Share capital | 100,500 | 100,500 | 0.00% |
| **210.** | Capital pertaining to minority interests (+/-) | 129,913 | 131,473 | -1.19% |
| **220.** | Profit (loss) for the year | 3,188 | 26,838 | -88.12% |
| | **Total liabilities** | **13,385,924** | **13,424,090** | **-0.28%** |

# Consolidated income statement

| | Items<br>*(in thousands of Euro)* | 30/06/2010 | 30/06/2009 | Differences % |
|---|---|---|---|---|
| 10. | Interest receivables and similar income | 234,209 | 259,052 | -9.59% |
| 20. | Interest liabilities and similar expense | (71,240) | (101,303) | -29.68% |
| **30.** | **Net interest income** | **162,969** | **157,749** | **3.31%** |
| 40. | Fee income | 149,439 | 127,406 | 17.29% |
| 50. | Fee expenses | (39,941) | (35,581) | 12.25% |
| **60.** | **Net fees** | **109,498** | **91,825** | **19.25%** |
| 70. | Dividends and similar income | 1,918 | 1,167 | 64.35% |
| 80. | Net gains/(losses) on trading activities | 4,012 | 30,112 | -86.68% |
| 90. | Net gains/(losses) on hedging activities | 492 | (3,344) | -114.71% |
| 100 | Gains/(losses) from sale or repurchase of: | 5,428 | 3,784 | 43.45% |
| | a) loans & receivables | 931 | 55 | 1592.73% |
| | b) financial assets available for sale | 4,503 | 1,990 | 126.28% |
| | c) financial assets held to maturity | - | 0 | - |
| | d) financial liabilities | (6) | 1,739 | -100.35% |
| 110 | Net gains/(losses) on financial assets and liabilities at fair value through profit or loss | (5,615) | 6,709 | -183.69% |
| **120** | **Net banking income** | **278,702** | **288,002** | **-3.23%** |
| 130 | Net value adjustments for impairment on: | (47,444) | (34,933) | 35.81% |
| | a) loans & receivables | (47,294) | (33,042) | 43.13% |
| | b) financial assets available for sale | 0 | (1,295) | -100.00% |
| | c) financial assets held to maturity | - | - | - |
| | d) other financial transactions | (150) | (596) | -74.83% |
| **140.** | **Net gains/(losses) on financial operations** | **231,258** | **253,069** | **-8.62%** |
| 150. | Net premiums | 331,590 | 57,524 | 476.44% |
| 160. | Balance of other income/expenses from insurance operations | (340,795) | (72,753) | 368.43% |
| **170.** | **Net gains/(losses) on financial and insurance operations** | **222,053** | **237,840** | **-6.64%** |
| 180. | Administrative expenses | (196,845) | (203,483) | -3.26% |
| | a) personnel expenses | (118,192) | (121,520) | -2.74% |
| | b) other administrative expenses | (78,653) | (81,963) | -4.04% |
| 190. | Net provisions for risks and charges | (5,266) | (2,314) | 127.57% |
| 200. | Net value adjustments on tangible assets | (9,335) | (10,124) | -7.79% |
| 210. | Net value adjustments on intangible assets | (7,609) | (6,823) | 11.52% |
| 220. | Other operating expenses/income | 15,334 | 21,908 | -30.01% |
| **230.** | **Operating costs** | **(203,721)1** | **(200,836)** | **1.44%** |
| 240. | Gains/(Losses) from equity investments | (940) | (266) | 253.38% |
| 250. | Net gains/(losses) on measurement at fair value of tangible and intangible assets | 0 | 0 | |
| 260. | Impairment of goodwill | (1,279) | - | |
| 270. | Gains/(losses) on investments | 483 | 6 | 7950.00% |
| **280.** | **Profit/(Loss) on continuing operations before taxes** | **16,596** | **36,744** | **-54.83%** |
| 290. | Income taxes for the period on continuing operations | (13,347) | (17,182) | -22.32% |
| **300.** | **Profit/(Loss) on continuing operations after taxes** | **3,249** | **19,562** | **-83.39%** |
| 310. | Profits/(losses) on asset disposal groups held for sale after taxes | | | 0.0% |
| **320.** | **Profit (loss) for the period** | **3,249** | **19,562** | **-83.39%** |
| 330. | Profit (loss) for the period pertaining to minority interests | 61 | 2,156 | -97.17% |
| **340.** | **Profit/(Loss) for the period pertaining to Parent Company** | **3,188** | **17,406** | **-81.68%** |

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# Statement of consolidated comprehensive income

| | Items<br>*(in thousands of Euro)* | 30/06/2010 | 30/06/2009 |
|---|---|---|---|
| **10.** | **Profit (loss) for the period** | **3,249** | **19,562** |
| | **Other comprehensive income (net of tax)** | | |
| **20.** | Financial assets available for sale | -9,164 | 8,476 |
| **30.** | Tangible assets | -78 | - |
| **40.** | Intangible assets | - | - |
| **50.** | Hedges of foreign investments | | |
| **60.** | Cash flow hedges | - | - |
| **70.** | Foreign exchange gains (losses) | | |
| **80.** | Non-current assets held for sale | | |
| **90.** | Actuarial profit/losses on defined benefit plans | - | - |
| **100** | Share of valuation reserves in relation to investments evaluated via net equity method | - | |
| **110.** | **Total other comprehensive income (net of tax)** | **-9,242** | **8,476** |
| **120** | **Total comprehensive income (Items 10 +110)** | **-5,993** | **28,038** |
| **130.** | Total consolidated comprehensive income pertaining to minority interests | -1,055 | 2,888 |
| **140.** | **Total consolidated comprehensive income pertaining to the Parent Company** | **-4,938** | **25,150** |

# Consolidated Cash Flow Statement

## Direct method

*(in thousands of Euro)*

| A. OPERATING ACTIVITIES | 30/06/2010 | 30/06/2009 |
|---|---|---|
| **1. Operations** | **72,352** | **36,959** |
| Interest income collected (+) | 234,209 | 259,052 |
| Interest expense paid (-) | (71,240) | (100,996) |
| Dividends and similar income | 1,918 | 633 |
| Net fees (+/-) | 109,498 | 91,825 |
| Personnel expenses | (116,162) | (121,089) |
| Net premiums collected (+) | 331,590 | 57,524 |
| Other insurance income/expenses (+/-) | (340,795) | (72,753) |
| Other costs (-) | (78,653) | (81,963) |
| Other revenues (+) | 15,334 | 21,908 |
| Taxes and duties (-) | (13,347) | (17,182) |
| **2. Cash provided (used) by financial assets** | **15,160** | **101,841** |
| Financial assets held for trading | 91,874 | (455,271) |
| Financial assets at fair value through profit or loss | (125,705) | 20,855 |
| Financial assets available for sale | 348,863 | (182,053) |
| Due from customers | (241,049) | (435,832) |
| Due from banks | 549,519 | 1,318,725 |
| Other assets | (608,342) | (164,583) |
| **3. Cash provided (used) by financial liabilities** | **(23,740)** | **(119,539)** |
| Due to banks | 32,888 | 28,927 |
| Due to customers | (437,346) | (431,400) |
| Outstanding securities | (98,647) | 13,742 |
| Financial liabilities held for trading | 15,529 | 99,731 |
| Financial liabilities at fair value through profit or loss | 136,282 | (23,931) |
| Other liabilities | 327,554 | 193,392 |
| **Net cash provided (used) by operating activities** | **63,772** | **19,261** |
| **B. INVESTING ACTIVITIES** | **30/06/2010** | **30/06/2009** |
| **1. Cash provided by:** | **5,016** | **1,406** |
| Sales of equity investments | 32 | 610 |
| Dividends collected on equity investments | 121 | 534 |
| Sales/redemptions of financial assets held to maturity | 4,099 | - |
| Sales of tangible assets | 739 | 262 |
| Sales of intangible assets | 25 | - |
| Sales of subsidiaries and company divisions | - | - |
| **2. Cash (used) by:** | **(99,032)** | **(34,233)** |
| Purchases of equity investments | - | (74) |
| Purchases of financial assets held to maturity | (81,166) | (22,503) |
| Purchases of tangible assets | (11,466) | (1,561) |
| Purchases of intangible assets | (6,400) | (10,095) |
| Sales of subsidiaries and company divisions | - | - |
| **Net cash provided (used) by investing activities** | **(94,016)** | **(32,827)** |
| **C. FUNDING ACTIVITIES** | **30/06/2010** | **30/06/2009** |
| Issue/purchase of own shares | - | - |
| Issue/purchase of equity instruments | - | - |
| Distribution of dividends and other purposes | 3,892 | (4,107) |
| **Net cash provided (used) by financing activities** | **3,892** | **(4,107)** |
| **NET CASH PROVIDED(USED) IN THE PERIOD** | **(26,352)** | **(17,673)** |
| **RECONCILIATION** | **30/06/2010** | **30/06/2009** |
| **Cash and cash equivalents at start of year** | **122,323** | **118,975** |
| Total net cash provided(used) in the period | (26,352) | (17,673) |
| **Cash and cash equivalents at end of half year** | **95,971** | **101,302** |

# Statement of changes in shareholders’ equity 2009

**Statement of changes in sharholders' equity at 31st december 2009** *(euro thousands)*

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

# Statement of changes in consolidated shareholders' equity at 30th June 2010

**Statement of changes in sharholders' equity at 30th june 2010** *(euro thousands)*

| | Balance at 31/12/2009 | Changes to opening balance | Balance at 01/01/2010 | Allocation of profit of previous year: Group reserves | Allocation of profit of previous year: Dividends and other uses | Changes in the period: Changes to reserves | Operations on shareholders' equity: Issue of new shares | Operations on shareholders' equity: Purchase of own shares | Operations on shareholders' equity: Distribution of extrahordinary dividends | Operations on shareholders' equity: Change in equity instruments | Operations on shareholders' equity: Derivatives of own shares | Operations on shareholders' equity: Stock options | Total comprehensive income for the period at 30/06/2010 | Group shareholders' equity 31/12/2010 | Minority interest shareholders' equity 31/12/2010 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Share capital: | | | | | | | | | | | | | | | |
| a) ordinary shares | 153.353 | - | 153.353 | - | - | 107 | 100 | - | - | - | - | - | - | **100.500** | **53.060** |
| b) other shares | - | - | - | - | - | - | - | - | - | - | - | - | - | **-** | **-** |
| Share premiums | 98.021 | - | 98.021 | - | - | (1.465) | - | - | - | - | - | - | - | **49.414** | **47.142** |
| Reserves: | | | | | | | | | | | | | | | |
| a) profit reserves | 401.325 | - | 401.325 | 25.190 | - | 5.044 | - | - | - | - | - | - | - | **401.486** | **30.073** |
| b) others | - | - | - | - | - | - | - | - | - | - | - | - | - | **-** | **-** |
| Valuation reserves | 10.861 | - | 10.861 | - | - | 563 | - | - | - | - | - | - | (9.242) | **2.605** | **(423)** |
| Equity instruments | - | - | - | - | - | - | - | - | - | - | - | - | - | **-** | **-** |
| Own shares | - | - | - | - | - | - | - | - | - | - | - | - | - | **-** | **-** |
| Profit (loss) for the year | 29.082 | - | 29.082 | (25.190) | (3.892) | - | - | - | - | - | - | - | 3.249 | **3.188** | **61** |
| Group shareholders' equity | 561.169 | - | 561.169 | | (2.562) | 3.524 | - | - | - | - | - | - | (4.938) | **557.193** | |
| Minority interest shareholders' equity | 131.473 | - | 131.473 | | (1.330) | 725 | 100 | - | - | - | - | - | (1.055) | | **129.913** |

# PREPARATION CRITERIA AND ACCOUNTING PRINCIPLES ADOPTED

## Declaration of compliance with international accounting standards

This financial report has been drawn up according to the international accounting standards IAS/IFRS (including the SIC and IFRIC interpretation documents) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union as of 30th June 2010, pursuant to Community Regulation No. 1606 of 19th July 2002. With regards to the schedules and the illustrative notes, the half-year consolidated financial statements were drawn up in accordance with that decreed by Bank of Italy, exercising its powers pursuant to article 9 of Italian Legislative Decree no. 38/2005, in its order of 18th November 2009 by which it issued the first amendment to Circular no. 262/05.

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

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

## General drafting principles

The half-year consolidated financial statements consist of the Consolidated Balance Sheet, Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Statement of Changes in Consolidate Shareholders' Equity, the Consolidated Cash Flow Statement, and the Illustrative Notes which includes information about the changes occurring in the last six months held to be the most important in terms of the main equity aggregates, as well as the composition of the main economic items that contributed to the final results for the first half.

The "IAS 34 - Interim Financial Reporting" principle requires that comparisons of accounting reports from "interim/annual" financial statements be carried out using values from the corresponding period of the previous year for the Income Statement, while for the Balance Sheet the financial statement values should be compared to the results at 31st December of the previous year.

Hence, in application of this provision and in conformance to the expositional criteria adopted for the following reports and comments in the Illustrative Notes, the income statement for the first half of 2010, appropriately reclassified to take into account changes which occurred in the cited Bank of Italy provisions, are compared with those of the first half of 2009, while the balance sheet figures at 30th June 2010 are compared with those of the financial statements at 31st December 2009.

The half-year financial statements were drawn up using the Euro as the currency. Amounts are shown in Euro for the accounting reports and are given in thousands of Euro in the illustrative notes, if not otherwise specified.

The accounting principles adopted for preparation of the present Interim Report remained unchanged, in terms of the classification, recognition, valuation, and derecognition phases for the various items in assets and liabilities, with respect to the principles adopted for preparation of the financial statements for the year ending 31st December 2009. (for more detail regarding the preparation and valuation criteria, please refer to said statements).

During the course of 2009 and the first half of 2010, the following accounting principles and interpretations entered into effect, as approved by the European Commission:

- EC Regulation no. 460/2009 - IFRIC 16: Hedge for an investment in a foreign company;
- EC Regulation no. 494/2009 - IAS Amendment 27: Consolidated and separate financial statements;
- EC Regulation no. 495/2009 - IFRS Amendment 3: Business combinations;
- EC Regulation no. 839/2009 - Eligible hedged items (Amendment to IAS 39);

- EC Regulation no. 1136/2009 - IFRS Amendment 1: First adoption of IFRS;
- EC Regulation no. 1142/2009 – IFRS17 Distribution of Non-cash Assets to Owners;
- EC Regulation no. 1293/2009 - IAS Amendment 32: Financial instruments - Allocation in the financial statements (application obligatory from 2011 on);
- EC Regulation no. 243/2010 - IFRS Amendments:
- Regulation no. 244/2010 - IFRS Amendment 2: Share-based payments;
- Regulation no. 550/2010 - IFRS Amendment 1: Additional exemptions for organizations adopting IFRS for the first time.

In particular, Regulations no. 494 and 495 amending IAS 27 (and which also amend IAS 28: Equity investments in associated companies and IAS 31: Equity investments in joint ventures) and IFRS 3, introduce important new changes to Europe in terms of business combinations and equity interest transactions.

The regulations which took effect in 2009 were already used for the financial statements at 31st December 2009. Those which took effect in 2010 have to do with specific situations that are not relevant to the companies of the Group.

In accordance with the 1st Amendment on 18th November 2009 to Bank of Italy circular 262/2005, account expenses must be accounted for under the item commission income, sub item i), and not under operating income as before. We note that in the Income Statement report, the comparison values from 30th June 2009 were not changed from those published previously. The effects of the above mentioned changes are indicated in the comments found in the Illustrative Notes in the area for the income statement items in question.

## Main risks and uncertainties

The Group carried out the impairment test on goodwill at 30th June 2010. The necessity of acting to write down the goodwill deriving from the consolidation of the equity interest held in Banca Monte Parma became clear, including in consideration of the losses recorded by the same in the first half of 2010.

## Transfers between portfolios

**Reclassified financial assets: book value, fair value, and effects on overall income**

| Types of financial instruments (1) | Original portfolio (2) | Destination portfolio (3) | Book value at 30/06/2010 (4) | Fair value at 30/06/2010 (5) | Income components without transfer (before taxes) | | Income components recorded during the period (before taxes) | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Valuation (6) | Other (7) | Valuation (8) | Other (9) |
| **Debt securities** | | | **97,102** | **97,618** | **(223)** | **-** | **(825)** | **120** |
| | HFT | AFS | 55,567 | 55,567 | (796) | - | (796) | - |
| | HFT | Due from banks | 17,749 | 17,623 | 145 | - | - | 94 |
| | HFT | Due from customers | 8,777 | 8,501 | 161 | - | - | 26 |
| | AFS | Due from banks | 15,009 | 15,927 | 267 | - | (29) | - |
| **Total** | | | **97,102** | **97,618** | **(223)** | **-** | **(825)** | **120** |

***Key***
*HFT = Financial assets held for trading*
*AFS = Financial assets available for sale*
*HTM = Financial assets held to maturity*
*Due from banks = Due from banks*

*Due from customers = Due from customers*

For the financial statements at 31st December 2008, some companies of the Group took advantage of the right to reclassify part of their securities portfolio.

If the Group had not used this possibility, the income statement (6) would have seen higher negative evaluation components for €223 thousand, while shareholders' equity (8) would have had additional negative components for €825 thousand, and other income (9) additional components for €120 thousand. During the course of the first half of 2010, no sales of reclassified securities took place.

# Fair value hierarchy

**Accounting portfolios: division by fair value level**

| Financial assets/liabilities carried at fair value | 30/06/2010 | | | 31/12/2009 | | |
|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| Financial assets held for trading | 1,268,055 | 169,686 | 4,453 | 1,363,338 | 162,739 | 3,979 |
| Financial assets carried at fair value | 533,680 | 254,480 | - | 379,772 | 288,298 | - |
| Financial assets available for sale | 918,569 | 18,299 | 21,593 | 677,699 | 9,497 | 22,024 |
| Hedging derivatives | - | 8,842 | | | 3,037 | |
| **Total** | **2,720,304** | **451,307** | **26,046** | **2,420,809** | **463,571** | **26,003** |
| Financial Liabilities Held for Trading | 39,686 | 22,045 | 57 | 32,917 | 13,342 | |
| Financial liabilities carried at fair value | 560,228 | 60,995 | | 401,103 | 83,838 | |
| Hedging derivatives | | 124,747 | | | 85,074 | |
| **Total** | **599,914** | **207,787** | **57** | **434,020** | **182,254** | **-** |

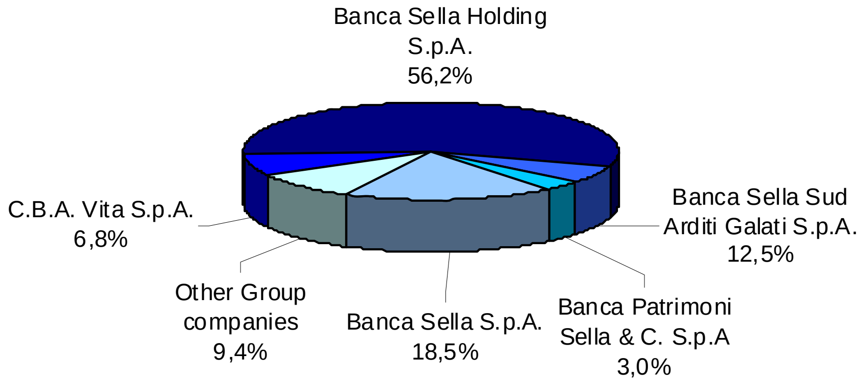
# MAIN ITEMS IN THE ASSETS SECTION OF THE CONSOLIDATED BALANCE SHEET

## Financial assets held for trading - Item 20

**Financial assets held for trading: Product breakdown**

| Item/Value | 30/06/2010 | | | 31/12/2009 | | |
|---|---|---|---|---|---|---|
| | T1 | T2 | T3 | T1 | T2 | T3 |
| **A. Cash assets** | | | | | | |
| 1. Debt securities | 1,146,144 | 132,110 | 104 | 1,296,218 | 122,784 | 109 |
| 1.1 Structured securities | - | - | - | - | - | - |
| 1.2 Other debt securities | 1,146,144 | 132,110 | 104 | 1,296,218 | 122,784 | 109 |
| 2. Equity securities | 7,624 | - | 2 | 4,271 | - | 41 |
| 3. UCIT units | 110,588 | 14,357 | 4,345 | 59,321 | 20,793 | 3,829 |
| 4. Loans | - | - | - | - | - | - |
| 4.1. Reverse repurchase agreements | - | - | - | - | - | - |
| 4.2 Others | - | - | - | - | - | - |
| **Total A** | **1,264,356** | **146,467** | **4,451** | **1,359,810** | **143,577** | **3,979** |
| **B. Derivative instruments** | | | | | | |
| 1. Financial derivatives: | 3,699 | 23,219 | 2 | 3,528 | 19,162 | - |
| 1.1 for trading | 3,699 | 20,903 | - | 3,528 | 17,115 | - |
| 1.2 linked to fair value option | - | - | - | - | - | - |
| 1.3 others | - | 2,316 | 2 | - | 2,047 | - |
| 2. Credit Derivatives: | - | - | - | - | - | - |
| 2.1 for trading | - | - | - | - | - | - |
| 2.2 linked to fair value option | - | - | - | - | - | - |
| 2.3 other | - | - | - | - | - | - |
| **Total B** | **3,699** | **23,219** | **2** | **3,528** | **19,162** | **-** |
| **Total A+B** | **1,268,055** | **169,686** | **4,453** | **1,363,338** | **162,739** | **3,979** |

**Division by company percentage for securities held for trading**




During the first half of the year, the composition of the portfolio did not see any significant changes. In terms of asset allocation, exposure to interest rate risk was very limited.

Interest rate trend, which declined in the first half of 2010, justifies the increase of the component relative to financial derivatives held for trading.

**attributable to the banking group**

| Item/Value | 30/06/2010 | | | 31/12/2009 | | |
|---|---|---|---|---|---|---|
| | T1 | T2 | T3 | T1 | T2 | T3 |
| **A. Cash assets** | | | | | | |
| 1. Debt securities | 1,146,144 | 130,432 | 104 | 1,296,218 | 121,109 | 109 |
| 1.1 Structured securities | - | - | - | - | - | - |
| 1.2 Other debt securities | 1,146,144 | 130,432 | 104 | 1,296,218 | 121,109 | 109 |
| 2. Equity securities | 7,450 | - | 2 | 4,056 | - | 41 |
| 3. UCIT units | 14,209 | 14,357 | 4,345 | 259 | 20,691 | 3,829 |
| 4. Loans | - | - | - | - | - | - |
| 4.1. Reverse repurchase agreements | - | - | - | - | - | - |
| 4.2 Others | - | - | - | - | - | - |
| **Total A** | **1,167,803** | **144,789** | **4,451** | **1,300,533** | **141,800** | **3,979** |
| **B. Derivative instruments** | | | | | | |
| 1. Financial derivatives: | 3,699 | 23,194 | 2 | 3,528 | 19,074 | - |
| 1.1 for trading | 3,699 | 20,878 | - | 3,528 | 17,027 | - |
| 1.2 linked to fair value option | - | - | - | - | - | - |
| 1.3 others | - | 2,316 | 2 | - | 2,047 | - |
| 2. Credit Derivatives: | - | - | - | - | - | - |
| 2.1 for trading | - | - | - | - | - | - |
| 2.2 linked to fair value option | - | - | - | - | - | - |
| 2.3 other | - | - | - | - | - | - |
| **Total B** | **3,699** | **23,194** | **2** | **3,528** | **19,074** | **-** |
| **Total A+B** | **1,171,502** | **167,983** | **4,453** | **1,304,061** | **160,874** | **3,979** |

**attributable to insurance companies**

| Item/Value | 30/06/2010 | | | 31/12/2009 | | |
|---|---|---|---|---|---|---|
| | T1 | T2 | T3 | T1 | T2 | T3 |
| **A. Cash assets** | | | | | | |
| 1. Debt securities | | 1,678 | | | 1675 | |
| 1.1 Structured securities | | | | | | |
| 1.2 Other debt securities | | 1,678 | | | 1675 | |
| 2. Equity securities | 174 | | | 215 | | |
| 3. UCIT units | 96,379 | | | 59,062 | 102 | |
| 4. Loans | | | | | | |
| 4.1. Repurchase agreements | | | | | | |
| 4.2 Others | | | | | | |
| **Total A** | **96,553** | **1,678** | | **59,277** | **1,777** | |
| **B. Derivative instruments** | | | | | | |
| 1. Financial derivatives: | | 25 | | | 88 | |
| 1.1 for trading | | 25 | | | 88 | |
| 1.2 linked to fair value option | | | | | | |
| 1.3 others | | | | | | |
| 2. Credit Derivatives: | | | | | | |
| 2.1 for trading | - | - | - | - | -- | |
| 2.2 linked to fair value option | - | - | - | - | -- | |
| 2.3 other | - | - | - | - | -- | |
| **Total B** | **-** | **25** | **-** | **-** | **88-** | |
| **Total A+B** | **96,553** | **1073** | **-** | **59,277** | **1,865-** | |

# Financial assets at fair value through profit or loss - Item 30

**Financial assets at fair value through profit or loss: breakdown by type**

**attributable to insurance companies**

| Item/Value | 30/06/2010 | | | 31/12/2009 | | |
|---|---|---|---|---|---|---|
| | T1 | T2 | T3 | T1 | T2 | T3 |
| 1. Debt securities | 222,637 | 230,942 | - | 218,282 | 262,050 | - |
| 1.1 Structured securities | - | - | - | - | 23,939 | - |
| 1.2 Other debt securities | 222,637 | 230,942 | - | 218,282 | 238,111 | - |
| 2. Equity securities | 22,475 | - | - | 20,027 | - | - |
| 3. UCIT units | 288,568 | - | - | 141,463 | - | - |
| 4. Loans | - | 23,538 | - | - | 26,248 | - |
| 4.1 Structured | - | - | - | - | - | - |
| 4.2 Others | - | 23,538 | - | - | 26,248 | - |
| **Total** | **533,680** | **254,480** | **-** | **379,772** | **288,298** | **-** |
| **Cost** | **524,307** | **282,463** | **-** | **403,803** | **313,792** | **-** |

The increase in financial assets at fair value is through profit or loss correlated to the collection of Sella Life premiums. In fact, the (unit linked) contracts of the Irish insurance company call for investment of the premiums, net of any start-up commissions, in internal insurance funds whose investments are at fair value through profit or loss.

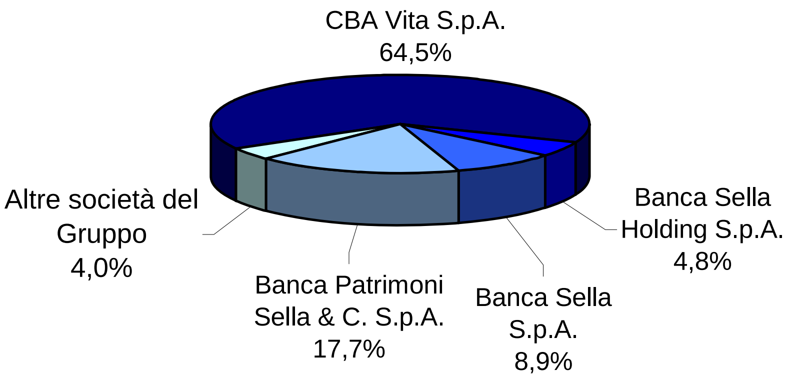
# Financial assets available for sale - Item 40

**Financial assets available for sale: breakdown by type**

| Item/Value | 30/06/2010 | | | 31/12/2009 | | |
|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| 1. Debt securities | 905,863 | 18,299 | 13,193 | 660,787 | 9,497 | 13,643 |
| 1.1 Structured securities | 8,540 | 2,375 | - | 18,714 | 2,459 | - |
| 1.2 Other debt securities | 897,323 | 15,924 | 13,193 | 642,073 | 7,038 | 13,643 |
| 2. Equity securities | 12,616 | - | 5,930 | 16,912 | - | 5,911 |
| 2.1 Carried at fair value | 12,616 | - | 245 | 16,912 | - | 245 |
| 2.2 Carried at cost | - | - | 5,685 | - | - | 5,666 |
| 3. UCIT units | 90 | - | - | - | - | - |
| 4. Loans | - | - | 2,470 | - | - | 2,470 |
| **Total** | **918,569** | **18,299** | **21,593** | **677,699** | **9,497** | **22,024** |

Minority interests are included in securities available for sale, which underwent an impairment test at 30th June 2010, in accordance with the criteria described in the section "General Drafting Principles" in the Notes to the Statements. There are no write-downs to note.

**Division by company percentage**
**for financial assets available for sale**




**attributable to the banking group**

| | 30/06/2010 | | | 31/12/2009 | | |
|---|---|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Level 1** | **Level 2** | **Level 3** |
| 1. Debt securities | 299,131 | 6,522 | 13,193 | 270,108 | 1,012 | 13,643 |
| 1.1 Structured securities | - | - | - | - | - | - |
| 1.2 Other debt securities | 299,131 | 6,522 | 13,193 | 270,108 | 1,012 | 13,643 |
| 2. Equity securities | 12,616 | - | 5,930 | 16,912 | - | 5,911 |
| 2.1 Carried at fair value | 12,616 | - | 245 | 16,912 | - | 245 |
| 2.2 Carried at cost | - | - | 5,685 | - | - | 5,666 |
| 3. UCIT units | 90 | - | - | - | - | - |
| 4. Loans | - | - | 2,470 | - | - | 2,470 |
| **Total** | **311,837** | **6,522** | **21,593** | **287,020** | **1,012** | **22,024** |

With respect to 31st December 2009, Banca Patrimoni Sella & C. decreased its contribution to the consolidated aggregate of financial assets available for sale in the amount of approximately €46.1 million. This result is connected to direct deposits performance for the Turin bank, which after the peak seen in the last quarter of 2009 thanks to the so-called "Third tax amnesty," began to fall in the first half of the year due to the effect of the investment of sums received from clients in securities. This transformation of cash assets into investments on the part of customers led to disinvestment of part of the securities acquired over the course of 2009.

Vice versa, Banca Sella Holding increased its contribution to the aggregate as a consequence of the initiative taken by the same following the Bank of Italy provision of 18th May 2010, relative to the treatment of government bonds in the financial statements considered to be classifiable in that accounting category.

**attributable to insurance companies**

| | 30/06/2010 | | | 31/12/2009 | | |
|---|---|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Level 1** | **Level 2** | **Level 3** |
| 1. Debt securities | 606,732 | 11,777 | | 390,679 | 8,485 - | |
| 1.1 Structured securities | 8,540 | 2,375 | | 18,714 | 2,459 - | |
| 1.2 Other debt securities | 598,192 | 9,402 | | 371,965 | 6,026 - | |
| 2. Equity securities | | | | | | |
| 2.1 Carried at fair value | | | | | | |
| 2.2 Carried at cost | | | | | | |
| 3. UCIT units | | | | | | |
| 4. Loans | | | | | | |
| **Total** | 606,732 | 11,777 | - | 390,679 | 8,485 | |

The part of financial assets available for sale pertaining to insurance companies is entirely related to the CBA Vita company. The remarkable increase is due to the investment of liquidity generated by an increase in production starting in the last months of 2009 for the placement of the new product "CBA Tuo Valore".

# Financial assets held to maturity - Item 50

**Held-to-maturity financial assets: breakdown by type**

| | Total 30/06/2010 | | | | Total 31/12/2009 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Book value** | ***Fair value*** | | | **Book value** | **Fair value** | | |
| | | **Level 1** | **Level 2** | **Level 3** | | **Level 1** | **Level 2** | **Level 3** |
| 1. Debt securities | 297,999 | 300,187 - | | - | 220,932 | 224,823 - | | - |
| - structured | - | - - | | - | - | - - | | - |
| - other | 297,999 | 300,187 - | | - | 220,932 | 224,823 - | | - |
| 2. Loans | - | - - | | - | - | - - | | - |

The item Financial assets held to maturity includes debt securities of the Group companies, for which the respective Boards of Directors have formalized the decision to hold them until their natural maturity. In particular, the increase can be attributed to the performance of the aggregate relative to Banca Sella and Banca Sella Holding, together with the decisions made by the respective Boards of Directors in virtue of autonomous strategic choices.

The following table breaks them down by maturity date:

**Distribution by maturity for financial assets held to maturity** *(in millions of Euro)*

| Group Company/Maturity | 2010 | 2011 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Banca Patrimoni Sella & C. | - | - | - | - | 9.5 | - | - | - | 25.8 | - | 35.3 |
| Banca Sella S.pA. | - | - | - | - | - | 10.3 | - | 21.0 | 20.9 | 38.8 | 91.0 |
| Banca Sella Holding S.p.A. | - | - | - | - | 10.0 | - | 28.3 | 21.3 | 20.7 | - | 80.3 |
| Banca Sella Nordest Bovio Calderari S.p.A. | - | - | - | - | - | - | - | - | 5.2 | - | 5.2 |
| Banca Sella Sud Arditi Galati S.p.A. | 5.0 | - | - | - | - | - | - | - | 18.0 | - | 23.0 |
| Sella Bank A.G. | 1.5 | 1.6 | 18.1 | 0.9 | 2.6 | 1.5 | 0.9 | - | - | - | 27.1 |
| Sella Bank Luxembourg SA. | 15.0 | - | - | - | - | - | - | - | 5.3 | 15.8 | 36.1 |
| **Total debt securities (by maturity)** | **21.5** | **1.6** | **18.1** | **0.9** | **22.1** | **11.8** | **29.2** | **42.3** | **95.9** | **54.6** | **298.0** |

## Due from banks - Item 60

**Loans to banks: breakdown by type**

| Type of transaction/Amount | 30/06/2010 | 31/12/2009 |
|---|---|---|
| **A) Due from Central Banks** | **115,836** | **381,787** |
| 1. Term deposits | - | 225,000 |
| 2. Statutory reserve | 115,836 | 156,787 |
| 3. Reverse repurchase agreements | - | - |
| 4. Others | - | - |
| **B) Due from banks** | **267,671** | **551,239** |
| 1. Current accounts and demand deposits | 75,154 | 104,072 |
| 2. Term deposits | 136,024 | 356,451 |
| 3. Other loans and advances | 22,278 | 45,514 |
| 3.1 reverse repurchase operations | 9,825 | 32,341 |
| 3.2 financial leasing | 1,129 | 1,382 |
| 3.3 others | 11,324 | 11,791 |
| 4. Debt securities | 34,215 | 45,202 |
| 4.1 structured | 9,297 | 14,971 |
| 4.2 others | 24,918 | 30,231 |
| **Total (book value)** | **383,507** | **933,026** |
| **Total (fair value)** | **383,226** | **933,639** |

The significant change seen in the aggregate of amounts due from banks with respect to the previous period can be ascribed mainly due to the removal of certain loan operations by Parent Company Banca Sella Holding through the Central Bank and the new interbank market for collateralized deposits (MIC).

**attributable to the banking group**

| Type of transaction/Amount | 30/06/2010 | 31/12/2009 |
|---|---|---|
| **A) Due from Central Banks** | **115,836** | **381,787** |
| 1. Term deposits | - | 225,000 |
| 2. Statutory reserve | 115,836 | 156,787 |
| 3. Reverse repurchase agreements | - | - |
| 4. Others | - | - |
| **B) Due from banks** | **249,970** | **523,287** |
| 1. Current accounts and demand deposits | 72,462 | 96,770 |
| 2. Term deposits | 136,024 | 356,451 |
| 3. Other loans and advances | 22,278 | 45,514 |
| 3.1 reverse repurchase operations | 9,825 | 32,341 |
| 3.2 financial leasing | 1,129 | 1,382 |
| 3.3 others | 11,324 | 11,791 |
| 4. Debt securities | 19,206 | 24,552 |
| 4.1 structured | - | - |
| 4.2 others | 19,206 | 24,552 |
| **Total (book value)** | **365,806** | **905,074** |
| **Total (fair value)** | **365,525** | **905,687** |

**attributable to insurance companies**

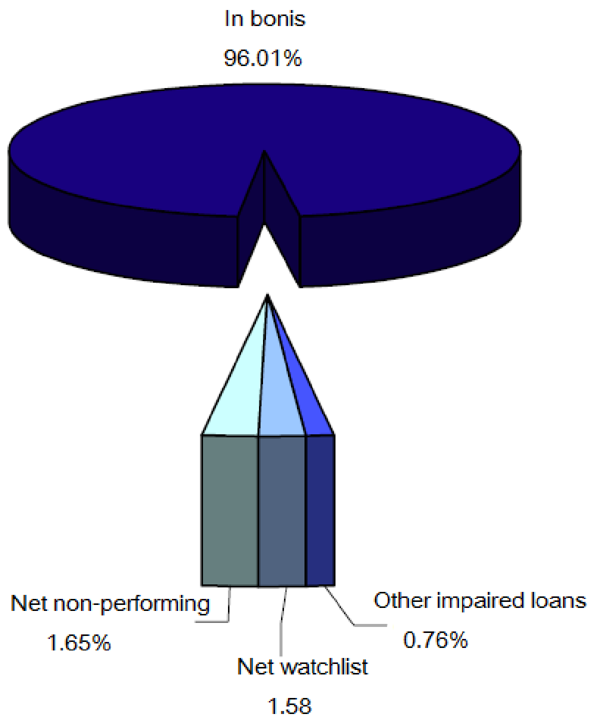
| Type of transaction/Amount | 30/06/2010 | 31/12/2009 |
|---|---|---|
| **A) Due from Central Banks** | **-** | **-** |
| 1. Term deposits | - | - |
| 2. Statutory reserve | - | - |
| 3. Reverse repurchase agreements | - | - |
| 4. Others | - | - |
| **B) Due from banks** | **17,701** | **27,952** |
| 1. Current accounts and demand deposits | 2,692 | 7,302 |
| 2. Term deposits | - | - |
| 3. Other loans and advances | - | - |
| 3.1 reverse repurchase operations | - | - |
| 3.2 financial leasing | - | - |
| 3.3 others | - | - |
| 4. Debt securities | 15,009 | 20,650 |
| 4.1 structured | 9,297 | 14,971 |
| 4.2 others | 5,712 | 5,679 |
| **Total (book value)** | **17,701** | **27,952** |
| **Total (fair value)** | **17,701** | **27,952** |

# Due from customers - Item 70

**Due from customers: breakdown by type**

| Type of transaction/Amount | 30/06/2010 | | 31/12/2009 | |
|---|---|---|---|---|
| | Performing | Impaired | Performing | Impaired |
| 1. Current accounts | 1,013,598 | 90,784 | 1,019,326 | 88,070 |
| 2. Repurchase agreements | 52,942 | - | 7,240 | - |
| 3. Mortgage loans | 3,454,730 | 94,057 | 3,337,089 | 105,496 |
| 4. Credit cards, personal loans and salary-backed loans | 1,132,397 | 46,342 | 1,105,599 | 42,164 |
| 5. Financial leasing | 1,090,252 | 49,472 | 1,092,873 | 55,699 |
| 6. Factoring | - | - | - | - |
| 7. Other transactions | 1,480,855 | 61,430 | 1,501,237 | 51,959 |
| 8. Debt securities | 9,255 | - | 15,619 | - |
| 8.1 Structured | - | - | - | - |
| 8.2 Others | 9,255 | - | 15,619 | - |
| **Total (book value)** | **8,234,029** | **342,085** | **8,078,983** | **343,388** |
| **Total (fair value)** | **8,208,418** | **342,085** | **8,038,131** | **343,388** |

**Percentage of impaired loans**



# Hedging derivatives - Item 80

**Hedging derivatives: breakdown by hedging type and by levels**

| | FV 30/06/2010 | | | VN 30/06/2010 | FV 31/12/2009 | | | VN 31/12/2009 |
|---|---|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | | Level 1 | Level 2 | Level 3 | |
| **A. Financial derivatives** | | **8,842** | | **231,542** | **-** | **3,037 -** | | **234,541** |
| 1) Fair value | | 8,842 | | 231,542 | - - | 3,037 | | 234,541 |
| 2) Cash flows | | | | | --- | | - | - |
| 3) Foreign investments | | | | | --- | | - | - |
| **B. Credit derivatives** | | | | | **---** | | **-** | **-** |
| 1) Fair value | | | | | - - - | | - | |
| 2) Cash flows | | | | | --- | | - | -- |
| **Total** | | **8,842** | | **231,542** | **-** | **3,037** | | **234,541** |

Key:
FV = fair value
NV = notional value

Interest rate trends, which declined in the first half of 2010, justified the increase of the item.

## Credit quality

ANALYTICAL EVALUATION OF PAST DUE LOANS

Positions relative to past due loans, which on the basis of Bank of Italy provisions are held to be an impaired class of credit, were subject to analytical valuation for the first time in this half year financial statements.

Write downs were calculated on the basis of criteria provided and established by Group management, in particular:

- positions with overall usage less than €25,000 were subject to write downs through the application of a write down percentage of 8.15%;
- positions with amounts exceeding €25,000 were subject to analytical evaluation on an individual basis carried out by the Credit Quality Service of the individual banks.

The result of the valuation process for the Group resulted in total write downs in the amount of €1,133 thousand.

**Distribution of financial assets by portfolio and credit quality (book value)**

| Portfolio/Quality | Banking Group | | | | | Other Companies | | Total |
|---|---|---|---|---|---|---|---|---|
| | Non-performing loans | Watchlist loans | Restructured loans | Past due loans | Other assets | Impaired | Other | |
| 1. Financial assets held for trading | - | - | - | - | 1,343,938 | - | 98,256 | 1,442,194 |
| 2. Financial assets available for sale | - | - | 2,470 | - | 337,482 | - | 618,509 | 958,461 |
| 3. Financial assets held to maturity | - | - | - | - | 297,999 | - | - | 297,999 |
| 4. Due from banks | - | - | - | - | 365,806 | - | 17,701 | 383,507 |
| 5. Due from customers | 141,847 | 135,077 | 8,370 | 56,791 | 8,233,225 | - | 804 | 8,576,114 |
| 6. Financial assets at fair value through profit or loss | - | - | - | - | - | - | 788,160 | 788,160 |
| 7. Non-current assets held for sale | - | - | - | - | - | - | - | - |
| 8. Hedging derivatives | - | - | - | - | 8,842 | - | - | 8,842 |
| **Total 30/06/2010** | **141,847** | **135,077** | **10,840** | **56,791** | **10,587,292** | **-** | **1,523,430** | **12,455,277** |
| **Total 31/12/2009** | **126,652** | **110,333** | **10,717** | **98,156** | **10,983,912** | **-** | **1,156,942** | **12,486,712** |

Positions which had characteristics of past-due loans were subject to review upon the preparation of the Half-Year Financial Statements to verify that the attribution of past-due loan status was correct. These positions, at the start of the verification process, amounted to €77 million with reference to 30th June 2010.

From the in-depth analysis of the individual positions, certain cases were found that did not have the required characteristics for inclusion in past-due loans. As a consequence, following the identification of the errors it was possible to make the appropriate corrections. Hence, the final amount of past due loans at 30th June 2010 was €40 million.

**Breakdown of credit exposure by portfolio and credit quality (gross and net amounts)**

| Portfolio/quality | Non-performing assets | | | Performing | | | Total (net exposure) |
|---|---|---|---|---|---|---|---|
| | Gross exposure | Specific write-downs | Net exposure | Gross exposure | Portfolio write-downs | Net exposure | |
| **A. Banking group** | | | | | | | |
| 1. Financial assets held for trading | - | - | - | 1,343,938 | - | 1,343,938 | 1,343,938 |
| 2. Financial assets available for sale | 2,470 | - | 2,470 | 337,482 | - | 337,482 | 339,952 |
| 3. Financial assets held to maturity | - | - | - | 297,999 | - | 297,999 | 297,999 |
| 4. Due from banks | - | - | - | 365,806 | - | 365,806 | 365,806 |
| 5. Due from customers | 720,124 | 378,039 | 342,085 | 8,279,601 | 46,376 | 8,233,225 | 8,575,310 |
| 6. Financial assets at fair value through profit or loss | - | - | - | - | - | - | - |
| 7. Non-current assets held for sale | - | - | - | - | - | - | - |
| 8. Hedging derivatives | - | - | - | 8,842 | - | 8,842 | 8,842 |
| **Total A** | **722,594** | **378,039** | **344,555** | **10,633,668** | **46,376** | **10,587,292** | **10,931,847** |
| **B. Other companies included in the consolidation** | | | | | | | |
| 1. Financial assets held for trading | - | - | - | 98,256 | - | 98,256 | 98,256 |
| 2. Financial assets available for sale | - | - | - | 618,509 | - | 618,509 | 618,509 |
| 3. Financial assets held to maturity | - | - | - | - | - | - | - |
| 4. Due from banks | - | - | - | 17,701 | - | 17,701 | 17,701 |
| 5. Due from customers | - | - | - | 804 | - | 804 | 804 |
| 6. Financial assets at fair value through profit or loss | - | - | - | 788,160 | - | 788,160 | 788,160 |
| 7. Non-current assets held for sale | - | - | - | - | - | - | - |
| 8. Hedging derivatives | - | - | - | - | - | - | - |
| **Total B** | **-** | **-** | **-** | **1,523,430** | **-** | **1,523,430** | **1,523,430** |
| **Total 30/06/2010** | **722,594** | **378,039** | **344,555** | **12,157,098** | **46,376** | **12,110,722** | **12,455,277** |
| **Total 31/12/2009** | **700,571** | **354,713** | **345,858** | **12,187,373** | **46,519** | **12,140,854** | **12,486,712** |

**Banking group - Credit exposure of cash and off balance sheet to banks: gross and net amounts**

| Type of exposure/amounts | Gross exposure | Write-downs, specific value | Portfolio adjustments | Net exposure |
|---|---|---|---|---|
| ***A. CASH EXPOSURES*** | | | | |
| a) Non-performing loans | - | - | X | - |
| b) Watchlist loans | - | - | X | - |
| c) Restructured loans | - | - | X | - |
| d) Past due loans | - | - | X | - |
| e) Other assets | 1,026,168 | X | - | 1,026,168 |
| **TOTAL A** | **1,026,168** | **-** | **-** | **1,026,168** |
| ***B. OFF BALANCE SHEET EXPOSURES*** | | | | |
| a) Impaired | - | - | - | - |
| b) Other | 694,850 | X | 44 | 694,806 |
| **TOTAL B** | **694,850** | **-** | **44** | **694,806** |
| **TOTAL (A+B)** | **1,721,018** | **-** | **44** | **1,720,974** |

**Banking group - Credit exposure of cash and off balance sheet to customers: gross and net amounts**

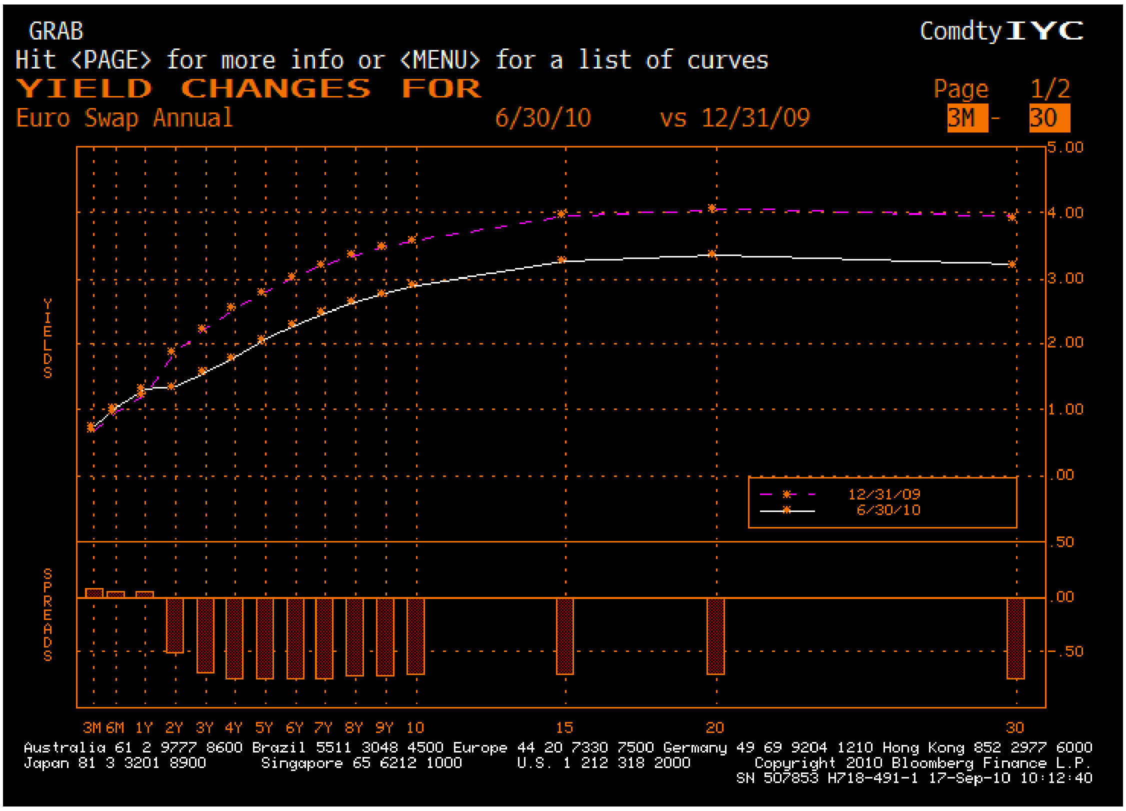
| Type of exposure/amounts | Gross exposure | Write-downs, specific value | Portfolio adjustments | Net exposure |
|---|---|---|---|---|
| ***A. CASH EXPOSURES*** | | | | |
| a) Non-performing loans | 488,157 | 346,310 | X | 141,847 |
| b) Watchlist loans | 163,940 | 28,863 | X | 135,077 |
| c) Restructured loans | 11,834 | 994 | X | 10,840 |
| d) Past due loans | 58,663 | 1,872 | X | 56,791 |
| e) Other assets | 9,631,924 | X | 46,312 | 9,585,612 |
| **TOTAL A** | **10,354,518** | **378,039** | **46,312** | **9,930,167** |
| ***B. OFF BALANCE SHEET EXPOSURES*** | | | | |
| a) Impaired | 3,948 | 1 | - | 3,947 |
| b) Other | 1,022,428 | X | 2,507 | 1,019,921 |
| **TOTAL B** | **1,026,376** | **1** | **2,507** | **1,023,868** |
| **TOTAL (A+B)** | **11,380,894** | **378,040** | **48,819** | **10,954,035** |

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

**Change in value of financial assets subject to macro-hedging: breakdown by hedged portfolio**

| Change in value of financial assets subject to macro-hedging assets/Group components | 30/06/2010 | 31/12/2009 |
|---|---|---|
| **1. Positive change** | **117,735** | **76,792** |
| 1.1 of specific portfolios: | 117,735 | 76,792 |
| a) loans and receivables | 117,735 | 76,792 |
| b) financial assets available for sale | - | - |
| 1.2 overall | - | - |
| **2. Negative Change** | **-** | **-** |
| 2.1 of specific portfolios: | - | - |
| a) loans and receivables | - | - |
| b) financial assets available for sale | - | - |
| 2.2 overall | - | - |
| **Total** | **117,735** | **76,792** |

The changes were mainly due to changes in interest rates, which decreased during the first half of 2010.
The Bloomberg image below clearly demonstrates the trend for interest rates.



# Equity investments - Item 100

Equity investments in jointly controlled companies (accounted with equity method) and in companies subject to significant influence: information on shareholdings

| Name | Registered Office | Type of relationship | Shareholding relationship | | Voting rights % |
|---|---|---|---|---|---|
| | | | Investor company | Stake % | |
| **B. Companies** | | | | | |
| MARTIN MAUREL SELLA BANQUE PRIVEE S.A.M. | Principality of Monaco | sub. to sign. influence | Sella Holding N.V. | 45.0000% | 45.0000% |
| IN CHIARO ASSICURAZIONI S.P.A. | Rome | sub. to sign. influence | CBA Vita S.p.A. | 49.0000% | 49.0000% |
| AGATA S.p.A. | Ivrea | sub. to sign. influence | Banca Sella Holding S.p.A. | 40.0000% | 40.0000% |
| RETAIL ITALIA S.R.L. | Milan | sub. to sign. influence | Easy Nolo S.p.A. | 39.9976% | 39.9976% |
| S.C.P. VDP1 | Principality of Monaco | sub. to sign. influence | Banca Sella Holding S.p.A. | 29.0000% | 29.0000% |
| HI-MTF SIM S.P.A. | Milan | sub. to sign. influence | Banca Sella Holding S.p.A. | 20.0000% | 20.0000% |
| BANCA MONTEPARMA S.P.A. | Parma | sub. to sign. influence | CBA Vita S.p.A. | 3.0000% | 3.0000% |
| BANCA MONTEPARMA S.P.A. | Parma | sub. to sign. influence | Banca Sella Holding S.p.A. | 4.5970% | 4.5970% |

Equity investments in jointly controlled companies and in companies subject to significant influence: accounting information

| Name | Total assets | Total revenues | Profits (Losses) | Shareholders' Equity | Consolidated book value | Fair value |
|---|---|---|---|---|---|---|
| **A. Companies accounted for with equity method** | | | | | | |
| A.2 subject to significant influence | | | | | | |
| MARTIN MAUREL SELLA BANQUE PRIVEE SA.M. | 139,554 | 6,106 | 646 | 15,369 | 6,916 | - |
| IN CHIARO ASSICURAZIONI S.P.A. | 23,149 | 4,916 | (1,482) | 9,691 | 4,496 | - |
| AGATA S.P.A. | 1,033 | 1 | (169) | 995 | 398 | - |
| BANCA MONTEPARMA S.P.A. | 3,071,276 | 61,538 | (12,527) | 155,674 | 11,826 | - |
| HI-MTF SIM S.PA. | 4,713 | 1,399 | 199 | 4,166 | 833 | - |
| RETAIL ITALIA S.R.L | 626 | 93 | (244) | (179) | - | - |
| S.C.P. VDP1 | 5,471 | 88 | (1) | 1,963 | 569 | - |
| **Total** | | | | | **25,038** | |

## Reinsurers’ share of technical reserves - Item 110

**Reinsurers’ share of technical reserves: breakdown**

| | Total 30/06/2010 | Total 31/12/2009 |
|---|---|---|
| **A. Non-life insurance** | **559** | **636** |
| A.1 premium reserves | 248 | 292 |
| A.2 claims reserves | 110 | 119 |
| A.3 other reserves | 201 | 225 |
| **B. Life assurance** | **3,888** | **4,128** |
| B.1 actuarial reserves | 3,644 | 3,737 |
| B.2 outstanding claims reserve | 110 | 279 |
| B.3 other reserves | 134 | 112 |
| **C. Technical reserves where the investment risk is borne by the policyholders** | - | - |
| C.1 Reserves relating to investment funds and index-linked contracts | - | - |
| C.2 reserves deriving from the administration of pension funds | - | - |
| **D. Total reinsurers’ share of technical reserves** | **4,447** | **4,764** |

# MAIN ITEMS IN THE LIABILITIES SECTION OF THE CONSOLIDATED BALANCE SHEET

## Due to banks - Item 10

**Due to banks: breakdown by type**

**attributable to the banking group**

| Type of transaction/Group components | 30/06/2010 | 31/12/2009 |
|---|---|---|
| **1. Due to central banks** | **68,392** | **40,101** |
| **2. Due to banks** | **230,799** | **226,202** |
| 2.1 Current accounts and demand deposits | 40,770 | 52,230 |
| 2.2 Term deposits | 43,947 | 42,594 |
| 2.3. Loans | 145,689 | 130,988 |
| 2.3.1 repurchase agreements | 4,786 | 251 |
| 2.3.2 others | 140,903 | 130,737 |
| 2.4 repurchase commitments | - | - |
| 2.5 Other payables | 393 | 390 |
| **Total** | **299,191** | **266,303** |
| **Fair value** | **299,191** | **266,303** |

The change relative to the item due to banks is a consequence of the decrease in liquid assets, which were used differently by the network banks of the Group.

## Due to customers - Item 20

**Due to customers: breakdown by type**

| Type of transaction/Group components | 30/06/2010 | 31/12/2009 |
|---|---|---|
| 1. Current accounts and demand deposits | 7,331,373 | 7,582,767 |
| 2. Term deposits | 410,043 | 454,061 |
| 3. Loans | 380,669 | 511,995 |
| 3.1 repurchase agreements | 40,864 | 56,878 |
| 3.2 others | 339,805 | 455,117 |
| 4. Payable for own equity instruments repurchase commitments | - | - |
| 5. Other payables | 99,108 | 109,716 |
| **Total** | **8,221,193** | **8,658,539** |
| **Fair value** | **8,222,462** | **8,658,540** |

The decrease in the item Current accounts and demand deposits can be partially attributed to the transfer of deposits to products proposed by the main network banks of the Group with different characteristics, and is supported by the increase in indirect deposits.

## Outstanding securities - Item 30

**Outstanding securities: product by type**

| Type of securities/Amount | Total 30/06/2010 | | | | Total 31/12/2009 | | | |
|---|---|---|---|---|---|---|---|---|
| | Book value | *Fair value* | | | Book value | *Fair value* | | |
| | | Level 1 | Level 2 | Level 3 | | Level 1 | Level 2 | Level 3 |
| **A. Securities** | | | | | | | | |
| 1. Bonds | 1,802,493 | 500,379 | 1,307,686 | - | 1,864,700 | 500,374 | 1,376,823 | - |
| 1.1 structured | - | - | - | - | - | - | - | - |
| 1.2 others | 1,802,493 | 500,379 | 1,307,686 | - | 1,864,700 | 500,374 | 1,376,823 | - |
| 2. Other securities | 90,748 | - | - | 90,748 | 127,182 | - | - | 127,182 |
| 2.1 structured | - | - | - | - | - | - | - | - |
| 2.2 others | 90,748 | - | - | 90,748 | 127,182 | - | - | 127,182 |
| **Total** | **1,893,241** | **500,379** | **1,307,686** | **90,748** | **1,991,882** | **500,374** | **1,376,823** | **127,182** |

# Financial liabilities held for trading - Item 40

**Financial liabilities held for trading: breakdown by type**

| Type of transaction/Group components | 30/06/2010 | | | | | 31/12/2009 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | NV | FV | | | FV* | NV | FV | | | FV* |
| | | L1 | L2 | L3 | | | L1 | L2 | L3 | |
| **A. Cash liabilities** | | | | | | | | | | |
| 1. Due to banks | - | - | - | - | - | - | - | - | - | - |
| 2. Due to customers | 34,508 | 35,867 | - | - | 35,867 | 27,551 | 29,311 | - | - | 29,311 |
| 3. Debt securities | - | - | - | - | - | - | - | - | - | - |
| 3.1 Bonds | - | - | - | - | - | - | - | - | - | - |
| 3.1.1 Structured | - | - | - | - | X | - | - | - | - | X |
| 3.1.2 Other bonds | - | - | - | - | X | - | - | - | - | X |
| 3.2 Other securities | - | - | - | - | - | - | - | - | - | - |
| 3.2.1 Structured | - | - | - | - | X | - | - | - | - | X |
| 3.2.2 Other | - | - | - | - | X | - | - | - | - | X |
| **Total A** | **34,508** | **35,867** | **-** | **-** | **35,867** | **27,551** | **29,311** | **-** | **-** | **29,311** |
| **B Derivative instruments** | | | | | | | | | | |
| 1. Financial derivatives | X | 3,819 | 22,045 | 57 | X | X | 3,606 | 13,342 | - | X |
| 1.1 Held for trading | X | 3,819 | 21,707 | - | X | X | 3,606 | 12,714 | - | X |
| 1.2 Linked to fair value option | X | - | - | - | X | X | - | - | - | X |
| 1.3 Others | X | - | 338 | 57 | X | X | - | 628 | - | X |
| 2. Credit derivatives | X | - | - | - | X | X | - | - | - | X |
| 2.1 Held for trading | X | - | - | - | X | X | - | - | - | X |
| 2.2 Linked to fair value option | X | - | - | - | X | X | - | - | - | X |
| 2.3 Others | X | - | - | - | X | X | - | - | - | X |
| **Total B** | **X** | **3,819** | **22,045** | **57** | **X** | **X** | **3,606** | **13,342** | **-** | **X** |
| **Total (A+B)** | **X** | **39,686** | **22,045** | **57** | **X** | **X** | **32,917** | **13,342** | **-** | **X** |

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

Interest rate trends, which declined in the first half of 2010, justified the increase of the component relative to financial derivatives held for trading.

# Financial liabilities at fair value through profit or loss - Item 50

**Financial liabilities at fair value through profit or loss: breakdown by type attributable to insurance companies**

| Type of transaction/Amount | 30/06/2010 | | | | | 31/12/2009 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | NV | FV | | | FV* | NV | FV | | | FV* |
| | | L1 | L2 | L3 | | | L1 | L2 | L3 | |
| **1. Due to banks** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 1.1 Structured | - | - | - | - | X | - | - | - | - | X |
| 1.2 Others | - | - | - | - | X | - | - | - | - | X |
| **2. Due to customers** | **621,223** | **560,228** | **60,995** | **-** | **-** | **484,941** | **401,103** | **83,838** | **-** | **-** |
| 1.1 Structured | - | - | - | - | X | - | - | - | - | X |
| 1.2 Others | 621,223 | 560,228 | 60,995 | - | X | 484,941 | 401,103 | 83,838 | - | X |
| **3.Outstanding securities** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 1.1 Structured | - | - | - | - | X | - | - | - | - | X |
| 1.2 Other | - | - | - | - | X | - | - | - | - | X |
| **Total** | **621,223** | **560,228** | **60,995** | **-** | **-** | **484,941** | **401,103** | **83,838** | **-** | **-** |

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

## Hedging derivatives - Item 60

**Hedging derivatives: breakdown by type of hedging and by levels**

| | Fair value 30/06/2010 | | | NV 30/06/2010 | Fair value 31/12/2009 | | | NV 31/12/2009 |
|---|---|---|---|---|---|---|---|---|
| | L1 | L2 | L3 | | L1 | L2 | L3 | |
| **A. Financial derivatives** | **-** | **124,747** | **-** | **1,228,080** | **-** | **85,074** | **-** | **1,447,743** |
| 1) Fair value | - | 124,747 | - | 1,228,080 | - | 85,074 | - | 1,447,743 |
| 2) Cash flows | - | - | - | - | - | - | - | - |
| 3) Foreign investments | - | - | - | - | - | - | - | - |
| **B. Credit derivatives** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 1) Fair value | - | - | - | - | - | - | - | - |
| 2) Cash flows | - | - | - | - | - | - | - | - |
| **Total** | **-** | **124,747** | **-** | **1,228,080** | **-** | **85,074** | **-** | **1,447,743** |

***Key***
NV = nominal or notional value
L1 = Level 1
L2 = Level 2
L3 = Level 3

The changes were mainly due to changes in interest rates, which decreased during the first half of 2010.

## Other information

**Guarantees issued and Commitments**

| Transactions | Balance 30/06/2010 | Balancet 31/12/2009 |
|---|---|---|
| **1) Financial guarantees issued** | **87,551** | **93,664** |
| a) Banks | 18,253 | 18,297 |
| b) Customers | 69,298 | 75,367 |
| **2) Commercial guarantees issued** | **270,642** | **261,457** |
| a) Banks | 109 | 123 |
| b) Customers | 270,533 | 261,334 |
| **3) Irrevocable commitments to disburse funds** | **1,147,656** | **548,941** |
| a) Banks | 567,044 | 150,011 |
| i) certain to be drawn down | 567,044 | 150,011 |
| ii) uncertain to be drawn down | - | - |
| b) Customers | 580,612 | 398,930 |
| i) certain to be drawn down | 195,109 | 26,133 |
| ii) uncertain to be drawn down | 385,503 | 372,797 |
| **4) Commitments underlying credit derivatives: protection sales** | **-** | **-** |
| **5) Assets pledged for third-party obligations** | **54,157** | **46,095** |
| **6) Other commitments** | **16,140** | **13,041** |
| **Total** | **1,576,146** | **963,198** |

The change with respect to the year 2009 is due to the increased presence of commitments recorded at 30th June 2010 as securities to be received.

**Management and intermediation on third parties behalf:**

| Type of service | Balance 30/06/2010 | Balance 31/12/2009 |
|---|---|---|
| ***1. Order execution on customers' behalf*** | ***40,818,493*** | ***64,308,953*** |
| a) Purchases | 20,419,365 | 31,966,072 |
| 1. settled | 20,141,113 | 31,773,262 |
| 2. not settled | 278,252 | 192,810 |
| b) Sales | 20,399,128 | 32,342,881 |
| 1. settled | 20,124,092 | 32,136,039 |
| 2. not settled | 275,036 | 206,842 |
| ***2. Portfolio management*** | ***3,323,692*** | ***3,150,026*** |
| a) Individual | 3,099,771 | 2,905,295 |
| b) Collective | 223,921 | 244,731 |
| ***3. Custody and administration of securities*** | | |
| a) third-party securities on deposit connected with role of depositary bank (excluding asset management) | 1,829,023 | 2,048,321 |
| 1. securities issued by companies included within consolidation | - | - |
| 2. other securities | 1,829,023 | 2,048,321 |
| b) other third party securities on deposit (excluding asset management): others | 10,879,820 | 10,415,536 |
| 1. securities issued by companies included within consolidation | 1,195,004 | 1,228,791 |
| 2. other securities | 9,684,816 | 9,186,745 |
| c) third-party securities deposited with third parties | 20,085,455 | 15,074,315 |
| d) own securities deposited with third parties | 1,796,526 | 1,851,029 |
| ***4. Other transactions **** | ***80,703,407*** | ***134,810,900*** |

* The item "Other transactions" includes the volume of work of receiving and sending orders, which is divided as follows:
- purchases: 41,083,302
- sales: 39,620,105

At 31st December 2009, the item "Custody and administration of securities - other third party securities on deposit - other securities," totalled €9,863,183 thousand, of which was separated, in the amount of €649,438 thousand, the part relative to insurance policies. At 30th June 2010, this component amounted to €831,296 thousand.

# MAIN ITEMS IN THE CONSOLIDATED INCOME STATEMENT

## Interest - Items 10 and 20

**Interest and similar income: breakdown**

| Item/Technical type | Debt securities | Loans and advances | Other operations | Total 30/06/2010 | Total 30/06/2009 |
|---|---|---|---|---|---|
| 1. Financial assets held for trading | 14,317 | - | 432 | 14,749 | 15,190 |
| 2. Financial assets at fair value through profit or loss | 5,150 | 1 | 5,070 | 10,221 | 6,890 |
| 3. Financial assets available for sale | 8,767 | - | - | 8,767 | 5,872 |
| 4. Financial assets held to maturity | 4,294 | - | - | 4,294 | 2,164 |
| 5. Due from banks | 698 | 2,809 | 1 | 3,508 | 13,571 |
| 6. Due from customers | - | 178,025 | 152 | 178,177 | 209,833 |
| 7. Hedging derivatives | X | X | 14,345 | 14,345 | 5,350 |
| 8. Other assets | X | X | 148 | 148 | 182 |
| **Total** | **33,226** | **180,835** | **20,148** | **234,209** | **259,052** |

**attributable to the banking group**

| Item/Technical type | Debt securities | Loans and advances | Other operations | Total 30/06/2010 | Total 30/06/2009 |
|---|---|---|---|---|---|
| 1. Financial assets held for trading | 14,317 | - | 432 | 14,749 | 15,131 |
| 2. Financial assets at fair value through profit or loss | - | - | - | - | - |
| 3. Financial assets available for sale | 1,953 | - | - | 1,953 | 1,293 |
| 4. Financial assets held to maturity | 4,294 | - | - | 4,294 | 2,164 |
| 5. Due from banks | 345 | 2,803 | 1 | 3,149 | 13,004 |
| 6. Due from customers | - | 178,025 | 152 | 178,177 | 209,833 |
| 7. Hedging derivatives | X | X | 14,345 | 14,345 | 5,350 |
| 8. Other assets | X | X | 148 | 148 | 182 |
| **Total** | **20,909** | **180,828** | **15,078** | **216,815** | **246,957** |

**attributable to insurance companies**

| Item/Technical type | Debt securities | Loans and advances | Other operations | Total 30/06/2010 | Total 30/06/2009 |
|---|---|---|---|---|---|
| 1. Financial assets held for trading | - | - | - | - | 59 |
| 2. Financial assets at fair value through profit or loss | 5,150 | 1 | 5,070 | 10,221 | 6,890 |
| 3. Financial assets available for sale | 6,814 | - | - | 6,814 | 4,579 |
| 4. Financial assets held to maturity | - | - | - | - | - |
| 5. Due from banks | 353 | 6 | - | 359 | 567 |
| 6. Due from customers | - | - | - | - | - |
| 7. Hedging derivatives | X | X | - | - | - |
| 8. Other assets | X | X | - | - | - |
| **Total** | **12,317** | **7** | **5,070** | **17,394** | **12,095** |

**Interest and similar expenses: breakdown**

| | Debts | Securities | Other operations | Total 30/06/2010 | Total 30/06/2009 |
|---|---|---|---|---|---|
| 1. Due to central banks | 196 | X | - | 196 | - |
| 2. Due to banks | 1,470 | X | - | 1,470 | 2,964 |
| 3. Due to customers | 16,889 | X | - | 16,889 | 41,055 |
| 4. Outstanding securities | X | 15,368 | - | 15,368 | 34,985 |
| 5. Financial liabilities held for trading | - | - | 364 | 364 | 1,497 |
| 6. Financial liabilities at fair value through profit or loss | 62 | - | - | 62 | - |
| 7. Other liabilities and funds | X | X | 496 | 496 | 485 |
| 8. Hedging derivatives | X | X | 36,395 | 36,395 | 20,317 |
| **Total** | **18,617** | **15,368** | **37,255** | **71,240** | **101,303** |

**attributable to the banking group**

| | Debts | Securities | Other operations | Total 30/06/2010 | Total 30/06/2009 |
|---|---|---|---|---|---|
| 1. Due to central banks | 196 | X | - | 196 | - |
| 2. Due to banks | 1,470 | X | - | 1,470 | 2,963 |
| 3. Due to customers | 16,889 | X | - | 16,889 | 40,449 |
| 4. Outstanding securities | X | 15,368 | - | 15,368 | 34,985 |
| 5. Financial liabilities held for trading | - | - | 364 | 364 | 1,497 |
| 6. Financial liabilities at fair value through profit or loss | - | - | - | - | - |
| 7. Other liabilities and funds | X | X | 26 | 26 | 474 |
| 8. Hedging derivatives | X | X | 36,395 | 36,395 | 20,317 |
| **Total** | **18,555** | **15,368** | **36,785** | **70,708** | **100,685** |

**attributable to insurance companies**

| | Debts | Securities | Other operations | Total 30/06/2010 | Total 30/06/2009 |
|---|---|---|---|---|---|
| 1. Due to central banks | - | X | - | - | - |
| 2. Due to banks | - | X | - | - | 1 |
| 3. Due to customers | - | X | - | - | 606 |
| 4. Outstanding securities | X | - | - | - | - |
| 5. Financial liabilities held for trading | - | - | - | - | - |
| 6. Financial liabilities at fair value through profit or loss | 62 | - | - | 62 | - |
| 7. Other liabilities and funds | X | X | 470 | 470 | 11 |
| 8. Hedging derivatives | X | X | - | - | - |
| **Total** | **62** | | **470** | **532** | **618** |

**Interest and similar expenses: differences on hedging transactions**

| Item/Sector | Total 30/06/2010 | Total 30/06/2009 |
|---|---|---|
| A. Positive differences on hedging transactions | 14,345 | 5,350 |
| B. Negative differences on hedging transactions | 36,395 | 20,317 |
| **C. Balance (A-B)** | **(22,050)** | **(14,967)** |

# Fees – Items 40 and 50

**Fee income: breakdown**

| Type of service/Amount | Total 30/06/2010 | Total 30/06/2009 |
|---|---|---|
| a) Sureties issued | 1,629 | 1,654 |
| b) Credit derivatives | - | - |
| c) Asset management, brokerage and advisory services: | 59,161 | 53,087 |
| 1. Trading in financial instruments | 2,705 | 2,519 |
| 2. currency trading | 661 | 439 |
| 3. Portfolio management | 20,427 | 17,084 |
| 3.1. individual | 11,012 | 9,058 |
| 3.2 collective | 9,415 | 8,026 |
| 4. custody and administration of securities | 1,224 | 959 |
| 5. depositary bank | 1,275 | 1,509 |
| 6. Placement of securities | 5,587 | 3,743 |
| 7. Activities related to receiving and sending orders | 19,945 | 19,748 |
| 8. Consultancy activities | 206 | 89 |
| 8.1 regarding investments | 206 | 89 |
| 8.2 regarding financial structure | - | - |
| 9. distribution of third party services | 7,131 | 6,997 |
| 9.1. Portfolio management | 1,350 | 778 |
| 9.1.1. individual | 1,350 | 773 |
| 9.1.2. collective | - | 5 |
| 9.2. insurance products | 5,761 | 5,963 |
| 9.3. other products | 20 | 256 |
| d) Collection and payment services | 48,559 | 46,459 |
| e) Servicing for securitisation transactions | 162 | 323 |
| f) Services for factoring transactions | - | - |
| g) Tax collection services | - | - |
| h) Activities for management of multilateral exchange systems | - | - |
| i) Current account holding and management | 12,288 | 6,555 |
| j) Other services | 27,640 | 19,328 |
| Credit and debit cards | 3,526 | 3,311 |
| Expense recovery on loans to customers | 1,091 | 1,067 |
| Loans | 12 | 4,835 |
| Fees and commissions on relations with credit institutions | 51 | 4,252 |
| Safe deposit box lease | 144 | 130 |
| Recovery of postal, printing, and similar expenses | 3,266 | 2,429 |
| Fees on loans to customers | 11,053 | 38 |
| Others | 8,497 | 3,266 |
| **Total** | **149,439** | **127,406** |

The 1st amendment of 18th November 2009 to Bank of Italy circular no. 262/2005 specifies that account expenses fall within the item fee income, sub item i) (previously classified under operating income).
As for the first half of 2009, account expenses amounted to €5.2 million.

**Fee expense: breakdown**

| Service/Sector | Total 30/06/2010 | Total 30/06/2009 |
|---|---|---|
| a) Sureties received | 61 | 26 |
| b) Credit derivatives | - | - |
| c) Asset management, brokerage and advisory services: | 15,239 | 11,383 |
| 1. Trading in financial instruments | 2,800 | 1,592 |
| 2. currency trading | 2 | 1 |
| 3. Portfolio management | 148 | 45 |
| 3.1. own | 41 | 28 |
| 3.2. delegated by third-parties | 107 | 17 |
| 4. custody and administration of securities | 673 | 664 |
| 5. Placement of financial instruments | 922 | 645 |
| 6. Off-site marketing of securities, products, and services | 10,694 | 8,436 |
| d) Collection and payment services | 23,057 | 22,289 |
| e) Other services | 1,584 | 1,883 |
| **Total** | **39,941** | **35,581** |

# Dividends and similar income - Item 70

**Dividends and similar income: breakdown**

| Item/Income | Total 30/06/2010 | | Total 30/06/2009 | |
|---|---|---|---|---|
| | Dividends | Income from UCIT units | Dividends | Income from UCIT units |
| A. Financial assets held for trading | 1,274 | - | 503 | - |
| B. Financial assets available for sale | 644 | - | 664 | - |
| C. Financial assets at fair value through profit or loss | - | - | - | - |
| D. Equity investments | - | X | - | X |
| **Total** | **1,918** | **-** | **1,167** | **-** |

## Gains (losses) from trading activities - Item 80

**Net gains (losses) on trading activities: breakdown**

| Transaction / Income component | Capital gains (A) | Trading profits (B) | Capital losses (C) | Trading losses (D) | Net gains (losses) [(A+B)-(C+D)] |
|---|---|---|---|---|---|
| **1. Financial assets held for trading** | **1,999** | **17,266** | **9,702** | **10,744** | **(1,181)** |
| 1.1 Debt securities | 1,606 | 15,145 | 8,331 | 3,958 | 4,462 |
| 1.2 Equity securities | 64 | 806 | 887 | 5,208 | (5,225) |
| 1.3 UCIT units | 329 | 1,024 | 484 | 1,578 | (709) |
| 1.4 Loans and advances | - | - | - | - | - |
| 1.5 Others | - | 291 | - | - | 291 |
| **2. Financial liabilities held for trading** | **-** | **-** | **-** | **296** | **(296)** |
| 2.1 Debt securities | - | - | - | - | - |
| 2.2 Debts | - | - | - | 296 | (296) |
| 2.3 Others | - | - | - | - | - |
| **3. Other financial assets and liabilities: exchange differences** | **X** | **X** | **X** | **X** | **(18,992)** |
| **4. Derivative instruments** | **69,909** | **143,744** | **69,991** | **141,003** | **24,481** |
| 4.1 Financial derivatives: | 69,909 | 143,744 | 69,991 | 141,003 | 24,481 |
| - On debt securities and interest rates | 69,909 | 102,206 | 69,956 | 105,346 | (3,187) |
| - On equity securities and share indices | - | 41,427 | 35 | 35,558 | 5,834 |
| - On currencies and gold | X | X | X | X | 21,822 |
| - Others | - | 111 | - | 99 | 12 |
| 4.2 Credit derivatives | - | - | - | - | - |
| **TOTAL** | **71,908** | **161,010** | **79,693** | **152,043** | **4,012** |

**attributable to the banking group**

| Transaction / Income component | Capital gains (A) | Trading profits (B) | Capital losses (C) | Trading losses (D) | Net gains (losses) [(A+B)-(C+D)] |
|---|---|---|---|---|---|
| **1. Financial assets held for trading** | **1,985** | **16,076** | **9,178** | **9,176** | **(293)** |
| 1.1 Debt securities | 1,606 | 14,971 | 8,149 | 3,958 | 4,470 |
| 1.2 Equity securities | 50. | 806 | 847 | 5,208 | (5,199) |
| 1.3 UCIT units | 329 | 8 | 182 | 10 | 145 |
| 1.4 Loans and advances | - | - | - | - | - |
| 1.5 Others | - | 291 | - | - | 291 |
| **2. Financial liabilities held for trading** | **-** | **-** | **-** | **296** | **(296)** |
| 2.1 Debt securities | - | - | - | - | - |
| 2.2 Debts | - | - | - | 296 | (296) |
| 2.3 Others | - | - | - | - | - |
| **3. Other financial assets and liabilities: exchange differences** | **X** | **X** | **X** | **X** | **(18,992 )** |
| **4. Derivative instruments** | 69,909 | 143,734 | 69,956 | 140,993 | 24,516 |
| 4.1 Financial derivatives: | 69,909 | 143,734 | 69,956 | 140,993 | 24,516 |
| - On debt securities and interest rates | 69,909 | 102,206 | 69,956 | 105,346 | (3,187) |
| - On equity securities and share indices | - | 41,417 | - | 35,548 | 5,869 |
| - On currencies and gold | X | X | X | X | 21,822 |
| - Others | - | 111 | - | 99 | 12 |
| 4.2 Credit derivatives | - | - | - | - | - |
| **TOTAL** | **71,894** | **159,810** | **79,134** | **150,465** | **4,935** |

**attributable to insurance companies**

| Transaction / Income component | Capital gains (A) | Trading profits (B) | Capital losses (C) | Trading losses (D) | Net gains (losses) [(A+B)-(C+D)] |
|---|---|---|---|---|---|
| **1. Financial assets held for trading** | **14** | **1,190** | **524** | **1,568** | **(888)** |
| 1.1 Debt securities | - | 174 | 182 | - | (8) |
| 1.2 Equity securities | 14 | - | 40 | - | (26) |
| 1.3 UCIT units | - | 1,016 | 302 | 1,568 | (854) |
| 1.4 Loans and advances | - | - | - | - | - |
| 1.5 Others | | | | | |
| **2. Financial liabilities held for trading** | - | - | - | - | - |
| Debt securities | - | - | - | - | - |
| Debts | - | - | - | - | - |
| Other | - | - | - | - | - |
| **3. Other financial assets and liabilities: exchange differences** | **X** | **X** | **X** | **X** | **-** |
| **4. Derivative instruments** | **-** | **10** | **35** | **10** | **(35)** |
| 4.1 Financial derivatives: | - | 10 | 35 | 10 | (35) |
| - On debt securities and interest rates | - | - | - | - | - |
| - On equity securities and share indices | - | 10 | 35 | 10 | (35) |
| - On currencies and gold | X | X | X | X | - |
| - Others | - | - | - | - | - |
| 4.2 Credit derivatives | - | - | - | - | - |
| **TOTAL** | **14** | **1,200** | **559** | **1,578** | **(923)** |

# Net gains (losses) on hedging activities - Item 90

**Net gains (losses) on hedging activities: breakdown**

| Income component/Amount | Total 30/06/2010 | Total 30/06/2009 |
|---|---|---|
| **A. Income from:** | **6,391** | **27,955** |
| A.1 Fair value hedging derivatives | 40,944 | 9,111 |
| A.2 Hedged financial assets (fair value) | | 54 |
| A.3 Hedged financial liabilities (fair value) | | |
| A.4 Cash flow hedging derivatives | | |
| A.5 Assets and liabilities in foreign currencies | | |
| **Total income from hedging activities (A)** | **47,335** | **37,120** |
| **B. Expenses from:** | | |
| B.1 Fair value hedging derivatives | 41,119 | 33,284 |
| B.2 Hedged financial assets (fair value) | | 6,238 |
| B.3 Hedged financial liabilities (fair value) | 5,724 | 942 |
| B.4 Cash flow hedging derivatives | | |
| B.5 Assets and liabilities in foreign currencies | | |
| **Total expenses for hedging activities (B)** | **46,843** | **40,464** |
| **C. Net gains/(losses) on hedging activities (A-B)** | **492** | **(3,344)** |

# Gains (losses) on sales/repurchases - Item 100

**Gains (losses) on sales/repurchases: breakdown**

| Item/Income component | Total 30/06/2010 | | | Total 30/06/2009 | | |
|---|---|---|---|---|---|---|
| | Gains | Losses | Result, net | Gains | Losses | Result, net |
| **Financial assets** | | | | | | |
| 1. Due from banks | 1,121 | 146 | 975 | 285 | 285 | - |
| 2. Due from customers | - | 44 | (44) | 55 | - | 55 |
| 3. Financial assets available for sale | 5,793 | 1,290 | 4,503 | 2,048 | 58 | 1,990 |
| 3.1 Debt securities | 4,437 | 1,158 | 3,279 | 564 | 57 | 507 |
| 3.2 Equity securities | 1,356 | 132 | 1,224 | 1,484 | 1 | 1,483 |
| 3.3 UCITS units | - | - | - | - | - | - |
| 3.4 Loans and advances | - | - | - | - | - | - |
| 4. Financial assets held to maturity | - | - | - | - | - | - |
| **Total assets** | **6,914** | **1,480** | **5,434** | **2,388** | **343** | **2,045** |
| **Financial liabilities** | | | | | | |
| 1. Due to banks | - | - | - | 42 | 195 | (153) |
| 2. Due to customers | 302 | - | 302 | 802 | - | 802 |
| 3. Outstanding securities | 603 | 911 | (308) | 1,498 | 408 | 1,090 |
| **Total liabilities** | **905** | **911** | **(6)** | **2,342** | **603** | **1,739** |

**attributable to the banking group**

| Item/Income component | Total 30/06/2010 | | | Total 30/06/2009 | | |
|---|---|---|---|---|---|---|
| | Gains | Losses | Net gains/(losses) | Gains | Losses | Net gains/(losses) |
| **Financial assets** | | | | | | |
| 1. Due from banks | 1,091 | 54 | 1,037 | 285 | 285 | - |
| 2. Due from customers | - | 44 | (44) | 55 | - | 55 |
| 3. Financial assets available for sale | 2,103 | 577 | 1,526 | 1,484 | 1 | 1,483 |
| 3.1 Debt securities | 747 | 445 | 302 | - | - | - |
| 3.2 Equity securities | 1,356 | 132 | 1,224 | 1,484 | 1 | 1,483 |
| 3.3 UCITS units | - | - | - | - | - | - |
| 3.4 Loans and advances | - | - | - | - | - | - |
| 4. Financial assets held-to-maturity | - | - | - | - | - | - |
| **Total assets** | **3,194** | **675** | **2,519** | **1,824** | **286** | **1,538** |
| **Financial liabilities** | | | | | | |
| 1. Due to banks | - | - | - | 42 | 195 | (153) |
| 2. Due to customers | 302 | - | 302 | 802 | - | 802 |
| 3. Outstanding securities | 414 | 718 | (304) | 664 | 341 | 323 |
| **Total liabilities** | **716** | **718** | **(2)** | **1,508** | **536** | **972** |

**attributable to insurance companies**

| Item/Income component | Total 30/06/2010 | | | Total 30/06/2009 | | |
|---|---|---|---|---|---|---|
| | Gains | Losses | Net gains/(losses) | Gains | Losses | Net gains/(losses) |
| **Financial assets** | | | | | | |
| 1. Due from banks | 30 | 92 | (62) | - | - | - |
| 2. Due from customers | - | - | - | - | - | - |
| 3. Financial assets available for sale | 3,690 | 713 | 2,977 | 564 | 57 | 507 |
| 3.1 Debt securities | 3,690 | 713 | 2,977 | 564 | 57 | 507 |
| 3.2 Equity securities | - | - | - | - | - | - |
| 3.3 UCITS units | - | - | - | - | - | - |
| 3.4 Loans and advances | - | - | - | - | - | - |
| 4. Financial assets held to maturity | - | - | - | - | - | - |
| **Total assets** | **3,720** | **805** | **2,915** | **564** | **57** | **507** |
| **Financial liabilities** | | | | | | |
| 1. Due to banks | - | - | - | - | - | - |
| 2. Due to customers | - | - | - | - | - | - |
| 3. Outstanding securities | 189 | 193 | (4) | 834 | 67 | 767 |
| **Total liabilities** | **189** | **193** | **(4)** | **834** | **67** | **767** |

# Net gains (losses) on financial assets and liabilities at fair value through profit or loss - Item 110

**Net change in assets/ liabilities at fair value through profit or loss: breakdown attributable to insurance companies**

| Transactions/Income components | Capital gains (A) | Realized profit (B) | Capital losses (C) | Realized losses (D) | Net gains (losses) [(A+B)-(C+D)] |
|---|---|---|---|---|---|
| **1. Financial assets** | **29,108** | **429** | **24,179** | **1,563** | **3,795** |
| 1.1 Debt securities | 9,136 | 345 | 10,651 | 1,253 | (2,423) |
| 1.2 Equity securities | 800 | - | 1,889 | - | (1,089) |
| 1.3 UCIT units | 18,502 | 84 | 11,502 | 310 | 6,774 |
| 1.4 Loans and advances | 670 | - | 137 | - | 533 |
| **2. Financial liabilities** | **16,339** | **3** | **25,940** | **-** | **(9,598)** |
| 2.1 Debt securities | - | 3 | - | - | 3 |
| 2.2 Due to banks | - | - | - | - | - |
| 2.3 Due to customers | 16,339 | - | 25,940 | - | (9,601) |
| **3. Financial assets and liabilities in foreign currency: exchange differences** | **X** | **X** | **X** | **X** | **188** |
| **4. Credit and financial derivatives** | **-** | **-** | **-** | **-** | **-** |
| **Total** | **45,447** | **432** | **50,119** | **1,563** | **(5,615)** |

# Net vale adjustments for impairment - Item 130

**Net value adjustments for impairment of loans: breakdown**

| Transaction / Income component | Writedowns (1) | | | Writebacks (2) | | | | Total 30/06/2010 (1)-(2) | Total 30/06/2009 (1)-(2) |
|---|---|---|---|---|---|---|---|---|---|
| | Specific | | Portfolio | Specific | | Portfolio | | | |
| | Write-offs | Other | | From interest | Other | From interest | Other | | |
| **A. Due from banks** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| - Loans and advances | - | - | - | - | - | - | - | - | - |
| - Debt securities | - | - | - | - | - | - | - | - | - |
| **B. Due from customers** | **(7,568)** | **(55,900)** | **(677)** | **4,160** | **12,589** | **-** | **102** | **(47,294)** | **(33,042)** |
| - Loans and advances | (7,130) | (49,970) | (677) | 2,641 | 10,765 | - | - | (44,371) | (33,042) |
| - Debt securities | (438) | (5.930) | - | - | 1,519 | 1,824 | 102 | (2,923) | - |
| **C. Total** | **(7,568)** | **(55,900)** | **(677)** | **4,160** | **12,589** | **-** | **102** | **(47,294)** | **(33,042)** |

**Net impairment losses on financial assets available for sale: breakdown**

| Transaction / Income component | Writedowns (1) | | Writebacks (2) | | Total 30/06/2010 (1)-(2) | Total 30/06/2009 (1)-(2) |
|---|---|---|---|---|---|---|
| | Specific | | Specific | | | |
| | Write-offs | Other | From interest | Other | | |
| A. Debt securities | - | - | - | - | - | - |
| B. Equity securities | - | - | X | X | - | (1,295) |
| C. UCIT units | - | - | X | - | - | - |
| D. Loans and advances to banks | - | - | - | - | - | - |
| E. Loans and advances to customers | - | - | - | - | - | - |
| **Total** | **-** | **-** | **-** | **-** | **-** | **(1,295)** |

**Net impairment losses on other financial transactions: breakdown**

| Transaction / Income component | Writedowns (1) | | | Writebacks (2) | | | | Total 30/06/2010 (1)-(2) | Total 30/06/2009 (1)-(2) |
|---|---|---|---|---|---|---|---|---|---|
| | Specific | | Portfolio | Specific | | Portfolio | | | |
| | Write-offs | Other | | From interest | Other | From interest | Other | | |
| A. Guarantees issued | - | - | - | - | - | - | 32 | 32 | (300) |
| B. Credit derivatives | - | - | - | - | - | - | - | - | - |
| C. Commitments to disburse funds | - | - | - | - | - | - | - | - | - |
| D. Other operations | (230) | (56) | - | 2 | 59 | - | 43 | (182) | (296) |
| **E. Total** | **(230)** | **(56)** | **-** | **2** | **59** | **-** | **75** | **(150)** | **(596)** |

## Net premiums - Item 150

**Net premiums: breakdown**

| Premiums deriving from insurance activity | Direct work | Indirect work | Total 30/06/2010 | Total 30/06/2009 |
|---|---|---|---|---|
| **A. Life business** | | | | |
| A.1 Registered gross premiums (+) | 332,035 | - | 332,035 | 57,799 |
| A.2 Reinsurance premiums ceded (-) | (995) | X | (995) | (797) |
| A.3 Total | 331,040 | - | 331,040 | 57,002 |
| **B. Non-life** | | | | |
| B.1 Registered gross premiums (+) | 874 | - | 874 | 844 |
| B.2 Reinsurance premiums ceded (-) | (350) | X | (350) | (338) |
| B.3 Change in the gross amount of the premiums reserve (+/-) | 69 | - | 69 | 49 |
| B.4 Change in the Reinsurers' share of premiums reserve (+/-) | (43) | - | (43) | (33) |
| B.5 Total | 550 | - | 550 | 522 |
| **C. Total net premiums** | **331,590** | **-** | **331,590** | **57,524** |

## Balance of other income and expenses from insurance management - Item 160

**Balance of other income and expenses from insurance operations: breakdown**

| Item | Total 30/06/2010 | Total 30/06/2009 |
|---|---|---|
| 1. Net change in technical reserves | (249,945) | (43,540) |
| 2. Incurred losses paid during the period | (90,971) | (29,750) |
| 3. Other income and expenses from insurance operations | 121 | 537 |
| **Total** | **(340,795)** | **(72,753)** |

**Composition of subheading: "Net changein technical reserves"**

| Net variation in technical reserves | Total 30/06/2010 | Total 30/06/2009 |
|---|---|---|
| **1. Life assurance** | | |
| A. Actuarial reserves | (261,622) | (32,185) |
| A.1 Gross annual amount | (261,527) | (32,069) |
| A.2 (-) Reinsurers' shares | (95) | (116) |
| B. Other technical reserves | 27 | 1,019 |
| B.1 Gross annual amount | 139 | 1,084 |
| B.2 (-) Reinsurers' shares | (112) | (65) |
| C. Technical reserves where the investment risk is borne by the policy holders | 11,582 | (12,391) |
| C.1 Gross annual amount | 11,582 | (12,391) |
| C.2 (-) Reinsurers' shares | - | - |
| **Total "life business assurance"** | **(250,013)** | **(43,557)** |
| **2. Non-life assurance:** | | |
| Change in other non-life technical reserves other than loss reserves net of reinsurance assignments | 68 | 17 |

**Composition of subheading "Incurred losses during the period"**

| Expenses for accident | Total 30/06/2010 | Total 30/06/2009 |
|---|---|---|
| **Life assurance: expenses for losses, net of reinsurance assignments** | | |
| A. Amounts paid | (89,709) | (27,158) |
| A.1 Gross annual amount | (89,922) | (27,319) |
| A.2 (-) Reinsurers' shares | 213 | 161 |
| B. Change in the reserve for outstanding claims | (1,018) | (2,234) |
| B.1 Gross annual amount | (849) | (2.375) |
| B.2 (-) Reinsurers' shares | (169) | 141 |
| **Total Life assurance losses** | **(90,727)** | **(29,392)** |
| **Non-life assurance: expenses for losses net of recoveries and reinsurance assignments** | | |
| C. Amounts paid | (259) | (313) |
| C.1 Gross annual amount | (365) | (422) |
| C.2 (-) Reinsurers' shares | 106 | 109 |
| D. Change in recoveries net of reinsurers' shares | - | - |
| E. Change in loss reserve | 15 | (45) |
| E.1 Gross annual amount | 24 | (77) |
| E.2 (-) Reinsurers' shares | (9) | 32 |
| **Total Non-life accidents** | **(244)** | **(358)** |

**Composition of subheading "Other income and expenses from insurance operations"**

| | Total 30/06/2010 | Total 30/06/2009 |
|---|---|---|
| **LIFE ASSURANCE** | | |
| **Income** | 406 | 439 |
| - Other technical income net of reinsurance assignments | 132 | 15 |
| - Income and unrealises capital gains on investments in favour of risk-bearing policyholders | - | - |
| - Change in fees and other acquisition expenses to be amortized | - | - |
| - Fees and sharing of profits received from reinsurers | 274 | 424 |
| **Expenses** | 289) | (3) |
| - Other technical expenses net of reinsurance assignments | 238) | (3) |
| - Expenses and unrealized capital losses on investments in favour of risk-bearing policyholders | - | - |
| - Acquisition fees | (3) | - |
| - Other acquisition expenses | (3) | - |
| - Collection fees | (45) | - |
| **Total Life assurance** | **117** | **436** |
| **NON-LIFE ASSURANCE** | | |
| **Income** | 140 | 113 |
| - Other technical income net of reinsurance assignments | 24 | 1 |
| - Change in fees and other acquisition expenses to be amortized | - | - |
| - Fees and sharing of profits received from reinsurers | 116 | 112 |
| **Expenses** | (136) | (12) |
| - Other technical expenses net of reinsurance assignments | (57) | (10) |
| - Acquisition fees | (79) | (2) |
| - Other acquisition expenses | - | - |
| - Collection fees | - | - |
| **Total Non-life assurance** | **4** | **101** |

# Administrative expenses - Item 180

**Personnel expenses: breakdown**

| Type of expense/Sector | Total 30/06/2010 | Total 30/06/2009 |
|---|---|---|
| 1) Employees | 114,026 | 117,156 |
| a) Wages and Salaries | 82,981 | 87,125 |
| b) Social security contributions | 21,349 | 21,830 |
| c) Severance indemnities | 1,432 | 1,940 |
| d) Pension expenses | 241 | 231 |
| e) Provision for employees'severance indemnities | 2,030 | 349 |
| f) provision for pension fund and similar commitments: | 600 | 226 |
| - defined contribution | 600 | 226 |
| - defined benefit | - | - |
| g) Payments into external supplementary pension funds: | 4,048 | 4,098 |
| - defined contribution | 4,048 | 4,098 |
| - defined benefit | - | - |
| h) Costs deriving from share-based payment agreements | - | - |
| i) other employee benefits | 1,345 | 1,357 |
| 2) Other working personnel | 1,804 | 1,200 |
| 3) Directors and statutory auditors | 2,362 | 3,164 |
| 4) Retired personnel expenses | - | - |
| **Total** | **118,192** | **121,520** |

**attributable to the banking group**

| Type of expense/Sector | Total 30/06/2010 | Total 30/06/2009 |
|---|---|---|
| 1) Employees | 112,506 | 115,285 |
| a) Wages and Salaries | 82,051 | 85,757 |
| b) Social security contributions | 21,076 | 21,532 |
| c) Severance indemnities | 1,430 | 1,938 |
| d) Pension expenses | 241 | 231 |
| e) Provision for employees' severance indemnities | 1,896 | 291 |
| f) provision for pension fund and similar commitments: | 600 | 226 |
| - defined contribution | 600 | 226 |
| - defined benefit | - | - |
| g) Payments into external supplementary pension funds: | 3,948 | 4,025 |
| - defined contribution | 3,948 | 4,025 |
| - defined benefit | - | - |
| h) Costs deriving from share-based payment agreements | - | - |
| i) other employee benefits | 1,264 | 1,285 |
| 2) Other working personnel | 1,340 | 1,192 |
| 3) Directors and statutory auditors | 2,175 | 2,940 |
| 4) Retired personnel expenses | - | - |
| **Total** | **116,021** | **119,417** |

**attributable to insurance companies**

| Type of expense/Sector | Total 30/06/2010 | Total 30/06/2009 |
|---|---|---|
| 1) Employees | 1,520 | 1,871 |
| a) Wages and Salaries | 930 | 1,368 |
| b) Social security contributions | 273 | 298 |
| c) Severance indemnities | 2 | 2 |
| d) Pension expenses | - | - |
| e) Provision for employees' severance indemnities | 134 | 58 |
| f) Provision for pension fund and similar commitments: | - | - |
| - defined contribution | - | - |
| - defined benefit | - | - |
| g) Payments into external supplementary pension funds: | 100 | 73 |
| - defined contribution | 100 | 73 |
| - defined benefit | - | - |
| h) Costs deriving from share-based payment agreements | - | - |
| i) other employee benefits | 81 | 72 |
| 2) Other working personnel | 464 | 8 |
| 3) Directors and statutory auditors | 187 | 224 |
| 4) Retired personnel expenses | - | - |
| **Total** | **2,171** | **2,103** |

**Other administrative expenses: breakdown**

| Type of expense/Sector | Total 30/06/2010 | Total 30/06/2009 |
|---|---|---|
| Legal and notarial expenses | 3,591 | 3,317 |
| IT assistance and sundry advice | 2,185 | 2,482 |
| Other expenses for professional services | 231 | 322 |
| Printing and stationery | 712 | 1,047 |
| Leasing of electronic machines and software licences | 939 | 904 |
| Sundry rentals and expenses for services provided by third parties | 10,616 | 11,821 |
| Fees for data transmission | 2,648 | 2,489 |
| Purchase of sundry materials for data processing centre | 61 | 137 |
| Postal and telegraphic expenses | 4,182 | 4,277 |
| Telephone charges | 1,414 | 1,411 |
| Transport expenses | 1,440 | 1,449 |
| Cleaning of premises | 943 | 858 |
| Surveillance and escort of valuables | 1,647 | 1,466 |
| Electricity and heating | 2,522 | 2,430 |
| Rent of premises | 10,232 | 11,378 |
| Sundry insurance policies | 1,536 | 1,287 |
| Advertising and promotion | 908 | 1,753 |
| Entertainment expenses | 244 | 205 |
| Donations | 166 | 75 |
| Membership fees | 1,110 | 1,153 |
| Subscriptions and books | 136 | 122 |
| Gifts to staff | 130 | 97 |
| Personnel studies | 663 | 780 |
| Information and inspections | 2,252 | 2,332 |
| Travelling expenses | 1,619 | 1,695 |
| Expenses for interbank network service | 251 | 386 |
| Expenses for web site | 2 | 8 |
| Pension expenses for financial promoters | 511 | 428 |
| Other fees payable | 1,949 | 1,475 |
| Other | 2,020 | 1,599 |
| **Maintenance and repair expenses** | **6,796** | **7,701** |
| - Properties owned | 155 | 189 |
| - Properties rented | 156 | 264 |
| - Movables | 1,864 | 2,270 |
| - Hardware and software | 4,621 | 4,978 |
| **Indirect taxes and duties** | **14,997** | **15,079** |
| - Stamp duty and taxes on stock exchange contracts | 11,402 | 12,368 |
| - Substitute tax Pres. Dec. 601/73 | 990 | 690 |
| - Local property tax | 334 | 286 |
| - Other indirect taxes and duties | 2,271 | 1,735 |
| **Total** | **78,653** | **81,963** |

**attributable to the banking group**

| Type of expense/Sector | Total 30/06/2010 | Total 30/06/2009 |
|---|---|---|
| Legal and notarial expenses | 3,471 | 3,201 |
| IT assistance and sundry advice | 2,150 | 2,450 |
| Other expenses for professional services | 93 | 112 |
| Printing and stationery | 697 | 1,034 |
| Leasing of electronic machines and software licences | 939 | 904 |
| Sundry rentals and expenses for services provided by third parties | 10,449 | 11,603 |
| Fees for data transmission | 2,631 | 2,464 |
| Purchase of sundry materials for data processing centre | 61 | 137 |
| Postal and telegraphic expenses | 4,120 | 4,217 |
| Telephone charges | 1,394 | 1,390 |
| Transport expenses | 1,431 | 1,444 |
| Cleaning of premises | 939 | 849 |
| Surveillance and escort of valuables | 1,647 | 1,466 |
| Electricity and heating | 2,518 | 2,423 |
| Rent of premises | 10,062 | 11,219 |
| Sundry insurance policies | 1,515 | 1,238 |
| Advertising and promotion | 836 | 1,671 |
| Entertainment expenses | 242 | 205 |
| Donations | 166 | 72 |
| Membership fees | 1,021 | 1,087 |
| Subscriptions and books | 135 | 121 |
| Gifts to staff | 130 | 96 |
| Personnel studies | 653 | 775 |
| Information and inspections | 2,252 | 2,332 |
| Travelling expenses | 1,591 | 1,676 |
| Expenses for interbank network service | 251 | 386 |
| Expenses for web site | 2 | 8 |
| Pension expenses for financial promoters | 511 | 428 |
| Other fees payable | 1,933 | 1,452 |
| Other | 1,865 | 1,398 |
| **Maintenance and repair expenses** | **6,687** | **7,609** |
| - Properties owned | 155 | 189 |
| - Properties rented | 156 | 264 |
| - Movables | 1,855 | 2,263 |
| - Hardware and software | 4,521 | 4,893 |
| **Indirect taxes and duties** | **14,984** | **15,066** |
| - Stamp duty and taxes on stock exchange contracts | 11,402 | 12,367 |
| - Substitute tax Pres. Dec. 601/73 | 990 | 690 |
| - Local property tax | 334 | 286 |
| - Other indirect taxes and duties | 2,258 | 1,723 |
| **Total** | **77,376** | **80,533** |

**attributable to insurance companies**

| Type of expense/Sector | Total 30/06/2010 | Total 30/06/2009 |
|---|---|---|
| Legal and notarial expenses | 120 | 116 |
| IT assistance and sundry advice | 35 | 32 |
| Other expenses for professional services | 138 | 210 |
| Printing and stationery | 15 | 13 |
| Sundry rentals and expenses for services provided by third parties | 167 | 218 |
| Fees for data transmission | 17 | 25 |
| Postal and telegraphic expenses | 62 | 60 |
| Telephone charges | 20 | 21 |
| Transport expenses | 9 | 5 |
| Cleaning of premises | 4 | 9 |
| Electricity and heating | 4 | 7. |
| Rent of premises | 170 | 159 |
| Sundry insurance policies | 21 | 49 |
| Advertising and promotion | 72 | 82 |
| Entertainment expenses | 2 | - |
| Donations | - | 3 |
| Membership fees | 89 | 66 |
| Subscriptions and books | 1 | 1 |
| Gifts to staff | - | 1 |
| Personnel studies | 10 | 5 |
| Travelling expenses | 28 | 19 |
| Other fees payable | 16 | 23 |
| Other | 155 | 201 |
| **Maintenance and repair expenses** | **109** | **92** |
| - Movables | 9 | 7. |
| - Hardware and software | 100 | 85 |
| **Indirect taxes and duties** | **13** | **13** |
| - Stamp duty and taxes on stock exchange contracts | - | 1 |
| - Other indirect taxes and duties | 13 | 12 |
| **Total** | **1,277** | **1,430** |

# Net provisions for risks and charges - Item 190

**Net provisions for risks and charges: breakdown**

| | Balance at 30/06/2010 | Balance at 30/06/2009 |
|---|---|---|
| Relating to risks of legal disputes and customer complaints | 3,653 | 5,066 |
| Relating to operational risks | 1,178 | 1,162 |
| Relating to staff expenses | 136 | 36 |
| Relating to other risks | 1,770 | 680 |
| Reattributions to Income Statement relating to risks of legal disputes and customer complaints | (1,037) | (3,696) |
| Reattributions to Income Statement relating to operational risks | (288) | (919) |
| Reattributions to Income Statement relating to personnel expenses | (92) | - |
| Reattributions to Income Statement relating to other expenses | (54) | (15) |
| **Total** | **5,266** | **2,314** |

## Net value adjustments of tangible assets - Item 200

**Net value adjustments of tangible assets: breakdown**

| Asset / Income component | Amortization (a) | Write downs for impairment (b) | Writebacks (c) | Net adjustments (a + b - c) |
|---|---|---|---|---|
| A. Tangible assets | | | | |
| A.1 Owned | 8,311 | - | - | 8,276 |
| - for business purposes | 8,276 | - | - | 8,276 |
| - for investment | 35 | - | - | 35 |
| A.2 Acquired in financial leasing | 1,024 | - | - | 1,024 |
| - for business purposes | 1,024 | - | - | 1,024 |
| - for investment | - | - | - | - |
| **Total** | **9,335** | **-** | **-** | **9,335** |

## Net value adjustments of intangible assets - Item 210

**Net value adjustments of intangible assets: breakdown**

| Asset / Income component | Amortization (a) | Write downs for impairment (b) | Writebacks (c) | Net adjustments (a + b - c) |
|---|---|---|---|---|
| A. Tangible assets | | | | |
| A.1 Owned | 7,609 | - | - | 7,609 |
| - Generated internally by the company | 82 | - | - | 82 |
| - Other | 7,527 | - | - | 7,527 |
| A.2 Acquired in financial leasing | - | - | - | - |
| **Total** | **7,609** | **-** | **-** | **7,609** |

## Other operating income and expenses - Item 220

**Other operating expenses: breakdown**

| | Total 30/06/2010 | Total 30/06/2009 |
|---|---|---|
| Amortization of expenses for improvements on third party assets | 1,352 | 354 |
| Losses connected to operational risk | 1,848 | 2,211 |
| Refunds of interest on collection and payment transactions | 65 | 460 |
| Financial leasing management expenses | 411 | 562 |
| Penalties payable for contract defaults | 3 | 15 |
| Expenses for service renderings advanced on behalf of customers | 41 | 93 |
| Insurance premiums advanced on behalf of customers | 419 | 345 |
| Costs advanced on behalf of customers | 474 | 434 |
| Service renderings related to credit recovery | 405 | 345 |
| Other | 7,866 | 4,818 |
| **Total** | **12,884** | **9,637** |

**Other operating income: breakdown**

| | Total 30/06/2010 | Total 30/06/2009 |
|---|---|---|
| Rents and instalments receivable | 689 | 1,314 |
| Charges to third parties and refunds received: | 12,204 | 12,461 |
| - taxes recovered | 11,636 | 12,136 |
| - insurance premiums and refunds | 568 | 325 |
| Expenses recovered and other revenues on current accounts and deposits | 236 | 5,433 |
| Income for software services | 1,660 | 755 |
| Recoveries of interest on collection and payment transactions | 107 | 342 |
| Income on insurance brokerage activities | 1,566 | 1,565 |
| Rents and income for financial leasing | 446 | 1,215 |
| POS fees income | 720 | 558 |
| Administrative services rendered to third parties | 611 | 512 |
| Expenses and service renderings advanced on behalf of customers | 548 | 534 |
| Expenses recovered for services rendered in relation to credit recovery | 771 | 486 |
| Other income | 8,660 | 6,370 |
| **Total** | **28,218** | **31,545** |

The 1st amendment of 18th November 2009 to Bank of Italy circular no. 262/2005 specifies that account expenses fall within the item fee income, sub item i) (previously classified under operating income).
As for the first half of 2009, account expenses amounted to €5.2 million.

## Gains (losses) on equity investments - Item 240

**Gains (losses) on equity investments: breakdown**

| Income components/Sectors | Total 30/06/2010 | Total 30/06/2009 |
|---|---|---|
| **1) Jointly controlled companies** | | |
| A. Income | | |
| 1. Revaluations | | |
| 2. Gains on sales | | |
| 3. Write-backs | | |
| 4. Other income | | |
| B. Expenses | | |
| 1. Devaluations | | |
| 2. Impairment losses | | |
| 3. Losses on sales | | |
| 4. Other expenses | | |
| **Net gains/losses** | | |
| **2) Companies subject to significant influence** | | |
| A. Income | 330 | 612 |
| 1. Revaluations | 330 | 608 |
| 2. Gains on sales | - | 4 |
| 3. Write-backs | - | - |
| 4. Other income | - | - |
| B. Expenses | 1,270 | 878 |
| 1. Devaluations | 313 | 878 |
| 2. Impairment losses | 957 | - |
| 3. Losses on sales | - | - |
| 4. Other expenses | - | - |
| **Net gains/losses** | **(940)** | **(266)** |
| **Total** | **(940)** | **(266)** |

**attributable to the banking group**

| Income components/Sectors | Total 30/06/2010 | Total 30/06/2009 |
|---|---|---|
| **1) Jointly controlled companies** | | |
| A. Income | | |
| 1. Revaluations | | |
| 2. Gains on sales | | |
| 3. Write-backs | | |
| 4. Other income | | |
| B. Expenses | | |
| 1. Devaluations | | |
| 2. Impairment losses | | |
| 3. Losses on sales | | |
| 4. Other expenses | | |
| **Net gains/losses** | | |
| **2) Companies subject to significant influence** | | |
| A. Income | 330 | 494 |
| 1. Revaluations | 330 | 490 |
| 2. Gains on sales | - | 4 |
| 3. Write-backs | - | - |
| 4. Other income | - | - |
| B. Expenses | 639 | 173 |
| 1. Devaluations | 60 | 173 |
| 2. Impairment losses | 579 | - |
| 3. Losses on sales | - | - |
| 4. Other expenses | - | - |
| **Net gains/losses** | **(309)** | **321** |
| **Total** | **(309)** | **321** |

**attributable to insurance companies**

| Income components/Sectors | Total 30/06/2010 | Total 30/06/2009 |
|---|---|---|
| 1) Jointly controlled companies | | |
| A. Income | | |
| 1. Revaluations | | |
| 2. Gains on sales | | |
| 3. Write-backs | | |
| 4. Other income | | |
| B. Expenses | | |
| 1. Devaluations | | |
| 2. Impairment losses | | |
| 3. Losses on sales | | |
| 4. Other expenses | | |
| **Net gains/losses** | | |
| **2) Companies subject to significant influence** | | |
| A. Income | - | 118 |
| 1. Revaluations | - | 118 |
| 2. Gains on sales | - | - |
| 3. Write-backs | - | - |
| 4. Other income | - | - |
| B. Expenses | 631 | 705 |
| 1. Devaluations | 253 | 705 |
| 2. Impairment losses | 378 | - |
| 3. Losses on sales | - | - |
| 4. Other expenses | - | - |
| **Net gains/losses** | **(631)** | **(587)** |
| **Total** | **(631)** | **(587)** |

# Impairment of goodwill - Item 260

This item includes, among other things, the effects of the devaluation of the stake held by Banca Sella Holding and CBA Vita in Banca Monte Parma S.p.A.. In fact, this company was subjected to an impairment test at the end of the first half. The result of this, as well as in consideration of the losses recorded by the same during the first half of 2010, resulted in devaluation with results for the income statement totalling €1.3 million.

# Gains (losses) on sales of investments - Item 270

**Gains (losses) on sales of investments: breakdown**

| Income components/Sectors | Total 30/06/2010 | Total 30/06/2009 |
|---|---|---|
| A. Properties | 473 | - |
| - Gains on sales | 473 | - |
| - Losses on sales | - | - |
| B. Other assets | 10 | 6 |
| - Gains on sales | 10 | 10 |
| - Losses on sales | - | 4 |
| **Net gains/losses** | **483** | **6** |

# Income taxes for the period on continuing operations - Item 290

**Income taxes for the period on continuing operations: breakdown**

| Income components/Sectors | Total 30/06/2010 | Total 30/06/2009 |
|---|---|---|
| 1. Current taxes ( - ) | 19,440 | 23,070 |
| 2. Change in current taxes of previous years (+/-) | (654) | (2,293) |
| 3. Decreases in current taxes for the period ( + ) | 2,007 | 1,154 |
| 4. Changes in prepaid taxes ( +/- ) | (3,903) | (1,010) |
| 5. Changes in deferred taxes (+/-) | 471 | 1,431 |
| 6. Taxes for the period (-) (-1+/-2+3+/-4+/-5) | 13,347 | 17,182 |

**attributable to the banking group**

| Income components/Sectors | Total 30/06/2010 | Total 30/06/2009 |
|---|---|---|
| 1. Current taxes ( - ) | 19,712 | 21,244 |
| 2. Change in current taxes of previous years (+/-) | (653) | (2,289) |
| 3. Decreases in current taxes for the period ( + ) | 2,007 | 1,154 |
| 4. Changes in prepaid taxes ( +/- ) | (3,925) | (708) |
| 5. Changes in deferred taxes (+/-) | (1.090) | (1,711) |
| 6. Taxes for the period (-) (-1+/-2+3+/-4+/-5) | 12,037 | 15,382 |

**attributable to insurance companies**

| Income components/Sectors | Total 30/06/2010 | Total 30/06/2009 |
|---|---|---|
| 1. Current taxes ( - ) | (272) | 1,826 |
| 2. Change in current taxes of previous years (+/-) | (1) | (4) |
| 3. Decreases in current taxes for the period ( + ) | - | - |
| 4. Changes in prepaid taxes ( +/- ) | 22 | (302) |
| 5. Changes in deferred taxes (+/-) | 1,561 | 280 |
| 6. Taxes for the period (-) (-1+/-2+3+/-4+/-5) | 1,310 | 1,800 |

# Profit (loss) for the period pertaining to minority interest - Item 330

**Details of Item 330 “Profit for the period pertaining to minority interest"**

| | Total 30/06/2010 | Total 30/06/2009 |
|---|---|---|
| Banca Sella Sud Arditi Galati S.pA | 393 | 1,448 |
| Biella Leasing S.p.A. | 878 | 441 |
| Banca Patrimoni Sella & C. S.p.A. | 122 | 2 |
| Banca Sella Nordest Bovio Calderari S.p.A. | (1,930) | (638) |
| Consel S.p.A. | 507 | 522 |
| CBA Vita S.p.A. | (198) | 195 |
| Sella Gestioni SGR S.p.A. | 41 | (25) |
| Brosel S.p.A. | 94 | 106 |
| Sella Bank AG | 129 | 159 |
| Other | 25 | (54) |
| **Profit for the period pertaining to minority interest** | **61** | **2,156** |

# INFORMATION ABOUT CONSOLIDATED EQUITY

## Consolidated equity

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

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

Respect for capital adequacy is obtained via:

- pay out policies;
- issue of subordinate bonds.

As of 30 June 2010, the excess regulatory capital with respect to the compulsory levels is of an amount in line with the risk profile adopted by the Group, permitting development in keeping with the expected growth targets.

## Capital and adequacy ratios

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

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

**1. Tier 1 capital**

This comprises:

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

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

**2. Tier 2 capital**

This comprises:

- Valuation reserves
- Hybrid capital instruments
- Subordinated liabilities

**3. Tier 3 Capital**

The main contractual features of the instruments included in the calculation of Tier 2 and Tier 3 capital are summarized in the table below.

| Issuer | Interest rate | Interest rate type | Issue date | Maturity date | Currency | Original amount *(in thousands of Euro)* | Contribution to regulatory capital (*in thousands of Euro)* |
|---|---|---|---|---|---|---|---|
| Banca Sella Holding S.pA. | 1.30% | variable | 16/09/2002 | 16/03/2013 | Euro | 50,000 | 48,888 |
| Banca Sella Holding S.pA. | 1.20% | variable | 01/09/2003 | 01/09/2014 | Euro | 24,612 | 24,080 |
| Banca Sella Holding S.pA. | 1.25% | variable | 15/07/2004 | 15/07/2015 | Euro | 18,560 | 17,852 |
| Banca Sella S.pA. | 1.80% | variable | 03/06/2009 | 03/06/2019 | Euro | 850 | 850 |
| Banca Sella S.pA. | 1.44% | variable | 15/07/2009 | 15/07/2019 | Euro | 438 | 438 |
| Banca Sella S.pA. | 1.41% | variable | 10/09/2009 | 10/12/2019 | Euro | 10,000 | 10,000 |
| Banca Sella S.pA. | 4.10% | fixed | 15/10/2009 | 15/01/2020 | Euro | 5,000 | 5,000 |
| Banca Sella S.pA. | 4.10% | fixed | 26/10/2009 | 26/01/2020 | Euro | 5,000 | 4,948 |
| Banca Sella S.pA. | 4.10% | fixed | 29/10/2009 | 29/01/2020 | Euro | 10,000 | 9,963 |
| Banca Sella S.pA. | 4.00% | fixed | 16/12/2009 | 16/03/2020 | Euro | 5,000 | 5,000 |
| Banca Sella S.pA. | 4.10% | fixed | 23/11/2009 | 23/02/2020 | Euro | 5,000 | 4,998 |
| Banca Sella Nord Est - Bovio Calderari S.p.A. | 1.42% | variable | 16/09/2009 | 16/12/2019 | Euro | 930 | 720 |
| Banca Sella Sud Arditi Galat S.p.A. | 1.40% | variable | 04/09/2009 | 04/12/2019 | Euro | 2,500 | 2,428 |
| Banca Sella Sud Arditi Galat S.pA. | 4.075% | fixed | 04/09/2009 | 04/12/19 | Euro | 1,000 | 1,000 |
| Banca Sella Sud Arditi Galat S.pA. | 4.10% | fixed | 26/10/2009 | 26/01/2020 | Euro | 2,500 | 2,500 |
| Banca Sella Sud Arditi Galat S.pA. | 4.10% | fixed | 05/10/2009 | 05/01/2020 | Euro | 2,500 | 2,466 |
| Banca Sella Sud Arditi Galat S.pA. | 1.34% | variable | 31/07/2009 | 31/07/2019 | Euro | 701 | 701 |
| **Total hybrid instruments (Upper Tier II)** | | | | | | | **141,832** |
| Banca Sella Holding S.pA. | 1.20% | variable | 14/11/2005 | 14/11/2011 | Euro | 8,000 | 7,790 |
| Banca Sella Holding S.pA. | 1.869% | variable | 15/12/2004 | 15/12/2014 | Euro | 50,000 | 50,000 |
| Banca Sella Holding S.pA. | 1.197% | variable | 28/11/2006 | 28/11/2016 | Euro | 50,000 | 50,000 |
| Banca Sella Holding S.pA. | 1.129% | variable | 21/06/2007 | 21/06/2017 | Euro | 10,000 | 2,450 |
| Banca Sella Holding S.pA. | 1.542% | variable | 27/12/2007 | 27/12/2017 | Euro | 30,000 | 21,500 |
| Banca Sella Holding S.pA. | 1.00% | variable | 06/06/2008 | 06/06/2014 | Euro | 11,120 | 8,560 |
| Banca Sella S.pA. | 1.44% | variable | 15/07/2009 | 15/07/2019 | Euro | 1,692 | 1,417 |
| Banca Sella S.pA. | 1.80% | variable | 03/06/2009 | 03/06/2019 | Euro | 3,450 | 2,700 |
| Banca Sella S.pA. (*) | 1.14% | variable | 04/01/2006 | 04/01/2013 | Euro | 60,000 | 0 |
| Banca Sella S.pA. | 1.03% | variable | 24/06/2008 | 24/06/2014 | Euro | 40,000 | 31,122 |
| Banca Sella S.pA. | 1.09% | variable | 30/09/2008 | 30/09/2016 | Euro | 30,000 | 20,743 |
| Banca Sella S.pA. | 1.52% | variable | 16/03/2009 | 16/03/2015 | Euro | 20,000 | 17,872 |
| Banca Sella S.pA. | 3.45% | fixed | 18/02/2009 | 18/02/2015 | Euro | 10,000 | 9,981 |
| Banca Sella Nord Est Bovio Calderar S.p.A. | 1.44% | variable | 15/07/2009 | 15/07/2019 | Euro | 210 | 190 |
| Banca Sella Nord Est Bovio Calderar S.p.A. | 1.20% | variable | 01/12/2004 | 01/12/2010 | Euro | 600 | 598 |
| Banca Sella Nord Est Bovio Calderar S.p.A. (*) | 1.192% | variable | 23/11/2006 | 23/11/2012 | Euro | 4,500 | 0 |
| Banca Sella Nord Est Bovio Calderar S.p.A. | 1.32% | variable | 27/06/2008 | 27/06/2014 | Euro | 8,000 | 7,412 |
| Banca Sella Nord Est Bovio Calderar S.p.A. | 1.35% | variable | 27/10/2008 | 27/10/2014 | Euro | 7,500 | 6,101 |
| Banca Sella Nord Est Bovio Calderar S.p.A. | 1.76% | variable | 05/03/2009 | 05/03/2015 | Euro | 6,000 | 5,454 |
| Banca Sella Sud Arditi Galat S.pA. | 1.25% | Variable | 22/09/2003 | 22/09/2011 | Euro | 880 | 871 |
| Banca Sella Sud Arditi Galat S.pA. | 4.10% | fixed | 18/09/2003 | 18/09/2010 | Euro | 5,000 | 1,000 |
| Banca Sella Sud Arditi Galat S.pA. | 4.55% | fixed | 25/05/2009 | 25/05/2019 | Euro | 1,000 | 1,000 |
| Banca Sella Sud Arditi Galat S.pA. | 1.10% | variable | 18/09/2003 | 18/09/2010 | Euro | 2,479 | 496 |
| Banca Sella Sud Arditi Galat S.pA. | 1.15% | variable | 01/12/2004 | 01/12/2010 | Euro | 400 | 400 |
| Banca Sella Sud Arditi Galat S.pA. | 5.30% | fixed | 16/07/2008 | 16/07/2015 | Euro | 10,000 | 9,123 |
| Banca Sella Sud Arditi Galat S.pA. | 4.90% | fixed | 22/09/2008 | 22/09/2014 | Euro | 10,000 | 8,200 |
| Banca Sella Sud Arditi Galat S.pA. | 4.00% | fixed | 15/12/2008 | 15/12/2014 | Euro | 2,500 | 2,188 |
| Banca Sella Sud Arditi Galat S.pA. | 4.00% | fixed | 12/01/2009 | 12/01/2015 | Euro | 2,500 | 2,072 |
| Banca Sella Sud Arditi Galat S.pA. | 3.50% | fixed | 24/02/2009 | 24/02/2015 | Euro | 2,500 | 2,072 |
| Banca Sella Sud Arditi Galat S.pA. | 3.90% | fixed | 06/02/2009 | 06/02/2015 | Euro | 2,500 | 2,301 |
| Banca Sella Sud Arditi Galat S.pA. | 3.50% | fixed | 21/05/2009 | 21/05/2016 | Euro | 5,000 | 4,853 |
| Banca Sella Sud Arditi Galat S.pA. | 1.34% | variable | 31/07/2009 | 31/07/2019 | Euro | 1,799 | 1,771 |
| Sella Bank Luxembourg S.A. (*) | 3.90% | Fixed | 02/05/2005 | 02/05/2015 | Euro | 5,000 | 0 |
| **Total eligible subordinated (Lower Tier II)** | | | | | | | **280,237** |
| Banca Sella Holding S.pA. | 0.90% | variable | 04/04/2008 | 04/04/2011 | Euro | 20,000 | 17,712 |
| **Total subordinated (Upper Tier III)** | | | | | | | **17,712** |
| **Total** | | | | | | | **439,781** |

*(*) Subscribed by other Group companies and hence not ascribable to Group regulatory capital.*

**Hybrid instruments (Upper Tier II)**
The Upper Tier II subordinated loans comply with Bank of Italy requisites to be counted among the components of "Regulatory Capital". In particular:

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

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

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

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

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

| | Total 2010 | Total 2009 |
|---|---|---|
| **A. Tier 1 capital before application of prudential filters** | **593,790** | **585,775** |
| B. Tier 1 capital prudential filters: | (3,606) | (163) |
| B.1 Positive IAS/IFRS prudential filters (+) | - | 199 |
| B.2 Negative IAS/IFRS prudential filters (-) | (3,606) | (362) |
| C. Tier 1 capital before deductions (A+B) | 590,184 | 585,612 |
| D. Elements to be deducted from Tier 1 capital | 5,297 | 5,357 |
| **E. Total Tier 1 capital (C - D)** | **584,887** | **580,255** |
| | | |
| **F. Tier 2 capital before application of prudential filters** | **429,753** | **445,931** |
| G. Tier 2 capital prudential filters: | (1,396) | (3,001) |
| G.1 Positive IAS/IFRS prudential filters (+) | - | - |
| G.2 Negative IAS/IFRS prudential filters (-) | (1,396) | (3,001) |
| H. Tier 2 capital before deductions (F+G) | 428,357 | 442,930 |
| I. Tier 2 capital ineligible items | 5,297 | 5,357 |
| **L. Total Tier 2 capital (H - I)** | **423,060** | **437,573** |
| M. Elements to be deducted from total Tier 1 and Tier 2 capital | 35,973 | 42,401 |
| **N. Regulatory capital (E+L-M)** | **971,974** | **975,427** |
| O. Tier 3 capital | 13,447 | 14,801 |
| **P. Regulatory capital including Tier 3 (N+O)** | **985,421** | **990,228** |

With reference to the 18th May 2010 initiative taken by the Bank of Italy "Regulatory Capital - prudential filters," the Group opted (with the aim of rendering regulatory capital less volatile in a highly volatile market) for the complete neutralization, for the purposes of calculating Regulatory Capital, of both capital gains and losses in regards to debt securities held in the "Assets available for sale" portfolio and limited neutralization for securities issued by the central public entities of countries belonging to the European Union included in said portfolios.

Since these reserves created in the first half of 2010 ended negative, said decision had a positive impact in the amount of €2.9 million.

## Capital adequacy

In financial year 2009 the “New capital adequacy rules for Banks” (Bank of Italy Circular No. 263 of 27th December 2006) came into force, which incorporate the regulations on the subject of international Convergence in the measurement of capital and capital ratios (Basel II). In this context, the capital of the Group must represent at least 8% of total weighted assets (total capital ratio) deriving from the typical risks of the banking and financial business (credit, counterparty, market and operational risks), weighted on the basis of regulatory segmentation of the counterparty debtors and taking account of credit risk mitigation techniques.

As can be seen from the quantitative information presented in the table showing the risk assets and prudential capital requirements, the Group exhibits a ratio between Tier 1 capital and risk weighted assets of 6.88% and a ratio between total regulatory capital and risk weighted assets of 11.59%, well above the minimum requirement of 8%.

| **Categories/Amounts** | **Non-weighted amounts** | | **Weighted amounts/requirements** | |
|---|---|---|---|---|
| | **30/06/2010** | **31/12/2009** | **30/06/2010** | **31/12/2009** |
| **A. RISK ASSETS** | | | | |
| **A.1 Credit and Counterparty Risk** | **15,809,510** | **16,944,333** | **7,244,432** | **7,202,997** |
| 1. Standardized method | 15,805,851 | 16,935,299 | 7,238,378 | 7,194,238 |
| 2. Methodology based on internal ratings | | | - | - |
| 2.1 Basic | | | | |
| 2.2 Advanced | | | | |
| 3. Securitizations | 3,659 | 9,034 | 6,054 | 8,759 |
| **B. REGULATORY CAPITAL REQUIREMENTS** | | | | |
| **B.1 Credit and counterparty risk** | **x** | **x** | **5 79,555** | **576,240** |
| **B.2 Markets risks** | | | **1 8,834** | **20,730** |
| 1. Standardized method | X | x | 1 8,834 | 20,730 |
| 2. Internal models | x | X | | |
| **B.3 Operational risk** | | | **8 1,698** | **81,698** |
| 1. Basic method | x | X | 8 1,698 | 81,698 |
| 2. Standardized method | X | X | | |
| 3. Advanced method | X | X | - | - |
| **B.4 Other capital requirements** | **x** | **X** | | |
| **B.5 TOTAL PRUDENTIAL REQUIREMENTS (B1+B2+B3+B4)** | **x** | **X** | | |
| **C. RISK ASSETS AND ADEQUACY RATIOS** | **x** | **x** | | |
| C.1 Risk-weighted assets | x | x | 8,501,082 | 8,483,347 |
| C.2 Tier 1 capital/ Risk-weighted assets (Tier 1 capital ratio) | x | x | 6.88% | 6.84% |
| C.3 Regulatory capital including Tier 3/ Risk weighted assets (Total capital ratio) | x | x | 11.59% | 11.67% |

# TRANSACTIONS WITH ASSOCIATED PARTIES

## Information on directors' and managers' remuneration

In accordance with IAS 24, the types of related parties significant for the Banca Sella Group, with reference to the specific organisational structure and governance, comprise:

a) subsidiaries over which the parent company directly or indirectly exercises control;
b) associated companies over which the parent company directly or indirectly exercises significant influence;
c) directors and managers with strategic responsibilities;
d) close family members of directors and managers with strategic responsibilities;
e) companies controlled by or associated with one of the subjects described in points c) and d).

The table below indicates the compensation received by managers with strategic responsibilities.

| Fees paid to managers with strategic responsibilities (including managers who also serve as directors) (figures in thousands of Euro) | 30 June 2010 |
|---|---|
| a) short-term employee benefits | 1,596.1 |
| b) post-employment benefits | - |
| c) other long-term benefits | - |
| d) severance indemnities | 45.0 |
| e) share-based payments | - |
| **Total** | **1,641.1** |

The table below indicates the compensation received by the Board of Directors and the Members of the Board of Statutory Auditors.

| Fees received at 30th June 2010 (figures in thousands of Euro) | |
|---|---|
| Directors | 823.1 |
| Statutory Auditors | 308.0 |

## Information on transactions with related parties

Transactions with related parties were carried out, as a rule, on the basis of terms equivalent to those applied for operations performed with independent third parties.

**Transactions with related parties at 30th June 2010**
*(figures in thousands of Euro)*

| | Assets | Liabilities | Income | Expenses | Guarantees received | Guarantees granted |
|---|---|---|---|---|---|---|
| Parent Company | - | - | - | - | - | - |
| sub. to sign. influence | - | - | - | - | - | - |
| Directors and Managers | 24,436.2 | - | - | - | - | - |
| Subsidiaries | - | - | - | - | - | - |
| Associated companies | - | - | - | - | - | - |
| Jointly-controlled companies | - | - | - | - | - | - |
| Other related parties | 2,899.5 | - | - | - | - | - |

# Reconciliation between net group profit and profit for regulatory purposes at 30th June 2010 (figures in thousands of Euro)

| | |
|---|---|
| Net profit for the Group for the first half at 30th June 2010 | €3,249 |
| Items in reconciliation: | |
| Allocation of profit | |
| - Estimated dividends | -€ 374 |
| - disbursements | -€ 35 |
| Change in scope of consolidation | -€ 535 |
| Net Group profit for the first half at 30th June 2010 for regulatory capital purposes | €2,305 |