GRUPPO BANCA SELLA

Interim Financial Report, Consolidated Figures At 30 June 2016

Drawn up by the Parent company

BANCA SELLA HOLDING

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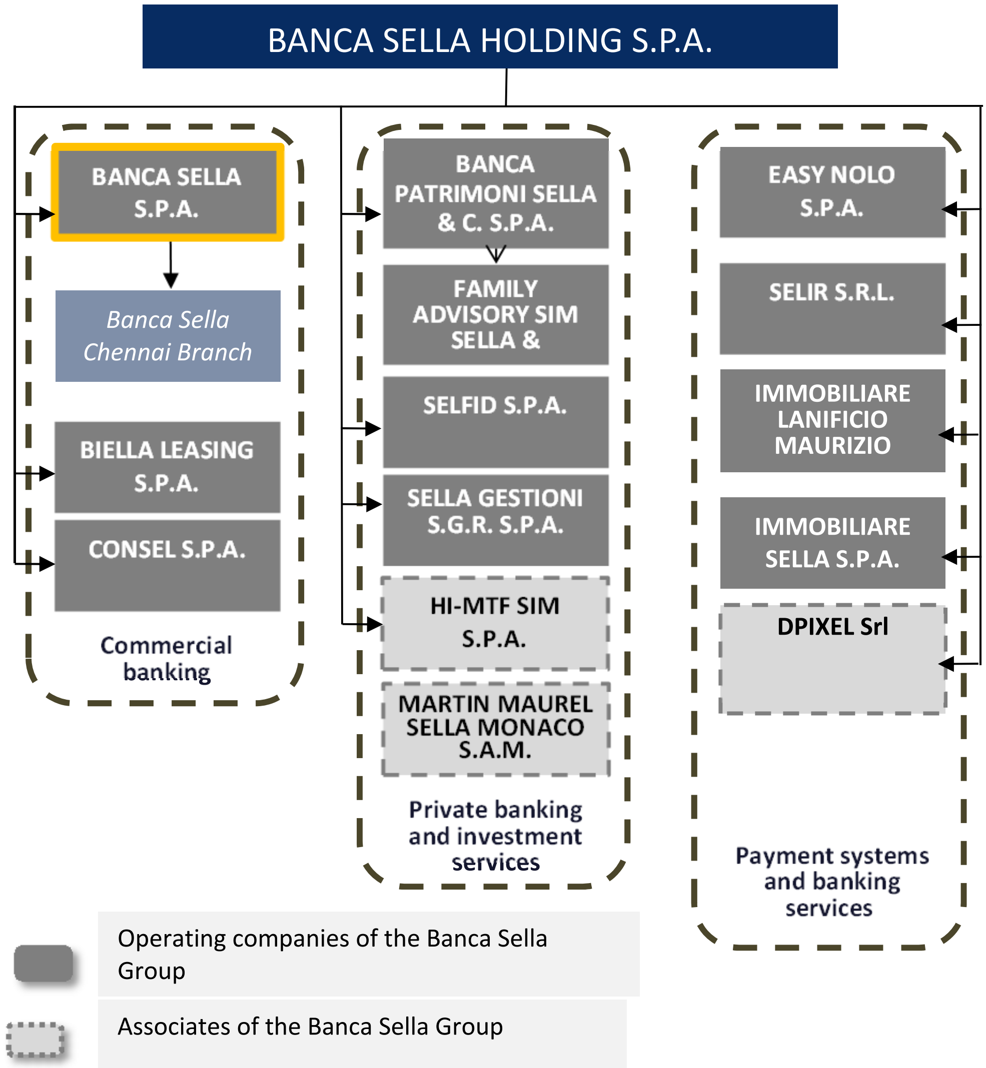
Map of the Group at 30 June 2016



Other line-by-line consolidated companies:
Finanziaria 2010 S.p.A
Miret S.A.
Sella Synergy India P.LTD
MARS 2600 S.r.l. (special purpose vehicle for the Group's securitisation transactions)
Monviso 2014 S.r.l. (special purpose vehicle for the Group's securitisation transactions)
Brosel S.p.A.
Sella Capital Management SGR S.p.A. in liquidation

Investee companies consolidated at net equity:
Martin Maurel Sella Monaco S.A.M
HI-MTF Sim S.p.A
S.C.P. VDP 1
Enersel S.p.A.
DPixel S.r.l.

Corporate Officers of Banca Sella Holding

BOARD OF DIRECTORS

In office up to the approval of the 2018 financial statements

Chairman	Maurizio Sella
Deputy Chairman	Sebastiano Sella
" "	Giacomo Sella
Honorary Deputy Chairman (*)	Lodovico Sella
" (*)	Franco Sella
Chief Executive Officer	Pietro Sella
Director	Francesca Arnaboldi
"	Mario Bonzano
"	Franco Cavalieri
"	Anna Maria Ceppi (**)
"	Massimo Condinanzi
"	Jean Paul Fitoussi
"	Giovanni Petrella
"	Ernesto Rizzetti
"	Caterina Sella
"	Federico Sella
"	Sebastiano Sella

RISK COMMITTEE

Member - Chairperson	Anna Maria Ceppi (**)
"	Giovanni Petrella
"	Mario Bonzano

REMUNERATION COMMITTEE

Member - Chairman	Mario Bonzano
"	Anna Maria Ceppi (**)
"	Francesca Arnaboldi

APPOINTMENTS COMMITTEE

Member - Chairperson	Anna Maria Ceppi (**)
"	Maurizio Sella
"	Giovanni Petrella

BOARD OF STATUTORY AUDITORS

In office up to the approval of the 2017 financial statements

Regular Auditor - Chairman	Pierluigi Benigno
" "	Gianluca Cinti
" "	Daniele Frè
Alternate Auditor	Riccardo Foglia Taverna
" "	Pier Angelo Ogliaro

(*) Honorary Deputy Chairman are not part of the Board of Directors

(**) passed away on 14 July 2016

GENERAL MANAGEMENT

Director General	Pietro Sella
Co-Director General	Attilio Viola

INDEPENDENT AUDITING FIRM — Deloitte & Touche S.p.A.

Banca Sella Group – Main figures and indicators

Banca Sella Group Summary data (Euro millions)

BALANCE SHEET DATA	30/06/2016	31/12/2015	Changes absolute	Changes %
Total assets	13,272.6	13,968.1	(695.5)	-5.0%
Financial assets (1) (9)	3,599.4	3,017.9	581.5	19.3%
Cash loans excluding repurchase agreements receivable	7,858.6	7,686.1	172.5	2.2%
reverse repurchase agreements	257.5	347.4	(89.9)	-25.9%
Total cash loans (2)	8,116.1	8,033.5	82.6	1.0%
Guarantees issued	207.9	211.6	(3.6)	-1.7%
Equity investments (9)	11.3	11.5	(0.1)	-1.2%
Non-current assets and asset groups held for sale (9)	-	1,517.2	(1,517.2)	-100.0%
Tangible and intangible fixed assets	274.1	295.2	(21.1)	-7.1%
Direct deposits excluding repurchase agreements payables	10,698.6	10,164.7	533.9	5.3%
repurchase agreements	15.0	17.8	(2.8)	-15.9%
Total direct deposits (3)	10,713.6	10,182.5	531.1	5.2%
Nominal indirect deposits (4)	17,649.8	16,750.5	899.3	5.4%
Nominal total deposits	28,363.4	26,933.1	1,430.3	5.3%
Total deposits at market prices (5)	31,920.9	32,131.5	(210.6)	-0.7%
Common Equity Tier 1 (CET 1)	899.0	857.4	41.6	4.9%
Additional Tier 1 capital (AT 1)	10.5	6.9	3.6	52.7%
Tier 2 (T2)	154.7	193.0	(38.3)	-19.9%
Total own funds	1,064.2	1,057.4	6.9	0.7%

RECLASSIFIED ECONOMIC DATA (6)	30/06/2016	30/06/2015	Changes absolute	Changes %
Net interest income	121.9	131.1	(9.1)	-7.0%
Net revenues from services (7)	132.6	151.9	(19.3)	-12.7%
Net revenues from insurance activities	-	8.1	(8.1)	-100.0%
Net banking income	254.6	291.0	(36.5)	-12.5%
Operating expenses net of recovery of taxes and stamp duties (8)	(186.5)	(180.5)	(6.0)	3.4%
Operating profit (loss)	68.0	110.5	(42.5)	-38.5%
Net value adjustments for impairment losses	(38.7)	(92.1)	53.3	-57.9%
Other economic items	71.7	(3.9)	75.6	-100.0%
Income taxes	(12.4)	(6.1)	(6.2)	102.0%
Profit (loss) for the period pertaining to Parent Company	75.2	6.5	68.7	1056.2%
Profit (loss) for the period pertaining to minority interests	13.1	1.9	11.2	574.7%

(1) The aggregate represents the sum of the following items in the Balance Sheet Assets: item 20 "financial assets held for trading", item 30 "financial assets carried at fair value" and item 40 "financial assets available for sale";
(2) 70 represents the item of the balance sheet assets "Due from customers" and includes net bad loans;
(3) The aggregate represents the sum of the following Balance Sheet liabilities items: item 20 "due to customers" and item 30 "securities in issue";
(4) 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", "Other securities of third parties deposited (net of securities issued by companies included in consolidation)" and components relative to units in UCITS subscribed by customers and insurance funding, as in the footnote to the table for management and brokering for third parties; if the figure at 31 December 2015 is considered with the pro forma perimeter, net of the disposal of CBA Vita, indirect funding would have been € 17,919,466.58 thousand, a decrease of € 269,657.4 thousand, equal to -1.5%;
(5) The aggregate, valued at market price, includes securities and administered funds and the component regarding insurance funding, and, unlike the other funding aggregates, this is on a pro-forma basis;
(6) As per items reported in the reclassified consolidated Income Statement;

(7) *The aggregate represents the sum of the following items in the Reclassified Income Statement: net fees, net gains (losses) on trading and hedging activities, profit (loss) on sale or repurchase of receivables, financial assets available for sale, financial assets held to maturity, and financial liabilities;*

(8) *Given by the sum of the following items: "Administrative expenses" item 180, "Value adjustments on tangible assets" item 200, "Value adjustments on intangible assets", item 210 "Other operating income and expenses" item 220. At 30 June 2016, administrative expenses include payments to the National Resolution Fund;*

(9) *The comparative data in the column "31/12/2015", under the items "Financial Assets" and "Equity Investments", for uniformity of comparison, in drafting the annual financial statements at 31 December 2015, were subject to reclassification in terms of assets and liabilities relating to the stake in the company CBA Vita. Following the sale on 30 June 2016, these were entered in this statement under the item "Non-current assets and asset groups held for sale" for a clearer comparison.*

Alternative performance indicators

PROFITABILITY RATIOS (%)	30/06/2016	30/06/2015
R.O.E. (return on equity) (1)(5)	22.5%	2.0%
R.O.A. (return on assets) (2)(5)	1.3%	0.1%
Net interest income (3) / Net banking income (3)	47.9%	45.0%
Net revenues from services (3) / Net banking income (3)	52.1%	52.2%
Net income from insurance activities (3) / Net banking income (3)	0.0%	2.8%
Cost to income (4)	72.7%	61.4%
Cost to income net of National Resolution Fund contribution (6)	70.2%	61.4%
PRODUCTIVITY RATIOS (in Euro thousands)	**30/06/2016**	**30/06/2015**
Net banking income (3) (5) / Average no. of employees	119.5	139.4
Operating result (3) (5) / Average no. of employees	31.9	53.0
Cash loans / No. of employees at period end	1,836.1	1,852.9
Direct deposits (net of repurchase agreements payable) / No. of employees at period end	2,499.7	2,408.7
Total deposits / No. of employees at period end	6,627.0	6,374.7
EQUITY AND LIQUIDITY RATIOS (%)	**30/06/2016**	**31/12/2015**
Cash loans (net of repurchase agreements receivable) / Direct deposits (net of repurchase agreements payable)	73.5%	75.6%
Cash loans (net of repurchase agreements receivable) / Total assets	59.2%	55.0%
Direct deposits (net of repurchase agreements payable) / Total assets	80.6%	72.8%
Liquidity Coverage Ratio (LCR) (7)	211.6%	197.9%
Net Stable Funding Ratio (NSFR) (8)	126.4%	122.4%
CREDIT RISK RATIOS (%)	**30/06/2016**	**31/12/2015**
Net impaired loans / Cash loans (net of repurchase agreements receivable)	7.8%	8.4%
Net bad loans / Cash loans (net of repurchase agreements receivable)	4.4%	4.2%
Net value adjustments to loans (9) / Cash loans (net of repurchase agreements receivable) (5)	1.0%	1.8%
Coverage rate for impaired loans	50.6%	47.7%
Coverage rate for bad loans	61.8%	60.4%
SOLVENCY RATIOS (%) (10)	**30/06/2016**	**31/12/2015**
CET 1 ratio	11.97%	11.59%
Tier 1 ratio	12.11%	11.68%
Total capital ratio	14.17%	14.29%

(1) *Ratio between profit for the year including the minority interests component and equity net of valuation reserves;*
(2) *Ratio between "Net profit including minority interests" and "Total assets";*
(3) *As per item reported in the reclassified consolidated Income Statement;*
(4) *Ratio between operating expenses, after deducting IRAP on personnel costs and net of losses related to operational risks and net banking income;*
(5) *Annualised ratio;*
(6) *Cost to income calculated removing ordinary and extraordinary contributions to the Single Resolution Fund (SRF);*
(7) *LCR: minimum limit in effect for all of 2016, 70% (minimum limit after start-up period, 100%, as of 1 January 2018);*
(8) *NSFR: officially takes effect as of 1 January 2018, with a minimum limit of 100%;*
(9) *Obtained from the sum of items 100 a) and 130 a) in the reclassified income statement;*
(10) *Determination of the ratios is calculated using the prudential scope of consolidation.*

Staff and branches

Item	30/06/2016	31/12/2015	Changes	
			absolute	%
Employees	4,280	4,304	-24	-0.6%
Branches	305	304	1	3.3%

Group bank branches

Company	Branches at 30/06/2016	Proportion (%) of total 2016	Branches at 31/12/2015	Proportion (%) of total 2015
Banks in Italy				
Banca Patrimoni Sella & C. S.p.A.	11	3.6%	10	3.3%
Banca Sella S.p.A.	293	96.1%	293	96.4%
Banca Sella Holding S.p.A.	1	0.3%	1	0.3%
Total branches in Italy	**305**	**100.0%**	**304**	**100.0%**
Total Group branches	**305**	**100.0%**	**304**	**100.0%**
Geographical distribution of branches				
North West (Piedmont, Aosta Valley, Lombardy, Liguria)	171	56.1%	172	56.6%
North East (Veneto, Trentino, Emilia Romagna)	30	9.8%	29	17.6%
Centre (Tuscany, Lazio, Molise, Abruzzo, Marche)	36	11.8%	35	11.5%
South and Islands (Campania, Apulia, Sicily, Sardinia)	68	22.3%	68	22.4%
Total branches	**305**	**100.0%**	**304**	**100.0%**

Summary of the macroeconomic situation

The expansion rate of the global economy came out at modest levels in the first half of 2016.

In the United States, after the gradual slowdown recorded between the second half of 2015 and the First Quarter of 2016, growth showed signs of a modest recovery as a whole, thanks in particular to the solidity of private consumption and despite the weakness of corporate investments. The recovery continued at a moderate pace in the Eurozone, supported by extremely accommodating monetary conditions, low oil prices and the slightly expansive orientation of tax policy. Risk factors persist however and they are affecting the growth prospects in the region. Examples are the necessary budget adjustments in the public and private sectors, the presence of elements of fragility in the panorama of emerging economies, the geopolitical uncertainty and the consequences of the result of the referendum of 23 June on the United Kingdom remaining in the European Union. The implications of the exit of the United Kingdom from the Union seem at the moment hard to weigh up, as they depend on how long the negotiations take to arrive at the definition of a new arrangement and on the result of the negotiations itself; the uncertainty that derives from this could lead to the deferment of spending decisions by consumers and businesses and impede the expected recovery of growth and inflation in the Eurozone. In the emerging economies, although very different macroeconomic conditions persist, the generalised trend of deceleration has come to a halt.

As regards consumer prices, the sharp drop in crude oil prices recorded between the end of 2015 and the beginning of 2016 and the absence of pressures exercised by domestic demand are at the root of the extremely limited trend of inflation observed in the Euro Area in the first half of 2016; the widely expansive orientation of the ECB, which in March announced a new package of stimulation measures, and the recovery of the oil price should contribute to a gradual recovery of inflation with levels in line with the Institution's objective of price stability. In the first six months of the year, leaving behind the figures close to zero recorded in 2015, inflation in the USA came back to around 1%, thanks to the recovery of the most stable components and the less negative contribution of the energy item. During the period the Federal

Reserve reaffirmed its intention to proceed gradually to normalise the cost of money in the USA, beginning at the end of 2015 with a first and single rise in official rates, considering the progress made and expected with respect to the double mandate of supporting employment and stabilising inflation at the medium-term target of 2%. The caution shown over these months by the American central bank was also partly due to the uncertainties related to the international context, including the difficulties of the Chinese economy initially, followed by the results of the referendum on the United Kingdom remaining in the European Union.

During the first half of 2016, lending activity in the Italian banking system was relatively stable, as a whole. The amount of loans to the private sector at the end of June came to € 1,413 billion, with a downward trend of 0.4% with respect to the same month the previous year. The persistent weakness in loans to non-financial companies, -2.3% and 792 billion, was counterbalanced by progress seen in loans to households, +2.1% and 621 billion.

The growth in amounts of gross bad loans continued during the half, although the growth rates progressively fell. In June, total stock was at 198 billion, with an annual growth rate of 1.1% and a coverage rate of 57.7%.

In terms of funding, banks are gradually changing the mix, replacing maturing bonds with customer deposits.

Credit spreads fell further during the half. The reduction in market rates and the heavy competitive pressure bearing down on prices for loans to customers were only partially counterbalanced by a reduction in the cost of funding, and in particular institutional funding.

Summary of the first half of 2016 and subsequent events

In November 2015 Visa Inc. and Visa Europe (in which Banca Sella held minority investments) announced that an agreement had been reached for the strategic acquisition of Visa Europe by Visa Inc., aimed at creating a single company that operates both on the US and European market. The transaction entailed extraordinary dividends paid in cash, and the assignment of Visa Inc. shares worth around € 16.5 billion when the operation was completed. A further earn-out of a maximum of € 4.7 billion will be distributed four years after completion of the transaction. On the basis of this data, Banca Sella, as a "principal member", for the sale of its stake in Visa Europe, received a cash amount of approximately € 34.1 million and Visa Inc class C shares for a countervalue net of the lock-up clause of € 10.2 million and discounted receivable at maturity for an amount of € 2.6 million.

In November 2015 a commercial agreement was reached with the HDI Assicurazioni Group, (a company belonging to the German Talanx group, the third-largest insurance company in Germany which operates in more than 150 countries, the parent company of which Talanx AG is listed on the Frankfurt Stock Exchange), as insurance partner for the next ten years, consolidating the already well-tested partnership implemented since 2007 in InChiaro Assicurazioni. On 30 June this agreement was signed and the entire equity interest in CBA Vita by Banca Sella Holding, Banca Sella and Sella Gestioni was sold to HDI Assicurazioni. With this therefore went the interest in its subsidiary Sella Life Ltd and the entire stake (49%) held in InChiaro Assicurazioni SpA. This transaction involved, at a consolidated level, profits from investments of around € 18.8 million, of which € 4.9 million relative to an extraordinary dividend. In the context of the same operation, Banca Sella Holding transferred a subordinated receivable of around € 27.3 million to HDI Assicurazioni.

In May, the Shareholders' Meeting of Assbank, the National Association of Private Banks, elected Pietro Sella as its new Chairman, for the next three years. Since 2013 he had served as the Deputy Chairman, succeeding Camillo Venesio, the Chief Executive Officer of Banca del Piemonte. Assbank is an association for Italian private banks, established in 1954. It currently includes 31 associated banks.

During the first half of 2016, minority interests were acquired by Banca Sella Holding in Mission & Market Fund I LLC, Bemind Interactive Srl and Sardex, and a deposit was made for a future capital increase in favour of Primomiglio SGR, while

the liquidation of Symbid Italia Spa (a minority investment held by Banca Sella Holding), led to the recognition of capital losses in the amount of € 51 thousand.

On Monday 6 June, as part of the ordinary Supervisory activity, the Bank of Italy began an inspection in Banca Sella regarding: “Remuneration of overdrafts and over-the-limit positions under the terms of Art.117 bis of Italian Legislative Decree 385/1993 (Consolidated Law on Banking) and Ministerial Decree 644/2012”. The inspection was completed on 1 July 2016.

On 24 June 2016, the deed to sell Selvimm Due SA was signed (90% held by Banca Sella Holding, with the remaining 10% held by Banque Martin Maurel), which owns the building located in Corso Elvezia 4, in Lugano, Switzerland, and previously the location of Sella Bank AG. The sale was completed for a total price of 28.3 million Swiss francs, with reference to the financial statements at 31 December 2015, and led to capital gains of around € 2 million. The purchasing company is B.B.K. Immo S.A., a property company entirely held, through a series of companies, by Mr. Bernd Beetz.

The Banca Sella Board of Directors at its meeting on 31 May 2016 resolved a number of changes to the Bank's organisation chart, as well as a number of changes of responsibilities. In particular, the Pricing Unit service was set up; its mission is to manage and enhance the pricing policies in the traditional business contexts and in that of the new digital economy, divulging and implementing strategies and policies that work to obtain the right price for the value and services provided to Customers.

During the first half of 2016, the Bank of Italy authorised Biella Leasing S.p.A. and Consel S.p.A. to grant loans to the public, pursuant to articles 106 and subsequent of the Consolidated Banking Act. Both of these subsidiaries were registered with the Single Register of Financial Intermediaries, as foreseen under the cited article 106 of the Consolidated Banking Act.

The Group subscribed medium/longterm funds made available by the European Central Bank with the two TLTRO Programmes. In particular, Banca Sella Holding extinguished in advance the loans granted in the context of the first Programme (€ 280 million) and at the same time obtained new loans for € 350 million from the first operation of the second TLTRO Programme (settled with value date 29/06/2016) and granted at more favourable interest rate conditions. It then granted € 335 million in loans to Banca Sella (268 million with the first programme) and € 15 million to Banca Patrimoni Sella & C. (12 million with the first programme).

We can also note that on 28 July 2016 the update of the EMTN (Euro Medium-Term Note) programme in maturity was completed for Banca Sella.

Structure of the Banca Sella Group

The Banca Sella Group consists of 19 companies, including two special purpose vehicles for securitisation, which are active in several geographic areas and offer a wide array of products and services.

Parent Company

The role of Banca Sella Holding is central within the Group, serving as the parent company for the banking group which, in the context of managing and coordinating the group, exercises:

a. strategic control over the development of the various areas in which the group operates and the risks which weigh on the activities performed. This involves control over both the trends of the activities performed by the companies within the Group (internal growth or reduction), and acquisition and disposal policies followed by group companies (external growth or reduction);

b. a management control aimed at ensuring that the economic, financial and equity balance conditions of individual companies and of the group as a whole are maintained. These control requirements are preferentially satisfied through the preparation of plans, programs and budgets (corporate and group), and through periodic situational analysis, infra-annual accounts, the various individual financial statements and consolidated financial statements, that is both for homogeneous sectors of activity and in reference to the entire group;

c. technical/operational control aimed at determining the various risk profiles brought to the group by the individual subsidiaries and overall Group risks.

It also carries out Finance activities, that is own-account trading operations, managing company-owned securities portfolios and corporate finance, and acts as a

"service provider" relative to other Group companies, managing and providing subsidiaries with certain services managed at a centralised level, including:

- Trading of financial instruments;
- Access to financial markets;
- Centralised Group treasury (including management of relations and credit lines of Banking Counterparties).

Group companies

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

- Italian commercial banks:
    - Banca Sella, the Group's only Italian network bank operating mainly in the retail business;
- Investment services:
    - Banca Patrimoni Sella & C.: a bank whose business is focused on securities asset management, investment advice and increasing its customers’ total assets, and which also plays the role of provider of private banking tools, services and products to the entire Group;
    - Selfid, a company whose purpose is to carry on a so-called “static” fiduciary business;
    - Sella Gestioni: a company operating in the managed savings sector (in the segment of collective management) and in the sector of individual management and complementary pensions;
    - Family Advisory SIM S.p.A. - Sella & Partners: a securities broking company, this is a multi-family office providing a concrete response for families and businesses;
- Leasing
    - Biella Leasing: a company operating in the financial leasing segment;
- Consumer credit
    - Consel: a company which works in the consumer credit sector, providing customers with a wide range of products focused on credit;
- Banking Services
    - Selir: a Romanian company which operates in the sector of the design and development of software products and in the provision of administrative services exclusively for the Group’s banks, Easy Nolo and Consel;
    - Easy Nolo: a company operating in the world of electronic payment systems;
- Other sectors of activity
    - Miret S.A. a common-law company operating under Luxembourg law, dealing exclusively with administrative activities deriving from transferred management of Sella Bank Luxembourg S.A.;
    - Immobiliare Sella and Immobiliare Lanificio Maurizio Sella: the Group’s real estate companies;
    - Finanziaria 2010: the Group’s holding company;

- Brosel: a company active in the insurance broking and advice sector;
- Sella Synergy India: Indian company, which on 15 February 2010 sold its information activities to Chennai Branch, “permanent establishment abroad” of Banca Sella; the company is active but no longer operative;
- Sella Capital Management: in liquidation;

Risk control

Credit risk

The Banca Sella Group considers the measurement and management of credit risk to be of crucial importance.

The activity of loan disbursement has always been focussed on traditional business forms, supporting family financing needs and providing the necessary support to businesses - in particular small and medium sized enterprises - which have demonstrated that they have, even in the current economic context, adequate prospects in terms of economics and business continuity. The lending policies and processes for the disbursement and monitoring of loans are consequently defined so as to combine customer needs with the need to ensure the maintenance of quality for the lending business.

Specifically, credit risk control activities are the responsibility of the Risk Management Services (Credit Risk Reporting & Strategy Unit and Credit Risk Control Unit) of Banca Sella Holding, the Risk Management Services within the individual Group companies that grant loans, and Banca Sella's Credit Quality and Control Unit.

The Risk Management Services have 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. These activities are accompanied by careful verification of individual positions, aimed at determining the appropriateness of classification and allocations, and checking that the recovery process is adequate.

The Credit Quality and Control Unit, which carries out first level controls within the Credit Department, monitors trend data, supervises operations carried out by the distribution network in terms of credit disbursement and management, and by the Credit Department, in terms of managing unlikely to pay positions that have not been revoked. The activities are provided for Banca Sella and Biella Leasing.

During the first half of 2016, Banca Sella Holding's Risk Management Service, in addition to continuing with ordinary progressive maintenance of the processes and IT procedures that support measurement of credit risk, also:

- completed development of creditworthiness evaluation models for personal loans granted by Consel and for mortgage loans granted to private consumers by Banca Sella, carrying out analysis and research relative to specific risk profiling issues;
- carried out a thorough review of the reporting system, which involved both the creation of a structured certified repository (Data Mart) for registering risk data, as well as rationalising, developing and adjusting RAF and trend reporting to best practices;
- reviewed sampling, executing and reporting methodologies relative to credit controls on individual loan positions.

Market risk

Market risk relates to unexpected variations in market factors such as interest rates, interest rates, exchange rates and security prices that may cause fluctuations in the value of a position held in the trading book and in the values of investments arising from commercial operations and strategic choices (banking book).

The management and control of market risks (interest-rate risk, price risk, exchange rate risk) is provided for in a Group Policy which lays down the rules under which the single Group companies may expose themselves to these types of risk.

The market risks associated with the Banca Sella Group are mainly concentrated within Banca Sella Holding, which carries on the financing activities.

Interest-rate and price risk – regulatory trading book

For the compilation of this section we consider financial instruments (assets and liabilities) held in the "regulatory trading book", as defined in the provisions on market risk regulatory reporting (see Bank of Italy Circular no. 286 of 17 December 2013).

Interest rate risk derives from the possibility that a fluctuation in interest rates may have a negative effect on the value of the regulatory trading book arising from the financial positions assumed by the Banca Sella Group within the assigned limits and powers.

The price risk inherent in the trading book is mainly a result of trading on the bank's own behalf in debt and equity securities and UCITS.

The Bank's trading book includes assets held as financial instruments for its own account. Most of these instruments can be traded on regulated markets (mainly fixed and variable-income securities). The rate risk and the price risk arising from it are often mitigated by having recourse to rate derivatives in regulated markets.

The goals and strategies underlying the trading activity involving the own securities portfolio aim to limit risks and maximise returns on the portfolio itself in the restricted and prudential field of action laid down in the Group rules on the subject.

Banca Sella Holding is also the market broker for third-party trading carried on by customers of the Banca Sella Group.

Interest-rate risk and price risk management processes and measurement methods

Banca Sella Holding's Finance Department has the mission of managing market risk and coordinating the finance activities of the Banca Sella Group (management of owned portfolios, treasury and management of minority shares), also carrying out the specialised activities within the Parent company (trading on own account).

Banca Sella Holding's Risk Management service is responsible for the market risk monitoring methods of all Group companies, and also has an advisory and recommendatory role in the definition of methodological guidelines for the creation of Group risk measurement and control models.

For prudential purposes to measure the interest rate and price risks inherent in the regulatory trading book, the Banca Sella Group applies the "standardized approach" defined in Bank of Italy Circular no. 285/2013, and subsequent updates. Hence, capital absorption to cover market risk is represented by the sum of the capital requirements for each individual risk that makes up market risk, on the basis of the so-called building block approach.

For management purposes, trading book market risk is measured and monitored on the basis of the VaR (value at risk), which is mainly assessed according to the historical simulation approach. VaR measures the maximum potential loss which, within a certain confidence interval, may occur if a certain portfolio is held with positions unchanged for a certain period of time. Historical simulation involves daily revaluation of position on the basis of the market price trends over an appropriate time interval. The empirical distribution of profits/losses that results is analysed to determine the effect of extreme market swings on the portfolios. The percentile distribution corresponding to the confidence interval set gives the VaR.

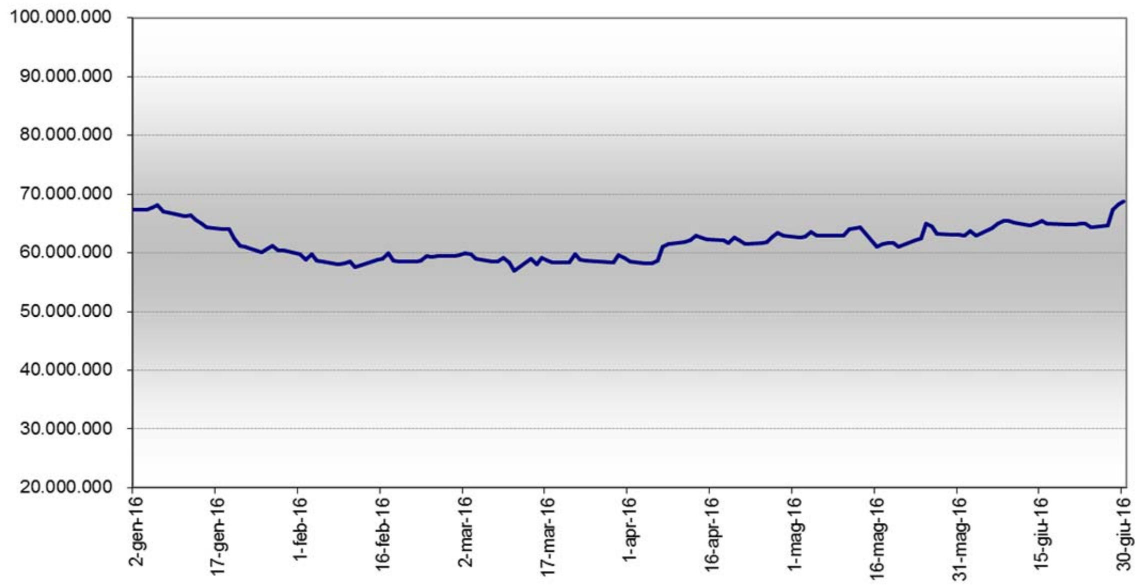
The Group Risk Management service carries out checks on the trend in the VaR (time horizon 10 days and 3 months, confidence interval 99%) for the own portfolios of the companies in the Banca Sella Group and analyses the sensitivity factors including: portfolio duration, effects of sudden interest rate shocks, and finally, checks on the operational limits on investments in securities.

The average duration of the trading book is 1.52 years while the sensitivity, estimated on a parallel shift of +100 basis points of the interest rate curve is about € 21.6 million (about 1.5% of the portfolio).

The trend in the VaR of the Banca Sella Group (confidence interval 99%, time horizon 3 months, historical method) is shown in the chart below. These values have always remained within the prudential limits set by the banking Parent Company.

Banca Sella Group – Trading Book

Market Risks VaR (time horizon 3 months - confidence interval 99%)



Risk Management also controls trading operations on own account.

The trend of the VaR (1 week horizon, confidence interval 99%) of Banca Sella Holding's trading activity is shown in the table below, relative to the half:

VaR Decomposition - Banca Sella Holding al 30.06.2015

Trading Book - Area Finanza

Orizzonte Temporale 1 settimana, intervallo di confidenza 99%

Dati al		30-giu-16			31-dic-15		
		VaR Medio	VaR Minimo	VaR Massimo	VaR Medio	VaR Minimo	VaR Massimo
Tipologia di Rischio							
Fixed Income	€	673.105	116.940	1.385.263	412.599	83.249	1.250.130
Foreign Exchange	€	722	105	2.171	1.127	369	4.364
Equities	€	-	-	-	-	-	-
Equity Derivatives	€	140.591	23.575	458.931	104.161	24.286	352.594
Derivatives OTC	€	-	-	-	-	-	-
Treasury	€	7.236	2.960	14.250	6.343	1.507	16.372
Total VaR(b)	€	**821.654**	**143.580**	**1.860.615**	**524.231**	**109.411**	**1.623.460**

(b) Il Value-at-Risk totale è calcolato come la somma dei singoli VaR per tipologia di rischio

Interest rate and price risks – banking book

The main sources of interest rate risk generated in the banking book can be traced back to:

• maturity mismatches (risk connected with the exposure of positions to changes in the slope and the shape of the yield curve);

• mismatches arising from the imperfect correlation between changes in charged and paid interest rates on the various instruments (indexing risk).

Interest rate risk is mainly generated by deposits and loans to customers, bank portfolio fixed and variable rate securities and interbank deposits (made and received), as well as derivative instruments created to mitigate exposure to the fair value interest rate risk generated by them. The Group's policy is aimed at minimising the volatility of the total economic value affected by changes in the structure of interest rates.

Internal interest rate risk management and control processes are based on an organizational structure, which provides that the information is analysed at an operational level and critically assessed by the Group's ALM Committee at least monthly. This Committee also provides appropriate operational guidelines. For management purposes, besides the 20% risk indicator limit defined in the regulations, the internal organisation has been provided with more prudential danger thresholds, which, when exceeded, lead to the assessment of operational strategies aimed at reducing the exposure.

The rate risk is measured using owned models for the processing of items in liabilities with undefined contractual due dates (on demand items). For all other assets and liabilities items, the rules defined by Bank of Italy Circular no. 285/2013, as subsequently amended, are used. The audit is carried out taking into consideration all the positions assumed on and off the balance sheet, but limited to interest-bearing assets and liabilities.

To calculate the internal capital, parallel shifts are hypothesised to the rate curve, respectively of +200 basis points (rise) and -40 basis points (lowering scenario).

The sensitivity analysis figures at 30 June 2016 show a low risk for the banking book (see the table below for total and percentage impact on the economic value).

Shift	Total Sensitivity	Regulatory Capital	Sensitivity %
+200 bps / -40 bps	2.75	1,064.2	0.26%

Amounts in Euro millions.

The price risk of the portfolio is attributable mainly to equity interests held by Banca Sella Holding for long-term investment purposes. These are positions assumed directly on the basis of resolutions of the Board of Directors and operationally managed by the Finance Department of Banca Sella Holding.

Fair value hedging activities

Hedging transaction strategies are mainly aimed at mitigating the exposure to interest rate risk inherent in financial instruments, deriving predominantly from forms of disbursement of credit (macro-hedges, such as mortgage loans and consumer credit, and regular leasing instalments) or bond loans issued by the Banca Sella Group, held in the banking book (micro-hedges).

Exposure to interest rate risk inherent in the disbursement of credit is hedged by derivative instruments such as amortizing interest rate swaps and cap options, on the basis of the amount of the mortgage loan portfolio disbursed and the average maturities of this portfolio. Other interest rate swaps are implemented when fixed-rate bond loans are issued. Further hedging is put in place with the aim of mitigating the interest rate risk or the exchange rate risk of simple derivatives such as domestic currency swaps, currency options, overnight interest swaps traded by customers of the Group's banks.

Banca Sella Holding generally adopts measurement methods and techniques based on the Black-Scholes, Monte Carlo and Net Present Value models using different market parameters, based on the financial instrument to be measured. These parameters, which are approved by the Banca Sella Holding Risk Management service, are chosen and set up on the calculation software at the moment of a request for measurement of a new derivative instrument. Every time the fair value of the financial instrument is calculated, the above parameters are rechecked and updated both by the area that performs the calculation and by the Banca Sella Holding Risk Management service.

Cash flow hedging activities

Due to the substantial balance of assets and liabilities, no hedging is provided for interest-rate risk on cash flow generated by variable rate items.

Foreign investment hedging activities

Due to the small amount of foreign investments, no hedging is put in place for the interest-rate risks arising from them.

Exchange rate risk

Currency transactions mainly take place at the Finance Department of the Parent Company, in which the Treasury carries out lending and inter-bank funding operations in foreign currency, and manages the exchange risk connected with currency imbalances.

Foreign exchange risk is monitored with the "standardised method" defined by the Bank of Italy in Circular no. 285/2013, as amended.

At 30/06/2016, foreign exchange risk generates a requirement of around € 525,000 for Banca Patrimoni. This requirement is mainly generated by the positions taken on securities denominated in foreign currencies and held in the portfolio.

The Risk Management service of the Group monitors exchange risk exposure values and reports them to the Group's ALM Committee. This body, with the assistance of the Parent Company Treasury, assesses possible hedging actions, if exposures towards currencies are judged to be too high.

Exchange rate risk hedging activities

Over the years, Banca Sella Holding has progressively reduced its market making activity on the exchange market. The transactions conducted during the financial year can be mainly traced back to exchange rate risk hedging activities for the Group's banks and companies.

Micro-hedging is instead put in place, with third parties, with the aim of mitigating the risk of simple derivatives such as domestic currency swaps, currency options and forward contracts traded by customers with the Bank.

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).

Liquidity monitoring and management operations for the Banca Sella Group are formalised in the Group's Liquidity Policy, which contains both liquidity risk management guidelines and the strategies to be followed in critical situations. These strategies are an integral part of the emergency plan known as the Contingency Funding Plan.

The governance model defined for managing and controlling the Banca Sella Group's liquidity risk is based on the following principles:

- conformity of liquidity risk management and monitoring processes and methods with prudential regulatory indications;
- decision-sharing and distinction of responsibilities among management, controlling and operating bodies.

The Group's liquidity monitoring follows the directives issued in Circular 285/2013, as amended, adding to the national regulations with the principles governed by the Basel Committee and the EU regulations issued by the European Commission[1].

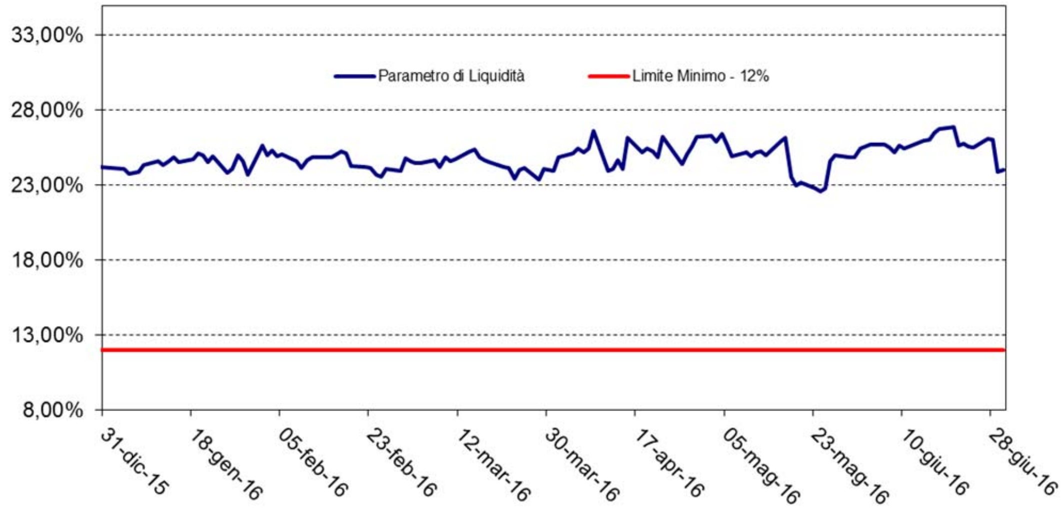
The Group's liquidity level is managed by the Banca Sella Holding Finance Department, which in case of need promptly takes remedial actions with the support of the ALM Committee. The second level audits of liquidity risk are performed by the Banca Sella Holding Risk Management Service.

[1] Capital Requirements Directive 4.7. 2013 and EC Directive 2015/61 of 10/10/2014

The Group Liquidity Policy includes, besides the traditional analysis of short-term liquidity indicators, the constant monitoring of a wide number of indicators focused on the trend of short-term and medium and long-term systemic and specific liquidity.

Below is the trend of the Banca Sella Group short-term liquidity indicator, which provides indications about the ability to fulfil the obligations taken both with regular customers and banks in case of a sudden liquidity strain. The minimum limit for said indicator was prudentially established at 12%. Throughout the year, the effective level of the indicator was always above this threshold. Liquidity reserves have proven to be sufficient to comply with the commitments made, even under conditions of stress.

Figure 1: Banca Sella Group short-term liquidity indicator trend.



In addition to the information provided by liquidity indicators, the Risk Management service of Banca Sella Holding and the Finance Department of the Banca Sella Group are responsible for carrying out stress analyses on the liquidity reserve of the Group itself.

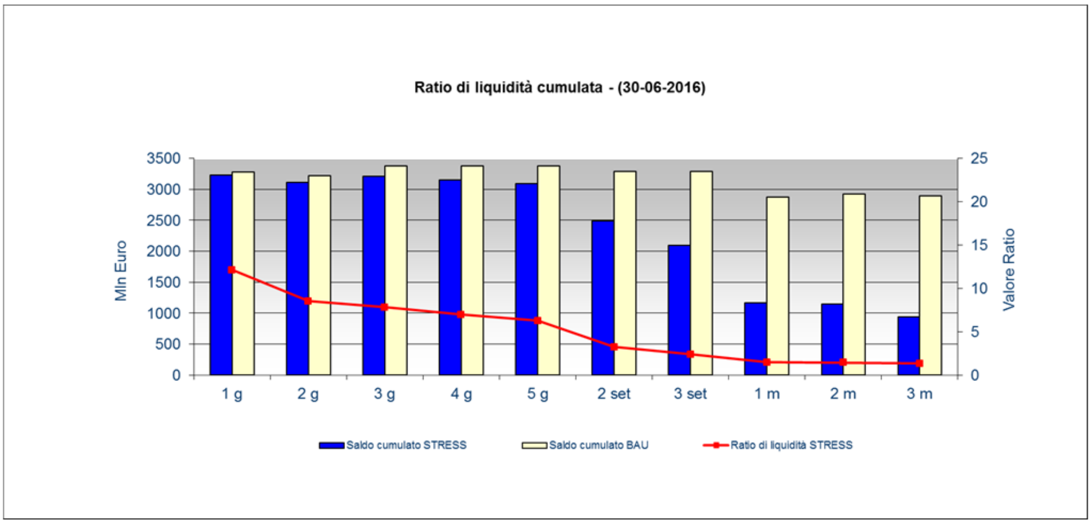
The approach underlying the stress analysis consists in assessing, through the use of a Maturity Ladder[2], the ability to withstand a liquidity crisis (measured in days), of the entire Banca Sella Group if a systemic or specific crisis situation arises. The ability to withstand is calculated under the assumption that the business structure and the capital profile of the Group will not be altered. The stress scenarios used are based on those envisaged in Basel III, integrated with internal hypotheses in order to make the analysis better representative of the Bank's operations.

The Maturity Ladder is realised through the time-band mapping (horizon up to 3 months) of current and expected cash flows, together with items regarded as "potential liquidity reserves". This instrument allows assessing in various operational scenarios (business as usual and stress scenario) the net financial position as to liquidity in different time buckets.

The stress test has always demonstrated cash and cash equivalents or easily cashed assets for the Group that are adequate to face any crises, of either systemic or specific origin.

[2] A Maturity Ladder is the projection of the net financial position over time.

Stress Scenario: Projection of cumulative net financial position and liquidity ratio (Stress test at 30 June 2016).



The main hypotheses adopted, which are linked to an equal number of occurrence (frequency of onset) and severity (impact on the bank) configurations, are:

- acute tension in individual banks that requires extraordinary counter-measures, often linked to interventions lying outside the actual bank;
- systemic crisis, involving the market as a whole.

The Parent Company's Risk Management Service monitors the performance of the LCR (liquidity coverage ratio) and NSFR (net stable funding ratio) indicators, constantly updating the calculation rules, in accordance with the indications provided in the current regulations. At 30/06/2016, the two indicators were much higher than that currently required under the regulations.

Operational risk

Operational risk is the risk of suffering losses deriving from the inadequacy or failure of procedures, human resources and internal systems, or from external events. This type includes, among others, losses deriving from internal/external frauds, human errors, business interruptions, unavailability of systems, contractual non-fulfilment and natural catastrophes. Operational risk includes legal risk, but does not include strategic and reputational risks.

Once again in the first half of 2016 the Banca Sella Group paid careful attention to managing operational risk, through the constant strengthening of organisational measures and tools for mitigation and control, including:

- the so-called Control Cycle, an internal process that has been effectively adopted by the entire Group for several years for the processing of anomalies and removing the effects and the causes that generated them;
- mapping and validation of business processes with an end to end view[3];
- certification and summary of service levels and line controls;
- the controls carried out through the so-called "alarm bells" (automatic processing with the aim of identifying and/or preventing any internal and/or external anomalies).

Monitoring of the risk translates also into specific reporting functions at all levels of the corporate organisation, in accordance with the legislation which states that timely information must be provided on the subject of operational risks. The Control Cycle provides the information basis which, at the occurrence of the

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

anomaly and according to a precise escalation, generates and sends communication flows to the parties concerned. In addition, in 2016 the reporting structure was reviewed and automated, both at the synthetic RAF level, and by allowing more detail for trend information, in order to improving monitoring and management of operational risk and, in particular, to more effectively support the work done by the Parent Company's Audit Committee.

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

- anomalous events and operating losses reported in the Audit Cycle database (highlighting the more serious anomalies);
- monitoring of operational risk indicators, with respect to the Risk Appetite thresholds included in the Risk Appetite Framework;
- the outcome of line audits;
- the trend in service levels.

Business outlook - external scenario

The world economy should continued to grow at a moderate rate during the remaining months of 2016.

In the United States, the solidity of private consumption, supported by an improvement in employment conditions, should continue to guide economic growth. The presidential election on 8 November will be of great importance, with potentially significant impacts on the economic climate within the country. The Eurozone is expected to continue along the path of moderate growth, assisted by the recovery in internal demand, in particular in personal consumption. Great attention will be paid to the possible start of negotiations with the United Kingdom relative to its exit from the European Union, and the relative implications for the process of European integration. In regards to consumer prices, the expected recovery in oil prices should contribute to a gradual increase in inflation, both in the USA and the Eurozone. On the basis of the progress achieved relative to both supporting employment and stabilising inflation, by the end of the current year the Federal Reserve will likely raise the policy rate again for the second time since December 2015. The European Central Bank will continue to purchase securities at the rate of € 80 billion/month, and is expected to keep the reference interest rates unchanged. Based on the mandates granted to specific commissions to examine possible options for redefining the quantitative easing plan, changes to the programme's current technical parameters could be announced by the ECB.

In line with the expected developments for the Italian macroeconomic situation in 2016, credit provided to the non-financial private sector by banks should continue on the path of return to positive growth rates and credit quality should further improve, benefiting profitability for the banking system. Further stimulus to increase the volume of loans disbursed should also arrive from the actions announced by the European Central Bank, with particular reference to the new long-term loan auctions (TLTRO2) for the banking system, which create a further incentive for granting loans at low interest rates. Precisely the continuation of interest rates at particularly low levels will keep net interest income still compressed, leading banks to encourage the growth of the component of revenue from services and the diversification of activities other than lending; the uncertainty of development of the revenue from services component in a context of volatile markets, combined with the pressures on net interest income, will lead the banking system, also in 2016, to continue in any case to pay great attention to making operating structures more efficient and to containing costs, essential elements for achieving the necessary further recovery of profitability. Indications coming from the ECB's regulatory supervision relative to management of impaired loans, aimed at reducing amounts in a reliable, viable and timely manner, will lead to an acceleration in the management of NPLs in the system, with greater proactive steps taken by banks relative to collection, provisioning, cancellation and disposals.

Being a going concern, strategy and profitability for the Group

With reference to the Bank of Italy, Consob and ISVAP documents no. 2 of 6 February 2009 and no. 4 of 3 March 2010, in relation to information to be provided in financial reports on business prospects, with a particular focus on the company's ability to continue as a going concern, on financial risks, on tests for reductions in the value of assets (impairment tests) and on uncertainties in the use of estimates, the Board of Directors confirms that it has a reasonable expectation that the Group can continue its operations in the foreseeable future and therefore attests that the present consolidated interim report has been prepared on the basis of this going concern assumption.

In the Group’s capital and financial structure and in the operating performance there are no elements or signs which may lead to uncertainty on the going concern assumption.

For the disclosure relating to financial risks, impairment tests and uncertainties in the use of estimates, please refer to the information given in the annual consolidated financial statements at 31 December 2015.

Reclassified Income Statement

Reclassified income statement (Euro millions)

Item	30/06/2016	30/06/2015	% change since 30/06/2015
10. Interest and similar income [1]	157.7	181.6	-13.2%
20. Interest and similar expenses [1]	(37.0)	(51.5)	-28.2%
70. Dividends and similar income	1.3	0.9	34.8%
NET INTEREST AND DIVIDENDS	**121.9**	**131.1**	**-7.0%**
40. Fee income [1]	171.1	169.7	0.8%
50. Fee expenses [1]	(49.7)	(57.0)	-12.9%
80. Net gains/(losses) on trading activities [1]	11.1	18.8	-41.0%
90. Net gains/(losses) on hedging activities	(1.0)	-	-100.0%
100. Income (losses) from sale or repurchase of:	1.1	20.5	-94.7%
a) receivables	(1.1)	0.1	-100.0%
b) financial assets available for sale	2.2	20.9	-89.6%
d) financial liabilities	0.1	(0.4)	-116.2%
NET REVENUES FROM SERVICES	**132.6**	**151.9**	**-12.7%**
150. Net premiums	-	207.7	-100.0%
Other costs/income pertaining to insurance activities [1]	-	12.3	-100.0%
110. Net gains/(losses) on financial assets and liabilities carried at fair value	-	1.8	-100.0%
160. Balance of other income/expenses from insurance operations	-	(213.7)	-100.0%
NET INCOME FROM INSURANCE ACTIVITIES	**-**	**8.1**	**-100.0%**
NET BANKING INCOME	**254.6**	**291.0**	**-12.5%**
180. Administrative expenses:			
a) personnel expenses	(119.1)	(115.3)	3.4%
IRAP on net personnel and seconded personnel expenses [1]	(0.4)	(0.6)	-37.2%
Total personnel and IRAP expenses	**(119.5)**	**(115.9)**	**3.1%**
b) other administrative expenses	(92.1)	(88.9)	3.7%
Recovery of stamp duty and other taxes [1]	24.6	24.7	-0.3%
Total administrative expenses and recovery of taxes	**(67.5)**	**(64.2)**	**5.2%**
200. Net value adjustments on tangible assets	(8.0)	(8.2)	-2.2%
210. Net value adjustments on intangible assets	(8.3)	(7.1)	16.5%
220. Other operating expenses/income (after deducting "Recovery of stamp duty and other taxes")	16.7	14.8	12.8%
Operating expenses	**(186.5)**	**(180.5)**	**3.4%**
OPERATING PROFIT (LOSS)	**68.0**	**110.5**	**-38.5%**
190. Net provisions for risks and charges	(1.6)	(3.0)	-46.3%
130. Net value adjustments for impairment of:			
a) receivables	(38.7)	(92.1)	-57.9%
b) financial assets available for sale	(3.7)	(1.9)	91.8%
d) other financial transactions	(0.4)	0.1	-502.2%
240. Income (Losses) from equity investments	0.3	0.9	-61.6%
270. Income (losses) from the disposal of investments	2.3	-	100.0%
Reclassifications from extraordinary effects [1]			
100. Income (losses) from sale or repurchase of:			
b) financial assets available for sale	47.4	-	100.0%
PROFIT FROM CONTINUING OPERATIONS BEFORE TAXES	**73.7**	**14.6**	**405.9%**
290. Income taxes for the period on continuing operations (after deducting "IRAP on net personnel and seconded personnel expenses")	(12.4)	(6.1)	102.0%
CURRENT OPERATING INCOME AFTER TAX	**61.3**	**8.5**	**625.9%**
310. Profit/(loss) on asset disposal groups held for sale after tax	27.0	-	0.0%
PROFIT (LOSS) FOR THE PERIOD	**88.3**	**8.5**	**945.4%**
330. Profit (loss) for the period pertaining to minority interests	**13.1**	**1.9**	**574.9%**
340. Profit/(Loss) for the period pertaining to parent company	**75.2**	**6.5**	**1056.1%**

(1) *The items in question were reclassified on the basis of more appropriate recognition criteria to represent the content of the items, based on standards of management homogeneity. The reclassifications are explained in the section below "Income statement classification criteria".*

Income Statement Classification Criteria

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

Reclassifications involved:

- item 70. “dividends and other income”, which is included within net interest income;
- IRAP on the cost of personnel, which is separated from the item “Income taxes for the period on continuing operations”, and included in personnel expenses;
- the item “Recovery of stamp duties and other taxes” which is separated from item 220. “other operating expense/income” and included in item 150 b) “other administrative expenses”;
- item 100 “gains on disposal or repurchase of financial assets available for sale”, the component related to non-controlling equity investments was separated from net revenues from services and included under operating profit (loss).

Profitability

The Group ended the first half of 2016 with profit of € 88.3 million, of which 75.2 pertaining to the Parent Company and 13.1 million pertaining to minority interests.

The main factors which determined the performance during the period in question (set out in the analysis of the Reclassified Income Statement) were:

- the decrease (-7%) in total net interest income which was caused, on one hand, by the sales component, the continuation of the downward trend for the average rate for loans, despite volumes that were essentially stable with respect to the first half of 2015 and, on the other, an increase in interest on the securities portfolio, caused by the benefit achieved through positions in debt securities in the category of financial assets held for trading, with coupon returns exceeding the rates of the relative loan;
- the decrease in net revenues from services (-12.7%): the satisfactory result from the net commission component, up by 4.8% over 30 June 2015, was not supported by the net result of trading activities (-41%), or by gains on the disposal or repurchase of financial assets (-94.7%), the latter net of extraordinary profit deriving from the Visa Inc. transaction;
- the increase in operating expenses (+3.4%), due in large part to the contribution to the Single Resolution Fund (SRF), in that in 2015 the impact of this fund and the Deposit Guarantee Scheme (DGS) was only seen in the second half, as well as an increase in personnel expenses and amortisation/depreciation (for more details, please refer to the comment on operating expenses);
- the significant improvement (-57.9%) in adjustments for impairment of loans. It should be noted here that in the first half of 2015 the item suffered from the adjustment in the parameters used to measure loans and the findings brought to light during the Bank of Italy inspection.

Below we provide a brief description of the trends for the main Group companies. The comments refer to the results obtained by applying the accounting standards used to prepare the individual financial statements.

The Parent Company **Banca Sella Holding** saw profits of € 14.4 million. This result is mainly due to the extraordinary dividends received through the disposal of the CBA Vita insurance branch (despite the drop in dividends received from some Group companies, Banca Sella in particular), and to profits from investments received from both the previously mentioned insurance branch disposal and the disposal of Selvimm Due and the associated property.

Net banking income fell by 28.2% with respect to the figure at 30 June 2015. In general, market trends during the first half and the persistence of negative interest rates led to a situation in which debt security positions in the financial assets held for trading category generated high net interest income, thanks to coupon profits which exceeding the rates of the relative loans, but also had a negative impact on net revenues from services, in particular for the item net gains/(losses) on trading activities. On this last aspect, note that the external situation in the first half of 2015 was influenced by the extremely positive performance of the markets thanks to the start of Quantitative Easing in March 2015. The particularly negative trends of the investment funds and SICAV product weighed down correspondent bank performance, penalised in the first half by price trends and negative net funding, with impacts on the fee and commission component.

Operating expenses grew relative to personnel expenses, due to increases in both the fixed and variable components, as a function of the increased results expected for the year and the increase in staff; in terms of administrative expenses, the increase was essentially due to the contribution paid to the Single Resolution Fund (SRF), in that in 2015 the impact of this fund and that of the Deposit Guarantee Scheme (DGS) was seen only in the second half of the year.

The result for the period achieved by **Banca Sella**, the Group's commercial bank which mainly operates in the retail sector, came to € 57.7 million, mainly thanks to profits achieved during the half from the disposal of minority interests (Visa Europe merger operation and the sale of CBA Vita). The reduction in the cost of funding was not enough to compensate for the drop in net interest income due both to the financial asset component, associated with reinvestment in securities with lower returns than those of the securities disposed of in 2015, and to the commercial component, which saw a reduction in loan volumes and in interest rates receivable.

Net revenues from services fell by 6.0%, despite excellent performance by net fee income (+9.9%). This decrease with respect to 30 June 2015 is mainly due to the reduction in capital gains due to the disposal of the portfolio of assets available for sale, which led to profits of around € 11.6 million during the first half of 2015, an event which was not replicated in 2016.

In regards to fees and commission, the following contributed to the excellent result:

- net fees from acquiring (+23%), thanks both to lower interchange fee expense, after MIF regulations took effect in December 2015, and an increase in transaction volumes;
- commissions on loans to customers (+21%);
- commissions on placement of insurance products (+5.5%), mainly investment policies.

These increases more than offset the negative trend of “Investment services”, down compared to the previous year owing to the adverse trend of the financial markets. In detail fees were down both on trading for third parties and order collection (-15.4%) and on asset management (-1.7%). Net revenues from services were not sufficient to compensate for the drop in net interest income, leading to a decrease in net banking income (-8.1%).

Profits deriving from the extraordinary Visa Europe transactions and the sale of the minority interest in CBA Vita were reclassified outside of the operating result, to make comparison between the two periods more homogeneous.

The contribution of trading activity was down by approximately € 2 million, owing to the trend of the markets.

In 2016 a sale was also made of a batch of bad mortgage loans with a gross value of € 12.2 million for the price of € 5.6 million. This was completed in June and generated a negative economic effect of € 1.3 million of which approximately € 1 million deriving from a revision of the valuations during the year owing to an update of the appraisals on the properties used as guarantees, and approximately € 0.3 million owing to the effective difference between the last valuation and the selling price. The sale of these loans is the result of due diligence activity over several months which led to a narrow selection of positions with properties considered of particular interest for subsequent property development by the purchasers.

Operating expenses increased by 5.1% with respect to the previous period, following an increase in both personnel expenses (4.7%) and in administrative expenses (5.6%). With regards to personnel expenses, the increase is due to variable remuneration, based on the greater results expected for the current year, and the increase in Bank staff. Relative to administrative expenses, the increase is mainly due to the contribution to the SRF, in that in 2015 the economic impact of this fund and the DGS was only seen in the second half.

Performance pertaining to the impact of credit risk was excellent, down by around -61%. When compared with the previous year, note that in 2015 the credit measurement parameters were changed, and findings associated with the Bank of Italy inspection during the first half of 2015 were implemented, leading to greater adjustments.

Banca Patrimoni Sella & C., a bank operating in the private banking sector, obtained a result of € 2.8 million, down when compared to the € 7.4 million registered at 30 June 2015. The period was influenced by the drop in net banking income, compared with the 2015 result which featured highly positive market performance. In contrast, the first half of 2016 penalised the income statement and volumes relative to stock prices, even though net deposits were positive.

The Bank continued to invest in growing volumes and consequently margins associated with business and achieved good performance for customer assets.

Costs exceeded those in 2015 mainly due to greater personnel expenses, essentially caused by an increase in staff, the contribution to the SRF (as in 2015 the economic impact of this fund was only seen in the second half), and greater amortisation/depreciation, while administrative expenses were more or less stable.

Biella Leasing, which works in the leasing sector, ended the first half of 2016 with profits of € 2.2 million, compared with a loss of € 6.5 million in 2015).

In terms of volumes, the company saw satisfactory growth with respect to the previous year, both in terms of numbers of new loans and amounts financed, both of which rose by around 20%.

Net interest income increased significantly, by around 12%. Interest expense benefited from a decrease in interest rates, a reduction in the spreads applied to new infragroup loans during the second half of 2015, and greater use of subsidised funding (EIB, CDP). This reduction compensated for the slight drop in interest income, which despite the increase in volumes suffered from lower interest rates and the reduction in the spread applied to new contracts.

The impact of credit risk improved notably, with around € 12 million less in adjustments relative to the first half of 2015, a reduction of around 69.7%. In 2015, the adjustments included the findings made during the Bank of Italy policy and the change in credit policies, with the impacts deriving from the changes of some parameters in risk calculation models recognised in the income statement.

Expenses rose by +16.5%, mainly concentrated within personnel expense, due to a slight increase in staff and an increase in the variable component, associated with the results achieved both at the individual and consolidated level.

Consel, which specialises in consumer loans, saw a profit of € 268 thousand, compared with a loss of € 1.8 million in the first half of 2015.

From a commercial point of view, the Company saw a roughly +16.4% increase in total volumes disbursed when compared with the same period of the previous year, substantially due to the increase in personal loans brokered by BSE. In terms of profitability, the drop in interest expense, due to lower market rates, did not compensate for the reduction in the average rate and associated average revenues.

Both operating expenses and the impact of credit risk reflect improved performance relative to the previous year. Net value adjustments for impairment of loans decrease significantly, going from € 14.9 million at 30 June 2015 to € 10.3 million at 30 June 2016 (-30.8%). The cost of credit for the half (ratio between loans to customers and total write-downs on loans plus net losses on disposal) was 1.18% (1.62% at 30 June 2015, 2.87% at 31/12/2015). In June 2016, the Company's coverage ratios for "performing", "overdue" and "unlikely to pay" items were at historic highs. "Bad" items remained stable.

It was also possible to carry out an initial update on the benchmark data coming from the panel of contributors in the system (source: ASSOFIN) for 31/12/2015. Comparison with current Consel data, compared to the system update at 31/12/2015, makes the greater overall solidity of the Company clear.

Finally, the figure for the cost of risk by quarter shows that the cost of credit has settled, generated by the natural trend of the portfolio (most recent figure). This figure confirms a situation in which the actions taken (estimate model, group default, bad loans, etc.) have progressively brought adjustment levels to threshold in line with the risk level of the business, while the trend for insolvencies has dropped significantly, due to greater disbursed credit quality and more efficient management of anomalous loans.

The profits of **Sella Gestioni**, a company in the asset management, individual management and supplementary pensions sectors, came to around € 1.5 million, compared to a profit of € 889 thousand in the first half of 2015. This result was positively influenced by the income deriving from the sale of the minority interest in CBA Vita. The stock figure at the end of the half for the company was 6.5% lower than at the end of June 2015. Business was penalised by the particularly negative trend seen during the first half, both relative to stock prices and net deposits, with associated impacts on the commission and fee component.

Net interest income

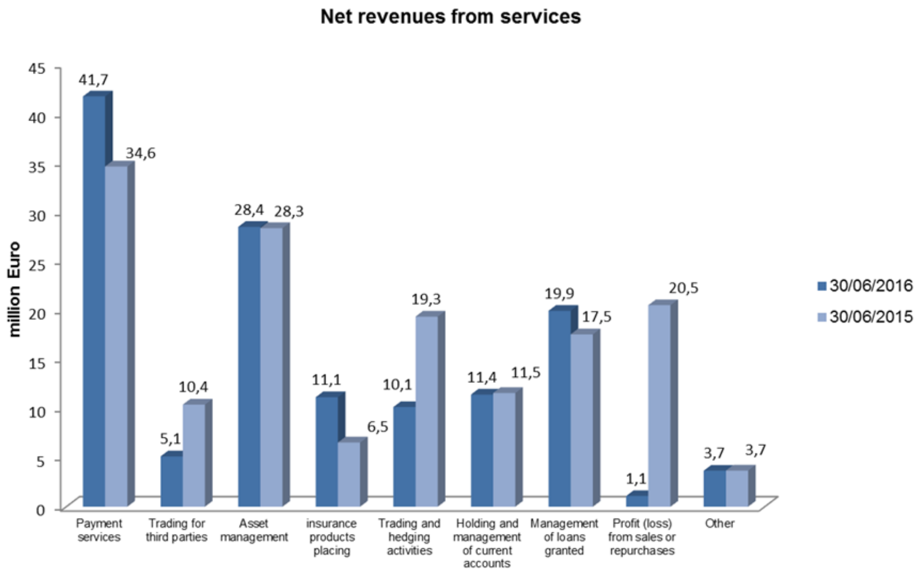
Net interest income at 30 June 2016 came to € 121.9 million, down on the € 131.1 million at 30 June 2015, equal to -7%.

Interest income came to € 157.7 million (€ 181.6 million at the end of June 2015) and reflects the continuing downward trend in the average loan rate, despite the fact that volumes were essentially stable with respect to the first half of 2015. Interest expense came to € 37.1 million, showing a downward trend in the cost of funding.

The item "Dividends and similar income" came to € 1.3 million, compared to € 0.9 million during the comparison period. Dividends deriving from the extraordinary transaction to sell the insurance branch were classified under assets held for sale.

At 30 June 2016, net interest income was 47.9% of net banking income, while at 30 June 2015 it was 45.0%.

Net revenues from services



Total aggregate net income from services amounted to € 132.6 million at the consolidated level, down with respect to the same period the previous year, when it came to € 151.9 million (-12.7%). This result is due to:

- of lower contributions relative to profits from financial assets (during the first half of 2015, these were particularly high with respect to the market situation seen in the first half of 2016), and for assets held for trading, both traditional and online, due to the continuation of lower and even negative interest rates. Additionally, the good results seen in 2015 included capital gains obtained through the disposal of part of the assets held for sale portfolio, which occurred during the first half of the year. As already reported in the classification criteria, the gains deriving from the extraordinary operations involving Visa Europe and the sale of the interest in CBA Vita were reclassified under operating profit to make the comparison between the two periods more uniform;
- the satisfactory performance of payment systems, accessory fees on loans and non-life insurance, which compensated for the negative changes seen mainly in asset management.
  In regards to payment systems, we note in particular the significant positive contribution given by electronic payment systems, thanks to the positive effect generated by the MIF regulations which took effect in December 2015. These led to lower interchange fees, while fee income held constant, both relative to e-commerce and POS.
  In the area of business associated with indirect funding, the segment relative to life insurance saw improved results with respect to the first half of 2015. Business relative to asset management instead remained essentially stable, while mutual funds and the correspondent bank were heavily penalised by the particularly negative performance seen

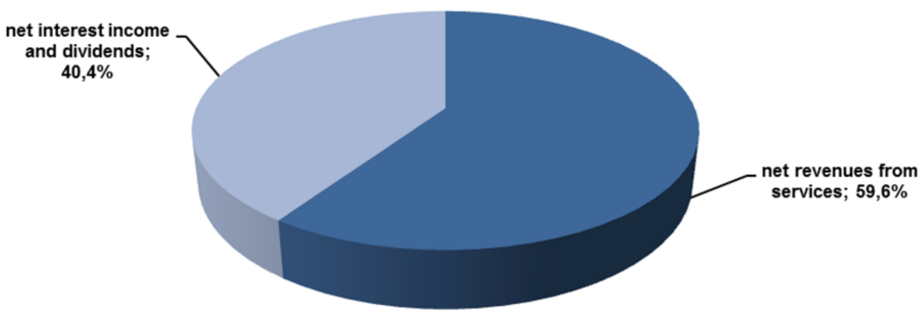
during the first half both at the level of stock prices and negative net deposits, with associated impacts on the commission and fee component.

- the disposal of a batch of bad Banca Sella loans with a gross value of € 12.2 million for the price of € 5.6 million in June 2016, carried out with Algebris through the fund Nemo SVP srl. The sale of these loans is the result of due diligence activity over several months which led to a narrow selection of positions with properties considered of particular interest for subsequent property development by the purchasers. On an annual basis, the positions generated a negative economic effect of € 1.3 million, of which around € 1 million deriving from an value adjustments during the year following updated appraisals of the properties serving as collateral, and around € 0.3 million due to the effective differential between the final measurement and the disposal price.

Net banking income

As a consequence of the results of net interest income and net revenues from services, consolidated net banking income came to € 254.6 million at 30 June 2016, compared to € 291 million at 30 June 2015.

Net banking income: breakdown



Operating expenses

The total amount of operating expenses amounted to € 186.5 million, up 3.4% with respect to the same period in 2015, when the figure was € 180.5 million.

The personnel expenses component (including associated IRAP) came to € 119.5 million, while at 30 June 2015 the same item was 115.9. This figure was influenced by the increase in staff in both Italian and foreign companies with respect to the comparison period, and by the increase in the variable component due to expected improved results.

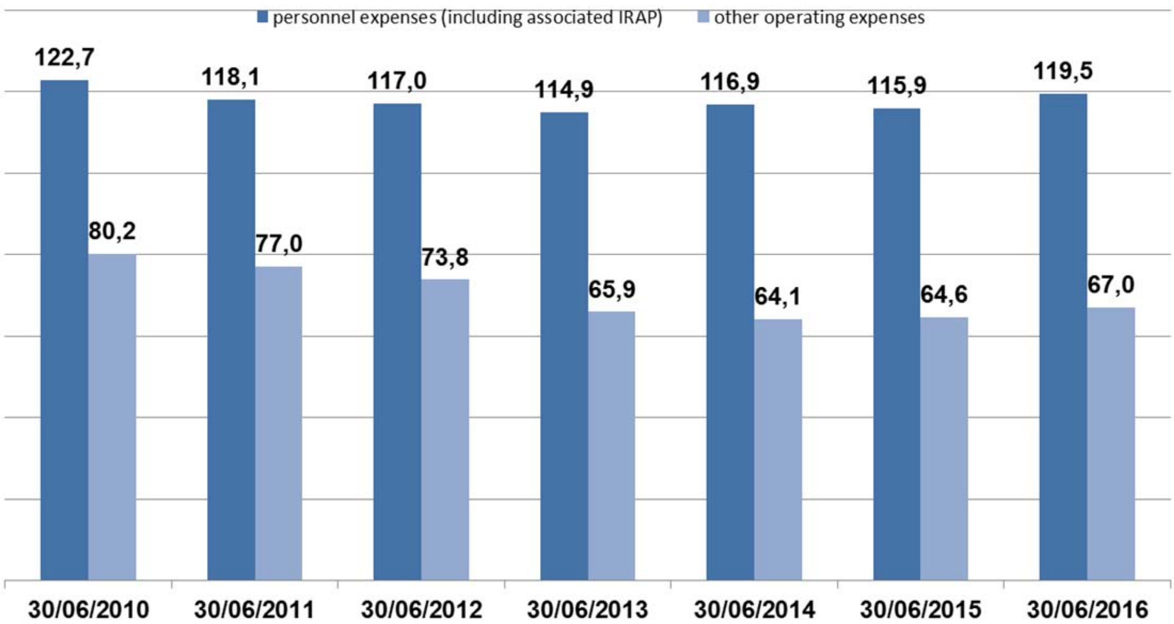
Personnel expenses (Euro millions)

Item	30/06/2016	Proportion (%) of total	30/06/2015	Proportion (%) of total	Changes absolute	Changes %
Employees	116.1	96.9%	110.9	95.7%	5.1	4.6%
Directors	2.1	1.7%	2.6	2.2%	(0.5)	-19.8%
Statutory Auditors	0.3	0.2%	0.4	0.3%	(0.1)	-32.0%
Other	0.6	0.9%	1.4	1.2%	(0.8)	-25.2%
TOTAL PERSONNEL EXPENSES	**119.1**	**99.7%**	**115.3**	**99.5%**	**3.8**	**3.6%**
IRAP on net personnel and seconded personnel expenses	0.4	0.3%	0.6	0.5%	(0.2)	-37.2%
PERSONNEL EXPENSES INCLUDING ASSOCIATED IRAP	**119.5**	**100.0%**	**115.9**	**100.0%**	**3.6**	**3.4%**

Other administrative expenses (net of recovery of indirect taxes) totalled € 67.5 million, up with respect to 30 June 2015, when they were € 64.2 million. The increase with respect to the first half of 2015 is essentially due to the contribution to the SRF, in that in 2015 the economic impact of this fund and the DGS was only seen in the second half. Net of contributions to guarantee funds, administrative expenses were 1% lower than at 30 June 2015, in particular due to lower consulting expenses, legal/fiscal/notary fees paid to external professionals, advertising, information and inquiry expense and postal fees.

Other operating expenses represent write-downs on tangible and intangible assets, in the amount of € 16.3 million, compared to 15.3 million at 30 June 2015.

Growth of operating expenses from the first half of 2010 to the first half 2016



Other operating income, after deducting the recovery of indirect taxes, came to € 16.7 million, up with respect to 30 June 2015, when the amount was € 14.8 million.

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

Net provisions for risks and charges

New provisions for risks and charges amounted to € 1.6 million, compared with the figure of € 3 million in the comparison period. This decrease can be attributed to lower provisions against operational risks, demonstrating the Group's prudent risk management.

Net value adjustments

Net value adjustments on loans amounted to € 38.7 million at the end of the half, with respect to € 92.1 million in 2015, a decrease of 57.9%. The change was due to two effects: on the one hand the adjustments at 30 June 2015 included the evidence related to the Bank of Italy inspection, together with a number of legislative and internal policy updates; on the other the first half of 2016 saw a continuation of the positive trend, which had begun towards the end of 2015, of decreasing new entries to the impaired category and consequent lower write-downs.

Due to the above, the ratio between net write-downs plus losses on disposal and cash loans went from 1.8% at 31 December 2015 to 1% (annualised) at the end of June 2016.

At 30 June 2016 the coverage ratio with reference to bad loans was 61.8%, while, at 31 December 2015, it was 60.4%. The coverage ratio on anomalous loans, understood as total write-downs booked on impaired cash loans over gross loans disbursed stood at 50.6%; at 31 December 2015 it was 47.7%.

Income taxes

Income tax amounts to € 12.4 million, compared to 6.1 million the previous year, with an increase of 102.0%, with respect to a 405.9% increase in before tax profits.

Said income taxes for the year on continuing operations are net of IRAP related to personnel expenses, which was reclassified increasing this component (and which saw positive effects from the changes introduced by Law 190 of 23/12/2014 regarding the deductibility of IRAP for expenses incurred in relation to employees with permanent contracts).

The tax rate, net of the components indicated above, thus fell from 41.4% in the first half of 2015 to 13.8% in the first half of 2016.

The reduction in the tax rate is due to the different impact of dividends and capital gains from disposals of investments on the before tax results, as they had the requirements set out in articles 89, paragraph 2 and 87 of Presidential Decree 917/86, making them almost entirely untaxable.

Reclassified Balance Sheet

Reclassified income statement (Euro millions)

Assets	30/06/2016	31/12/2015	% change since 31/12/2015
Financial assets [(1)]	3,599.4	3,017.9	19.3%
Due from banks	521.9	304.0	71.7%
Cash loans (excluding repurchase agreements receivable) [(2)]	7,858.6	7,686.1	2.2%
Reverse repurchase agreements	257.5	347.4	-25.9%
Equity investments	11.3	11.5	-1.2%
Tangible and intangible fixed assets [(3)]	274.1	295.2	-7.1%
Tax assets	263.2	288.6	-8.8%
Non-current assets and asset groups held for sale	-	1,517.2	-100.0%
Other assets [(4)]	486.5	500.2	-2.7%
TOTAL ASSETS	**13,272.6**	**13,968.1**	**-5.0%**
Liabilities and Shareholders' equity	**30/06/2016**	**31/12/2015**	**% change since 31/12/2015**
Due to banks	563.6	639.3	-11.8%
Direct deposits, exclusive of repurchase agreements payable [(5)]	10,698.6	10,164.7	5.3%
Repurchase agreements	15.0	17.8	-15.9%
Total direct deposits	10,713.6	10,182.5	5.2%
Financial liabilities [(6)]	200.4	38.0	427.4%
Tax liabilities	29.8	38.9	-23.4%
Other liabilities [(7)]	598.5	428.5	39.7%
Provisions for specific purposes [(8)]	85.2	82.1	3.8%
Liabilities associated to groups of assets being divested	-	1,516.3	-100.0%
Shareholders' equity [(9)]	1,081.5	1,042.5	3.7%
- pertaining to the group	894.3	831.7	7.5%
- pertaining to minority interests	187.2	210.8	-11.2%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**13,272.6**	**13,968.1**	**-5.0%**

(1) Given by the sum of the following balance sheet asset items: 20 "Financial assets held for trading", 30 "Financial assets carried at fair value", 40 "Financial assets available for sale".
(2) Item 70 "Due from customers" in the balance sheet assets, exclusive of repurchase agreements.
(3) Given by the sum of the following balance sheet asset items: 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", 90 "Value adjustment of financial assets subject to macrohedging" and 160 "Other assets".
(5) Given by the sum of the following balance sheet liability 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 "Provision for severance indemnities" and 120 "Provisions for risks and charges".
(9) Given by the sum of the following balance sheet liability items: 140 "Valuation reserves", 170 "Reserves", 180 "Share premiums",190 "Capital" and 210 "Equity pertaining to third-parties," and 220 "Profit for the period".

In the first half of 2016 total assets decreased by 5%, reaching € 13,272.6 million, compared with € 13,968.1 million recorded at the end of 2015.

Banking business with customers, net of reverse repurchase agreements, saw a 2.2% increase in cash loans (€ 7,858.6 million, compared with 7,686.1 million in the previous year).

Direct deposits amounted to € 10,713.6 million compared with € 10,182.5 million in the previous year, an increase of 5.2%.

For the Group, the ratio between cash loans and direct deposits (net of repurchase agreements for € 15 million) was 73.5%, improving the already excellent liquidity level that has always been an important indicator of financial stability for the Group. Finally, shareholder's equity, inclusive of valuation reserves, increased, settling at € 1,081.5 million (187.2 of which pertaining to minority interests), a 3.7% increase with respect to the end of the previous year, when it was € 1,042.5 million.

Financial assets and liabilities

Financial assets/liabilities of the Group (Euro millions)

Item	30/06/2016	Proportion (%) of total	31/12/2015	Proportion (%) of total	Changes	
					absolute	%
Financial assets						
Financial assets held for trading	914.2	25.4%	377.7	12.5%	536.5	142.1%
Financial assets available for sale	2,685.2	74.6%	2,640.2	87.5%	45.0	1.7%
Financial assets held to maturity	-	0.0%	-	0.0%	-	0.0%
Total financial assets	**3,599.4**	**100.0%**	**3,017.9**	**100.0%**	**581.5**	**19.3%**
Financial liabilities						
Financial liabilities held for trading	(200.4)	100.0%	(38.0)	100.0%	(162.4)	427.4%
Total financial liabilities	**(200.4)**	**100.0%**	**(38.0)**	**100.0%**	**(162.4)**	**427.4%**
TOTAL NET FINANCIAL ASSETS AND LIABILITIES OF THE GROUP	**3,399.0**		**2,979.9**		**419.1**	**14.1%**

Financial assets held for trading are mainly associated with Banca Sella Holding (95.8%). During the first half, debt securities (which account for 95.7% of the item) increased by € 529.9 million, going from € 345.4 million at 31 December 2015 to € 875.3 million at 30 June 2016.

This trend is mainly due to market making activities relative to government securities carried out by Banca Sella Holding, which led to a significant increase in positions relative to Italian government securities with extremely short maturity dates. Also worthy of note is the increase in technical exposures included among financial liabilities held for trading which partially counterbalanced the increase. The technical exposures rose from around € 19 million at 31 December 2015 to around € 183 million at 30 June 2016.

The strategy of diversification of investments was maintained, paying particular attention to the quality of bonds of banking, financial and corporate issuers in the portfolio.

Assets available for sale are, for the most part, held by Banca Sella (65.7%). The sub-item debt securities, which accounts for 96.5% of the total, consists of Italian government securities and highly rated bank bonds.

The size of this segment rose slightly during the half, reaching € 2,588.8 million at 30 June 2016.

The exposure in BTPs remained more or less stable, while the most significant changes were recorded on CCTs (approximately € -18.2 million), bank bonds (approximately € +37.8 million) and corporate bonds (approximately € +11.5 million).

As regards asset allocation, the floating-rate component, which fell slightly compared to 31 December 2015, represented about 30%, while the remaining 70% was invested in fixed-rate securities with short or medium-term maturity. Exposure to interest-rate risk remained at very low levels for the entire period in question. With an eye to increasing diversification, during the year exposure to both banking and corporate private issuers was increased, with an average maturity of 3 years.

Equity securities also include minority interests, which according to the requirements of the IFRS, were subjected to impairment tests continuing that done in the financial statements at 31 December 2015 and did not show any substantial differences, with the exception of that indicated below.

During the half in question, write-downs were carried out on:

- Veneto Banca (measurement method: market multiples): on 31 March the value of the investment was written down for € 144 thousand, with effects recognised in the income statement;
- Veneto Banca (measurement method: recent market transactions): on 30 June the value of the investment was aligned with the price of the recent capital increase carried out by the Company, with a further write-down of € 1.031 million recognised in the income statement;

- Società Aeroporto di Cerrione (measurement method: recent market transactions): the value of the investment was eliminated, with € 35 thousand recognised in the income statement;

- Symbid Corpo (measurement method: comparable transactions): the value of the investment was aligned with the average of market prices in June, with a write-down of € 246 thousand recognised in the income statement;

- Digital Magics (measurement method: market listing): the value of the investment was aligned with the closing market price on 30/06/2016, with a write-down of € 66 thousand recognised in the income statement.

On the other hand, shareholders' equity reserves were subject to changes relative to:

- Compagnie Financière Martin Maurel (measurement method: recent market transactions): a positive shareholders' equity reserve was recognised on the basis of the price established in the planned merger operation with Rothschild & Co. in the amount of € 26.8 million;
- H-Farm (measurement method: market listings): the positive shareholders’ equity reserve was adjusted on the basis of the closing market price at 30/06/2016 for an amount of € 35 thousand;
- Programma 101 (measurement method: NAV): the negative shareholders' equity reserve was adjusted on the basis of the most recent available NAV in the amount of € 87 thousand;
- SI2 (measurement method: NAV): the negative shareholders' equity reserve was adjusted on the basis of the most recent available NAV in the amount of € 56 thousand;
- United Ventures One (measurement method: NAV): a negative shareholders' equity reserve was recognised on the basis of the most recent available NAV for € 9 thousand;
- Mission & Market Fund I LLC (measurement method: recent market transactions): the investment was recognised at the value of the purchase transaction completed in February; at 30/06/2016 a negative shareholders' equity reserve was recognised on the basis of the current EUR/USD exchange rate, in the amount of € 4 thousand;
- PENSPLAN INVEST SGR SpA (equity method of measurement): an impairment compared to the book value was found, so a write-down of the equity investment was made in the income statement for € 16,439.78;
- Funivie Madonna di Campiglio (equity method of measurement): the value remained the same as that at 31 December 2015;
- Funivie Folgarida Marilleva (equity method of measurement): the value remained the same as that at 31 December 2015.

The loans sub-item included as “Financial Equity Instruments” the Comital Saiag S.p.A. now Cuki Group S.p.A. position, for which a restructuring agreement was signed in 2009, which had generated the partial conversion of the total amount owed to the Bank of € 9 million.

On the basis of the economic and financial information provided by the Comital Group, in the context of the presentation of the “Update of the 2016-2018 Business Plan”, and of the Consolidated Financial Statements of the Cuki Group at 31 December 2015, during the first quarter the valuation of the equity instrument was updated. Considering the Company's most recent final data it was considered opportune to write it down in the income statement for € 200,000. During the second quarter, when it became known that the investee company's receivables had been sold and that two leading national banks had sold the Financial Equity Instruments in question to a fund specialised in non-performing receivables, the valuation was changed again. The details of the transactions mentioned establish for the Financial Equity Instruments a value of € 1 for the entire packet in possession of the sellers and therefore it was considered correct to write off the equity investment in the income statement. The book value at 30 June 2016 was therefore zero.

The amount of the sub-item "Loans" at 30 June 2016 refers mainly, in the amount of € 5.2 million, to a Zurich Assicurazioni policy subscribed by Banca Patrimoni Sella& C., classified by the same therein.

Financial liabilities

The change in financial liabilities held for trading with respect to 31 December 2015 can mainly be attributed to the increase in short positions in government securities for market making activities. These liabilities are also covered through repurchase agreements relative to the same securities.

Banking business with customers - collection

At the end of the half total deposits – consisting of all the assets administered on behalf of customers – amounted to € 28,363.4 million, up 5.3% compared with the year ending at 31 December 2015.

Total deposits (in Euro thousands)

Item	30/06/2016	Proportion (%) of total	31/12/2015	Proportion (%) of total	Changes absolute	Changes %
Direct deposits excluding repurchase agreements payables	10,698.6	37.7%	10,164.7	37.7%	533.9	5.3%
Repurchase agreements	15.0	0.1%	17.8	0.1%	(2.8)	-15.9%
Indirect deposits	17,649.8	62.2%	16,750.5	62.2%	899.3	5.4%
Total deposits	**28,363.4**	**100.0%**	**26,933.1**	**100.0%**	**1,430.3**	**5.3%**

Direct deposits

At the end of the first half of 2016, direct deposits from customers, excluding repurchase agreements, amounted to € 10,698.6 million, a 5.3% increase with respect to the previous year.

The breakdown of direct deposits shows growth in amounts due to customers, including repurchase agreements, which amounted to € 10,713.6 million shows an increase of € 531.1 million (+5.2%) with respect to 2015, when they came to € 10,182.5 million. The most significant change within the aggregate was that relative to current accounts and demand deposits, which were up by € 707.5 million.

As regards the other components of direct deposits, securities in issue, of € 676.3 million, declined by -18.6% compared with the € 831.1 million of 2015 because traditional placings with customers were lower than issues maturing with institutional investors.

Repurchase agreements, standing at € 15 million, recorded a decline equal to € 2.8 million on the previous year.

Direct deposits (Euro millions)

Item	30/06/2016	Proportion (%) of total	31/12/2015	Proportion (%) of total	Changes absolute	Changes %
Due to customers (excluding repurchase agreements)	10,022.3	93.6%	9,333.6	91.7%	688.7	7.4%
- Current accounts and demand deposits	8,897.1	83.1%	8,189.6	80.4%	707.5	8.6%
- Term deposits	816.7	7.6%	908.7	8.9%	(92.0)	-10.1%
- Other loans and advances	180.0	1.7%	114.9	1.1%	65.1	56.7%
- Other	128.6	1.2%	120.5	1.2%	8.1	6.7%
Securities in issue	676.3	6.3%	831.1	8.2%	(154.8)	-18.6%
TOTAL DIRECT DEPOSITS	**10,698.6**	**99.9%**	**10,164.7**	**99.8%**	**533.9**	**5.3%**
Repurchase agreements	15.0	0.1%	17.8	0.2%	(2.8)	-15.9%
TOTAL DIRECT DEPOSITS (INCLUDING REPURCHASE AGREEMENTS)	**10,713.6**	**100.0%**	**10,182.5**	**100.0%**	**531.1**	**5.2%**

Indirect deposits

Indirect deposits in nominal values are understood as the sum of the items "Asset Management", "Other third party securities held in deposit (net of securities issued by companies included in the consolidation)" of the "Other information" section of the Explanatory Notes to the Balance Sheet and the component relating to income from insurance activities, as indicated in the table "Breakdown of indirect deposits " present in the same section of the Explanatory Notes. The aggregate at 30 June 2016, was therefore € 17,649.8 million, an increase of 5.4% on an annual basis.

The main component of indirect deposits consists of administered deposits, which represents 63.7% of the total. Assets managed represent 24.4% of indirect deposits, whilst insurance income accounts for 10.7%. Compared with the previous year there was a decrease in the proportion of administered deposits and an increase in the insurance component.

Relative to Banca Sella Group investment services, we note the trends for net banking income and profits coming from indirect funding.

Analysing the two components that make up net banking income, trading services, OLT exchanges and managed savings services, the progressive figure at 30 June 2016 comes to € 21 million for the first two, and € 33 million for the items associated with managed savings.

Analysis of total profitability relative to the Banca Sella Group's indirect funding gives a figure of 0.642% (gross of reimbursements to the financial advisors of Banca Patrimoni Sella & C.).

Indirect deposits (Euro millions)

Item	30/06/2016	Proportion (%) of total	31/12/2015	Proportion (%) of total	Changes	
					absolute	%
Managed portfolios	4,363.9	24.4%	4,212.9	24.9%	151.0	3.6%
Assets under administration	11,382.2	63.7%	10,950.0	64.6%	432.2	4.0%
Insurance funding	1,903.7	10.7%	1,587.7	9.4%	316.0	19.9%
Total indirect deposits	**17,649.8**	98.8%	**16,750.5**	98.8%	899.3	5.4%

Profits from indirect funding also include revenues deriving from placement of funds, both UCITS from companies outside of the Group and funds managed by **Sella Gestioni,** the Group's SGR.

Sella Gestioni SGR SpA

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

At the end of the half, the Company managed 12 mutual funds operating under Italian law, a mutual fund operating under Italian law specialising in investment in parts of other UCITS, consisting of 6 segments, a pension fund divided into 5 segments, as well as a SICAV operating under Luxembourg law and one Monaco-based fund. For the placing of its products the Company works with banks and security brokerage companies both within and beyond the Banca Sella Group.

At 30 June 2016 total assets managed (net of duplications) amounted to € 1,857.7 million, a decrease of 3.89% with respect to the end of 2015.

As regards collective management, including the pension fund, at year end the assets were invested as follows: 73.5% in bond funds, 12% in balanced and flexible funds and 14.5% in equity funds.

The first half of 2016 ended with net profits of € 1.517 million, up with respect to the € 889 thousand seen in the first half of 2015, thanks to the contribution of profits coming from the sale of the investment in Cba Vita.

Net fees came to € 3.762 million, down by 7% with respect to the figure in the first half of 2015 due to lower average assets managed, mainly as a result of unfavourable trends on the financial markets.

Net banking income came to € 3.70 million with a 14.7% increase with respect to the figure from the first half of 2015, mainly due to the effect offset by that outlined in the previous section and lower profit from the own portfolio.

Overheads, amounting to € 3.17 million, fell by 0.5% compared with the corresponding period in the previous financial year.

The Company's workforce, including seconded staff, went down from 47.26 full time equivalents at the end of 2015 to 45.23 full time equivalents at 30 June 2016.

For the second half of 2016, the plans are to pursue a growth objective of volumes and quality of products managed, in a context that is increasingly attentive to limiting costs.

Private Banking

The **Private Banking sector of the Banca Sella Group** includes the company Banca Patrimoni Sella & C. and Banca Sella's Private Banking division. The total stock of the Private Banking sector of the Banca Sella Group as of 30 June 2016 amounted to approximately € 16,500 million, with an increase of over € 1 billion with respect to 31 December 2015.

Total net deposits for the Group's Private Banking grew by € 118 million over the first 6 months of 2016.

During the initial part of the year, stock markets were particularly volatile, returning to a more stable path in April. However, in June volatility increased again following the referendum on the United Kingdom leaving the EU. Stock markets in Europe and Japan (at 30/06: Eurostoxx 50 -12%, FTSE Mib -24.40%, Nikkei -6.80%), saw notable reductions and the Brexit effect amplified losses by around 4-5%, with respect to what would have occurred without it. Stock markets in the US and emerging countries suffered less (at 30/06 S&P 500 +0.43, in Euro). In particular, delaying of expected rate increases for US monetary policy contributed to earnings in emerging countries, while the US stock indexes recorded lower losses, as they benefited from certain macroeconomic ratios, at least until April.

The in-depth knowledge that the Group's private bankers/financial advisors have about their private clientèle, consolidated over time, supported customers' investment choices in a situation that was not always favourable. The asset mix of the customers of Banca Patrimoni Sella & C. at the end of 2016 consisted for 54.70% of Individual Portfolio Management and Mutual Investment Funds; for Banca Sella Private Banking it was 33.60%. In 2015, the insurance component in both banks grew by around 6.7%.

At 30 June 2016, deposits under advisory for Family Advisory Sim Sella & Partners amounted to around € 1,200 million. This is the Family Office held 85% by Banca Patrimoni Sella & C. and 15% by the management of the same company.

Banca Patrimoni Sella & C.

Banca Patrimoni Sella & C. ended the half with profits of € 2.8 million. Net interest income, including dividends and other income, rose by around 10.4% with respect to the same period the previous year. This increase can mainly be traced to a decrease in interest expense, also considering the trend for market rates, in relation to both amounts due to banks and to customers. Net fees fell by 1.4%, amounting to € 14.9 million in the first half of 2016, a change of around € 200 thousand with respect to the same period the previous year. The negative effect on this aggregate was generated by the decrease in fee income, due to a reduction in volumes, and the consequent reduction in fee expenses. Operating income fell by 18.1% with respect to the same period the previous year, falling from € 29.8 million at 30 June 2015 to € 24.4 million at 30 June 2016. This effect can be traced to the profits deriving from the sale of AFS securities in the first half of financial year 2015, which had an extraordinary positive impact on operating income the previous year. The disposal operation described was obviously not replicated in the first half of 2016. When net banking income for the first half of 2016 is compared with the same period in 2015, net of the extraordinary positive effects of the profits deriving from the large sale of AFS securities, operating income in 2016 actually increases by 2.5%, rising from € 23.8 million at 30 June 2015 to € 24.4 million at 30 June 2016.

Operating expenses, net of stamp duty recoveries, increased by 7% with respect to 30 June 2015, going from € 17.9 million to € 19.1 million. The increase is mainly due to a roughly 8.5% increase in personnel expenses, following hirings during the period. The growth in the impact of depreciation/amortisation also contributed, both relative to tangible and intangible assets, following increased multi-year expenses connected to new offices for functional use in 2015, as well as the completion of IT projects which saw the consequent start of depreciation. Recovery of stamp duty during the half came to € 5 million, in line with the € 5.2 million recovered in the same period the previous year. Note the increased impact from both write-downs on tangible and intangible assets, and from net allocations to provisions for risks and charges.

More specifically, write-downs relative to tangible assets increased by 28.5%, going from € 457 thousand at 30 June 2015 to € 586 thousand at 30 June 2016. Again comparing the first half of 2015 to the first half of 2016, the increase in write-downs relative to intangible assets was around € 127 thousand, currently amounting to € 280 thousand. For more information about the reasons behind this increase, please refer to the previous section relative to operating expenses.

A similar upward trend can be seen relative to net allocations to provisions for risks and charges, which rose from € 306 thousand at 30 June 2015 to € 658 thousand at 30 June 2016, a 115% increase. The increase is due to great allocations to the Supplemental Indemnity Fund for Customers[4], mainly due to the discounting effect associated with the continued decrease in market rates, as well as the obvious effects of the increase in the statutory liability itself.

During March 2016, a new branch was opened in Padua, with the objective of optimising coverage of the area in terms of services and products offered, always with the aim of respecting the mission to faithfully protect customers' assets over time. In this way, the Bank's branches rose to 11, located throughout the country.

In regards to volumes, total deposits came to € 10,696 million, a small decrease of 1.9% with respect to the balance at 31 December 2015. Management delegations, after deducting managed deposits associated with customers who deposit with Group banks and are assisted by our financial advisors who provide off site activities, came to € 1,421 million at 30 June 2016, compared to a balance of € 1,468.9 million at 31 December 2015.

[4] The provision made to the Supplemental Indemnity Fund for customers represents the indemnity the Bank would have to pay to a financial advisor in the case of resolution of an agency contract with the conditions established under article 1751 of the Civil Code being met.

Receivables

Cash loans (in Euro millions)

Item	30/06/2016	Proportion (%) of total	31/12/2015	Proportion (%) of total	Changes	
					absolute	%
Due from customers (excluding	**7,858.6**	**96.8%**	**7,686.1**	**95.7%**	**172.5**	**2.2%**
Performing	7,243.7	89.3%	7,036.7	87.6%	207.0	**2.9%**
- Current accounts	836.0	10.3%	788.0	9.8%	48.1	**6.1%**
- Mortgage loans	3,385.6	41.7%	3,318.7	41.3%	66.9	**2.0%**
- Credit cards, personal loans and loans on wage assignments	1,107.3	13.6%	1,123.2	14.0%	-15.9	**-1.4%**
- Financial leasing	870.8	10.7%	857.2	10.7%	13.6	**1.6%**
- Other transactions	1,043.9	12.9%	949.5	11.8%	94.4	**9.9%**
- Debt securities	0.1	0.0%	0.1	0.0%	0.0	**3.3%**
Non-performing assets	614.9	7.6%	649.4	8.1%	-34.5	**-5.3%**
TOTAL CASH LOANS (EXCLUDING REPURCHASE AGREEMENTS)	**7,858.6**	**96.8%**	**7,686.1**	**95.7%**	**172.5**	**2.2%**
Repurchase agreements	257.5	3.2%	347.4	4.3%	-89.9	-25.9%
TOTAL CASH LOANS	**8,116.1**	**100.0%**	**8,033.5**	**100.0%**	**82.6**	**1.0%**
Details for Group companies						
Banca Sella Holding	362.1	4.5%	322.3	4.0%	39.8	12.3%
Biella Leasing	947.6	11.7%	941.6	11.7%	6.0	0.6%
Consel	861.3	10.6%	922.7	11.5%	-61.4	-6.7%
Banca Patrimoni Sella & C.	314.5	3.9%	279.4	3.5%	35.1	12.6%
Banca Sella	5,626.2	69.3%	5,644.9	70.3%	-18.7	-0.3%
Other Group companies	4.5	0.1%	-77.3	-1.0%	81.8	-105.8%
Total for Group companies	**8,116.1**	**100.0%**	**8,033.5**	**100.0%**	**82.6**	**1.0%**

The trend for loan disbursement was positive in the first half of 2016. After two years of negative performance, net loans, thanks to an improved economic situation and a recovery of demand, saw an increase of 2.2%, without considering repurchase operations, and reached € 7.9 billion. Group companies which mainly work in credit disbursement are Banca Sella (loans and current accounts), Biella Leasing (financial leasing), and Consel (consumer loans).

Credit quality

Gross impaired loans held by the Banca Sella Group remained stable at € 1.2 billion, but with a significant increase in the coverage level, which went from 47.68% at 31 December 2015 to 50.64% at 30 June 2016, reducing net impaired loans by 5.32%, demonstrating the prudent coverage policy followed by the Group for its impaired assets. In terms of individual impaired loan portfolios, bad loans have a coverage ratio of 61.78%, unlikely to pay are at 20.76%, and past-due positions are at 25.13%.

Credit quality (Euro millions)

Item	30/06/2016	Proportion (%) of total	31/12/2015	Proportion (%) of total	Changes	
					absolute	%
Due from customers	**8,116.1**	**100.00%**	**8,033.5**	**100.00%**	**82.6**	**1.03%**
Performing loans	7,501.2	92.42%	7,384.1	91.92%	117.1	1.59%
Impaired loans	614.9	7.58%	649.4	8.08%	(34.5)	-5.32%
of which net bad loans	*346.0*	*4.26%*	*339.1*	*4.22%*	*6.9*	*2.02%*
of which unlikely to pay	*251.2*	*3.09%*	*289.2*	*3.60%*	*(38.1)*	*-13.16%*
of which expired impaired	*17.8*	*0.22%*	*21.1*	*0.26%*	*(3.3)*	*-15.81%*

With reference to the non-performing loan ratio (the ratio between gross impaired loans and gross loans), note that the 14.6% figure for the Banca Sella Group (calculated on figures gross of adjustments) should be compared with the EBA figure at 31/03/2016 determined for a sample of representative banks, which in Italy came to 17% (EBA Report on the Dynamics and Drivers of Non-Performing Exposures in the EU Banking Sector, 22 July 2016).

A key objective is to progressively reduce the NPL ratio, which involves strengthening management strategies for impaired loans to render them increasingly active, efficient and informed, while improving the IT system to improve the quality, accuracy and completeness of information relative to NPLs.

Finally, the Texas ratio, which expresses the capacity of tangible shareholders' equity combined with the provision for doubtful accounts to cover impaired assets, is demonstrating an increasingly satisfactory figure. In fact, it went from 94.27% at 31 December 2014 to 80.27% at 31 December 2015, to 76.45% at 30 June 2016.

Below we provide the main results achieved by our companies during the first half of 2016.

Banca Sella

Banca Sella maintained its support for households, offering mortgages to purchase or remodel homes, and to companies that have demonstrated appropriate economic prospects and business continuity, disbursing short-term loans to support the carrying out of current activities, and medium/long-term loans for new investments and/or to restructure short-term debt. Loans to businesses also continued in collaboration with Biella Leasing, the Group's leasing company, and with Consel, the Group's consumer credit company, for the disbursement of consumer credit loans to private customers.

Also during 2016, the concrete collaboration with Regional Councils, Industrial Associations and Loan Consortia continued, using the funds made available by the EIB and by Cassa Depositi e Prestiti (the national Deposits and Loans Bank).

Net bad loans at 30 June 2016 amounted to € 311.5 million for Banca Sella (the figure includes securitisation volumes), up by 2% compared to 31/12/2015 (€ 305.5 million). The ratio to cash loans was 4.6%; it comes out at 4.5% if loans net of repurchase agreements are considered.

In the first half of 2016 the flow of gross new bad loans totalled € 57.2 million, a significant drop (-53.2%) compared to the first half of 2015. The change in new entries into the bad loan category was due to two effects: on the one hand a reduction in flows into this category, which confirms the positive trend that began already at the end of financial year 2015, on the other the flows of 2015 included the most evident effects of the internal policy update introduced in May 2015, which entailed a reduction in monitoring times for classification as bad. In June 2016 a transaction for sale without recourse of bad loans backed by real guarantees was completed with Algebris through the Nemo SPV s.r.l fund. This regarded 9 positions for € 12.2 million. The sale of these loans is the result of due diligence activity over several months which led to a narrow selection of positions with properties considered of particular interest for subsequent property development by the purchasers. The impact of the transaction on the income statement was not significant.

At 30 June 2016, the number of bad loans was 11,678, of which 72.3% were below the threshold of € 50,000 and 31.2% of € 5,000.

In June 2016, the coverage ratio referred to bad loans was 61.1%, whilst at the end of last year it was 60.0%, a 1.1% increase. Therefore, coverage of bad loans was strengthened, with adequate protection against credit risk in this category.

Positions in unlikely to pay amounted at 30 June 2016 to € 213.2 million (net cash exposures including securitisations) down by 12.9% compared to 31 December 2015 (€ 244.8 million).

At 30 June 2016 loans backed by mortgage guarantees amounted to € 153.8 million net and the number of loans classified as unlikely to pay corresponded to 3,973 customers, of which 1,477 with revocation of the credit, for € 38.5 million of net exposures.

In June 2016, the coverage ratio referred to unlikely to pay was 18.9%, whilst at the end of last year it was 18.4%, a 0.5% increase.

Past-due and over-the-limit loans amounted at 30 June 2016 to € 10.7 million (net cash exposures including securitisations). At 31 December 2015 past-due and over-the-limit loans amounted to € 11.2 million. The exposure decreased by 5.2%.

Past due and over-the-limit loans include 84 positions with total exposure of € 3.6 million, which benefit from mortgage guarantees. At 30 June 2016, the number of past due and over-the-limit loans corresponded to 6,624 customers.

In all, analytical adjustments applied to the volumes of past due and over-the-limit loans of Banca Sella amounted, at 30 June 2016, to € 1.5 million (1.5 million at 31 December 2015).

At June 2016 the coverage ratio with reference to past-due exposures was 12.6%, an increase compared to the previous year, when it was 11.8%.

Biella Leasing

At 30 June, contracts stipulated came to 2,543 (+19.45%) for a total of € 157 million (+21.31%). The market share amounted to 1.27% of total new contracts and 1.75% of the value of the same, compared to 1.09% and 1.44%, respectively, at the end of 2015.

Compared to production in the first half of 2015, the auto sector saw a 41.82% increase, the instrumental sector saw a 13.59% increase, and the property sector a decrease of 29.25%. The renewable energy and shipping sector showed signs of recovery with respect to the levels seen the previous year.

The trend for new production, divided by origin, shows agents and brokers contributing 83.66%, the Banca Sella Group 11.99% and the direct portion at 4.35%.

The period ended with net leasing items at € 948.4 million, up with respect to the end of the previous year, when the figure was € 937.2 million.

Net bad loans represented 3.11% of the loans in the balance sheet, exclusive of bank current accounts, compared to 3.24% at 31 December 2015.

More specifically, gross impaired loans came to € 120.6 million (€ 122.6 million at the end of the previous year), representing 11.97% of total gross loans.

Note that during the half, the loss given default (LGD) calculation model was modified. This is used to collectively evaluate loans.

Two distinct models were developed, based on the type of asset underlying the leasing contract: property and other types.

For non-property contracts, in order to determine the total amount of losses recorded, from the time an item is classified as default until it is definitively "closed" (loss), a change was made to a "simple average" calculation relative to the loss percentage recognised on individual closed contracts, also including the economic effects of the actuarial calculation, which previously had not been considered.

For property contracts, a new calculation model was introduced that uses both definitive data relative to closed positions and forecast information relative to expected losses for still open positions.

Consel

With respect to the same period the previous year, Consel S.p.A. saw a slight decrease in its market share, which came to around 0.78%.

In terms of disbursements, there was overall growth in volumes disbursed (+16.3%), for a total of around € 242 million, while there was a decrease in the number of operations (-23.1% for 176 thousand operations financed), in line with that seen during the first quarter. This trend is associated with the different product mix, more focussed on products with a longer maturity and for greater amounts (personal loans, compared to the banking channel and salary-backed loans), as well as a lower number of loans completed against lower volumes and a higher average amount.

Examining the individual segments in detail, salary-backed loans saw a three figure increase (+187.8%), totalling around € 8 million, as did personal loans (+134.8%), with a total of around € 63 million.

Salary/pension backed loans were affected both by activities to purchase receivables without recourse and by commercial development activities. Relative to the personal loan product, we note a significant increase in volumes brokered by the banking channel.

Volumes generated by the auto segment continue to go against trend (-4% with respect to the previous year), as they remain dominated by captive companies, which are increasingly concentrated.

The decrease in credit cards was even more notable, amounting to € 20 million and showing a -14.5% drop with respect to the same period in 2015, due to the elimination of the partnership with Genertel.

On the other hand, a slight increase was seen in other loans for specific purposes (+3.1%), with total amounts coming to around € 78 million.

Human Resources

Human resources management and development

At 30 June 2016 the Banca Sella Group's staff totalled 4,280 employees, a decrease of 24 with respect to the figure at the end of 2015. The decrease is a consequence of the sale of the insurance branch, as previously described.

The personnel relating to the banking group alone (hence excluding the companies in the insurance sector) shows a number of employees at the end of the half of 4,259, an increase of 6 from 2015.

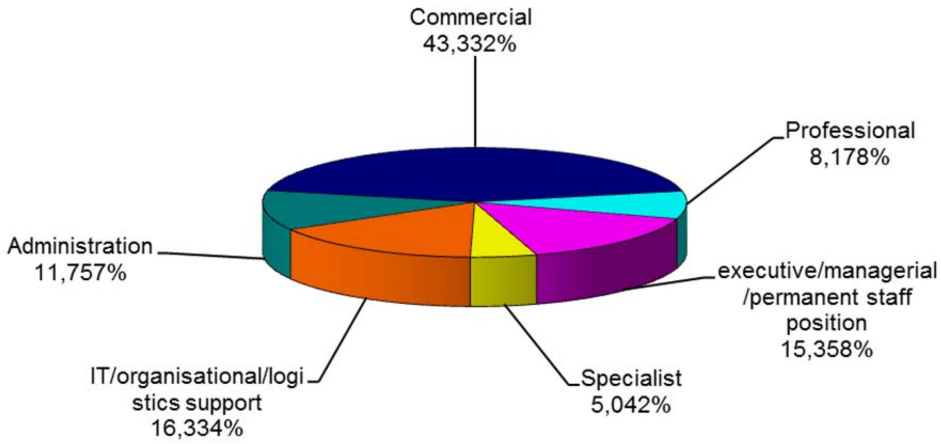
Staff was increased in particular within Banca Sella Holding (+14 units) and in Banca Sella (+9 units), with the largest decrease seen in Consel (-14 units).

GROUP STAFF STRUCTURE

Company	Employees at 30/06/2016	Proportion (%) of total 2016	Employees at 31/12/2015	Proportion (%) of total 2015	Changes	
					absolute	%
Parent Company						
Banca Sella Holding S.p.A.	250	5.8%	236	5.5%	14	5.9%
Banca Sella Group banking group						
Banca Patrimoni Sella & C. S.p.A.	222	5.2%	222	5.2%	0	0.0%
Banca Sella S.p.A.	2,759	64.5%	2,750	63.9%	9	0.3%
Chennai Branch - Banca Sella	239	5.6%	239	5.6%	0	0.0%
Biella Leasing S.p.A.	66	1.5%	65	1.5%	1	1.5%
Consel S.p.A.	230	5.4%	244	5.7%	-14	-5.7%
Easy Nolo S.p.A.	-	0.0%	1	0.0%	-1	-100.0%
Family Advisory SIM S.p.A.	5	0.1%	4	0.1%	1	25.0%
Selir S.r.l.	438	10.2%	440	10.2%	-2	-0.5%
Sella Bank A.G.	-	0.0%		0.0%	0	-
Miret S.A	2	0.0%	2	0.0%	-	0.0%
Sella Gestioni SGR S.p.A.	48	1.1%	50	1.2%	-2	-4.0%
Total Banca Sella Group banking group	**4,259**	**99.5%**	**4,253**	**98.8%**	**6**	**0.1%**
Average total Banca Sella Group banking group	**4,256**		**4,185**		**71**	**1.7%**
Brosel S.p.A.	21	0.5%	20	0.5%	1	5.0%
CBA Vita S.p.A.	-	0.0%	25	0.6%	-25	-100.0%
Sella Life Ltd	-	0.0%	6	0.1%	--6	-100.0%
Total Banca Sella Group civil-law group	**4,280**	**100.0%**	**4,304**	**100.0%**	**-24**	**-0.6%**
Average total Banca Sella Group civil-law group	**4,292**		**4,233**		**59**	**1.4%**

At the end of the first half of 2016, the average age of the Group's employees was approximately 39.95, with women representing 50.6% of the total workforce. The average age increased slightly with respect to the end of the previous year, when the average age was 39.83, while previously women represented 50.7% of the total.

The chart below provides a detailed breakdown of staff by professional category.



Treasury shares

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

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

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

(in Euro)	**Profit for the year 30 June 2016**	**Shareholders' equity at 30 June 2016**
Balances as per parent company financial statements	**14,390,436**	**662,334,933**
Treasury shares deducted	-	-
Equity pertaining to group of companies consolidated with line-by-line and net equity methods	-	238,962,009
Profit/(loss) for the period of consolidated investee companies, net of proportion pertaining to minority interests	54,292,394	54,292,394
Profit/(loss) for the period of investee companies measured with net equity method pertaining to the Group	16,886,520	16,886,520
Elimination of intra group dividends collected in the period	-9,357,523	-
Consolidation adjustments:		
Reversal of write-downs of consolidated investee companies	-	73,722,773
Valuation of goodwill	-	-51,028,754
Reversal of gains on sales made between group companies	-	-86,291,214
Other adjustments	-1,008,461	-14,611,060
Balances as per consolidated financial statements	**75,203,366**	**894,267,601**

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 the Notes. They comply with the provisions of the law and tend to represent the situation and the results of the Group as if it were a single corporate entity.

Biella, 29 September 2016

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

Maurizio Sella

Schedules from the Consolidated Financial Statements

at 30 June 2016

Consolidated Balance Sheet

CONSOLIDATED BALANCE SHEET ASSETS

Assets	30/06/2016	31/12/2015	Difference %
10. Cash and cash equivalents	103,187	130,889	-21.16%
20. Financial assets held for trading	914,237	377,710	142.05%
40. Financial assets available for sale	2,685,180	2,640,176	1.70%
60. Due from banks	521,895	303,956	71.70%
70. Due from customers	8,116,093	8,033,542	1.03%
80. Hedging derivatives	6,662	10,282	-35.21%
90. Value adjustment of financial assets subject to macrohedging (+/-)	139,996	123,141	13.69%
100. Equity investments	11,343	11,482	-1.21%
120. Tangible assets	191,394	209,812	-8.78%
130. Intangible assets	82,727	85,395	-3.12%
of which:			0.00%
- goodwill	34,459	38,457	-10.40%
140. Tax assets	263,175	288,615	-8.81%
a) current	77,591	99,130	-21.73%
b) deferred	185,584	189,485	-2.06%
of which Law 214/2011	163,375	167,962	-2.73%
150. Non-current assets and asset groups held for sale	-	1,517,184	-100.00%
160. Other assets	236,697	235,889	0.34%
Total assets	**13,272,586**	**13,968,073**	**-4.98%**

CONSOLIDATED BALANCE SHEET LIABILITIES

Liabilities and shareholders' equity	30/06/2016	31/12/2015	Difference %
10. Due to banks	563,588	639,301	-11.84%
20. Due to customers	10,037,311	9,351,419	7.33%
30. Securities in issue	676,260	831,101	-18.63%
40. Financial liabilities held for trading	200,422	38,004	427.37%
60. Hedging derivatives	143,042	128,513	11.31%
80. Tax liabilities	29,833	38,925	-23.36%
a) current	15,080	23,958	-37.06%
b) deferred	14,753	14,967	-1.43%
90. Liabilities associated to assets being divested	-	1,516,254	-100.00%
100. Other liabilities	455,479	299,956	51.85%
110. Provision for severance indemnities	43,627	39,281	11.06%
120. Provisions for risks and charges:	41,551	42,810	-2.94%
a) retirement and similar obligations	-	-	0.00%
b) other provisions	41,551	42,810	-2.94%
140. Valuation reserves	33,464	46,416	-27.90%
170. Reserves	573,035	544,189	5.30%
180. Share premiums	105,551	105,551	0.00%
190. Capital	107,014	107,014	0.00%
210. Equity pertaining to third-parties (+/-)	187,206	210,836	-11.21%
220. Profit (loss) for the year (+/-)	75,203	28,503	163.84%
Total liabilities and Shareholders' Equity	**13,272,586**	**13,968,073**	**-4.98%**

Consolidated Income Statement

CONSOLIDATED INCOME STATEMENT

Item	30/06/2016	30/06/2015	Difference %
10. Interest and similar income	157,673	190,668	-17.30%
20. Interest and similar expenses	(37,007)	(51,666)	-28.37%
30. Net interest income	**120,666**	**139,002**	**-13.19%**
40. Fee income	171,107	172,614	-0.87%
50. Fee expenses	(49,696)	(57,113)	-12.99%
60. Net fees	**121,411**	**115,501**	**5.12%**
70. Dividends and similar income	1,264	938	34.75%
80. Net gains/(losses) on trading activities	11,065	19,269	-42.58%
90. Net gains/(losses) on hedging activities	(946)	45	-2202.22%
100. Income (losses) from sale or repurchase of:	48,484	20,471	136.84%
a) receivables	(1,143)	48	-2481.25%
b) financial assets available for sale	49,555	20,867	137.48%
c) financial assets held to maturity	-	-	0.00%
d) financial liabilities	72	(444)	-116.22%
110. Net gains/(losses) on financial assets and liabilities carried at fair value	-	1,752	-100.00%
120. Net banking income	**301,944**	**296,978**	**1.67%**
130. Net value adjustments for impairment of:	(42,786)	(93,885)	-54.43%
a) receivables	(38,727)	(92,057)	-57.93%
b) financial assets available for sale	(3,685)	(1,921)	91.83%
c) financial assets held to maturity	-	-	0.00%
d) other financial transactions	(374)	93	-502.15%
140. Net financial operating gains (losses)	**259,158**	**203,093**	**27.61%**
150. Net premiums	-	207,718	-100.00%
160. Balance of other income/expenses from insurance operations	-	(213,677)	-100.00%
170. Net gains (losses) from financial and insurance operations	**259,158**	**197,134**	**31.46%**
180. Administrative expenses:	(211,273)	(204,155)	3.49%
a) personnel expenses	(119,143)	(115,276)	3.35%
b) other administrative expenses	(92,130)	(88,879)	3.66%
190. Net provisions for risks and charges	(1,601)	(2,981)	-46.29%
200. Net value adjustments on tangible assets	(7,973)	(8,156)	-2.24%
210. Net value adjustments on intangible assets	(8,265)	(7,093)	16.52%
220. Other operating expenses/income	41,367	39,534	4.64%
230. Operating expenses	**(187,745)**	**(182,851)**	**2.68%**
240. Income (Losses) from equity investments	344	895	-61.56%
270. Income (losses) from the disposal of investments	2,321	15	15373.33%
280. Profit (Loss) on current operations before tax	**74,078**	**15,193**	**387.58%**
290. Income taxes for the period on continuing operations	(12,749)	(6,744)	89.04%
300. Profit/(Loss) on continuing operations after tax	**61,329**	**8,449**	**625.87%**
310. Profit/(loss) on asset disposal groups held for sale after tax	26,993	-	0.00%
320. Profit (loss) for the period	**88,322**	**8,449**	**945.35%**
330. Profit (loss) for the period pertaining to minority interests	13,119	1,944	574.85%
340. Profit/(Loss) for the period pertaining to parent company	**75,203**	**6,505**	**1056.08%**

Comprehensive income

	Item *(in thousands of Euro)*	30/06/2016	30/06/2015
10.	**Profit (Loss) for the period**	**88,322**	**8,449**
	Other income components net of taxes without reversal to income statement		
20.	Tangible assets	(6,647)	-
40.	Defined benefit plans	(3,245)	2,807
	Other income components net of taxes with reversal to income statement		
80.	Foreign exchange gains (losses)	(289)	1,028
100.	Financial assets available for sale	(10,961)	7,325
120.	Share of valuation reserves in relation to investments evaluated via the equity method	(655)	(331)
130.	**Total of other income components after tax**	**(21,797)**	**10,829**
140.	**Comprehensive income (Items 10 +130)**	**66,525**	**19,278**
150.	Comprehensive consolidated income pertaining to third-parties	4,987	118
160.	**Comprehensive consolidated income pertaining to the Parent Company**	**61,538**	**19,160**

Statement of changes in Consolidated Shareholders' Equity at 31 December 2015

CHANGES TO SHAREHOLDERS' EQUITY AT 31 DECEMBER 2015 *(euro thousands)*

	Balance at 31/12/2014	Changes to opening balance	Balance at 01/01/2015	Allocation of previous year's profit		Changes for the year								Group shareholders' equity at 31/12/2015	Minority interest shareholders' equity at 31/12/2015
							Operations on shareholders' equity								
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase treasury shares	Distribution of extraordinary dividends	Change in equity instruments	Derivatives on treasury shares	Stock options	Profit for the year at 31/12/2015		
Share Capital:															
a) ordinary shares	146,755	-	146,755	-	-	-	49,880	-	-	-	-	-	-	**107,014**	**89,621**
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Share premiums	148,944	-	148,944	-	-	-	51,532	-	-	-	-	-	-	**105,551**	**94,925**
Reserves:															
a) from profits	480,988	-	480,988	65,014	-	-	11,914	-	-	-	-	-	-	**544,189**	**13,727**
b) other	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Valuation reserves	20,620	-	20,620	-	-	-	-	-	-	-	-	-	35,235	**46,416**	**9,439**
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Profit (Loss) for period	69,868	-	69,868	(65,014)	(4,854)	-	-	-	-	-	-	-	31,627	**28,503**	**3,124**
Net Group equity	773,971	-	773,971		(3,537)	4,037	-	-	-	-	-	-	57,202	**831,673**	
Minority interest shareholders' equity	93,204	-	93,204		(1,317)	(4,037)	113,326	-	-	-	-	-	9,660		**210,836**

Statement of changes in Consolidated Shareholders’ Equity at 30 June 2016

CHANGES TO SHAREHOLDERS' EQUITY AT 30 JUNE 2016 *(euro thousands)*

	Balance at 31/12/2015	Changes to opening balance	Balance at 01/01/2016	Allocation of previous year's profit: Reserves	Allocation of previous year's profit: Dividends and other allocations	Changes for the period: Changes in reserves	Changes for the period: Operations on shareholders' equity: Issue of new shares	Changes for the period: Operations on shareholders' equity: Purchase treasury shares	Changes for the period: Operations on shareholders' equity: Distribution of extraordinary dividends	Changes for the period: Operations on shareholders' equity: Change in equity instruments	Changes for the period: Operations on shareholders' equity: Derivatives on treasury shares	Changes for the period: Operations on shareholders' equity: Stock options	Changes for the period: changes in ownership interests	Profit for the year at 30/06/2016	Group shareholders' equity at 30/06/2016	Minority interest shareholders' equity at 30/06/2016
Share Capital:																
a) ordinary shares	196.635	-	196.635	-	-	-	-	-	-	-	-	-	(10.799)	-	**107.014**	**78.822**
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Share premiums	200.475	-	200.475	-	-	-	-	-	-	-	-	-	(15.609)	-	**105.551**	**79.315**
Reserves:																
a) from profits	557.916	-	557.916	29.808	-	-	-	-	-	-	-	-	667	-	**573.035**	**15.356**
b) other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Valuation reserves	55.855	-	55.855	-	-	-	-	-	-	-	-	-	-	(21.797)	**33.464**	**594**
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Profit (Loss) for period	31.627	-	31.627	(29.808)	(1.820)	-	-	-	-	-	-	-	-	88.323	**75.203**	**13.119**
Net Group equity	831.673	-	831.673		(62)	-	-	-	-	-	-	-	1.120	61.537	**894.267**	
Minority interest shareholders' equi	210.835	-	210.835		(1.758)	-	-	-	-	-	-	-	(26.861)	4.989		**187.206**

Consolidated cash flow statement – direct method

A. OPERATING ACTIVITIES	30/06/2016	30/06/2015
1. Operations	**78,252**	**86,253**
Interest income collected (+)	145,793	199,145
Interest expense paid (-)	(37,007)	(51,666)
Dividends and similar income	1,264	938
Net fees (+/-)	121,411	115,501
Personnel expenses	(116,764)	(115,173)
Net premiums collected (+)	0	207,718
Other insurance income/expenses (+/-)	0	(213,677)
Other costs (-)	(92,130)	(88,879)
Other revenues (+)	41,441	39,090
Taxes and duties (-)	(12,749)	(6,744)
Costs/revenues for asset groups held for sale and net of the tax effect (+/-)	26,993	0
2. Liquidity generated (absorbed) by financial assets	**665,090**	**(234,599)**
Financial assets held for trading	(527,084)	(656,789)
Financial assets carried at fair value	0	31,386
Financial assets available for sale	3,948	(118,559)
Due from customers	(139,277)	(121,308)
Due from banks	(217,940)	695,188
Other assets	1,545,443	(64,517)
3. Liquidity generated (absorbed) by financial liabilities	**(776,877)**	**141,967**
Due to banks	(75,712)	(526,093)
Due to customers	685,892	523,474
Securities in issue	(154,840)	(190,101)
Financial liabilities held for trading	162,418	202,917
Financial liabilities carried at fair value	0	26,070
Other liabilities	(1,394,635)	105,700
Net cash provided (used) by operating activities	**(33,535)**	**(6,379)**
B. INVESTMENT ACTIVITIES	**30/06/2016**	**30/06/2015**
1. Liquidity generated by:	**21,163**	**951**
Sales of equity investments	29	71
Dividends collected on equity investments	454	13
Sales/redemptions of financial assets held to maturity	0	-
Sales of property, plant and equipment	17,130	736
Sales of intangible assets	3,550	131
Sales of subsidiaries and company divisions	-	-
2. Liquidity (absorbed) by:	**(13,511)**	**(16,537)**
Purchases of equity investments	0	(77)
Purchases of financial assets held to maturity	-	-
Purchases of property and equipment	(4,364)	(6,662)
Purchases of intangible assets	(9,147)	(9,798)
Sales of subsidiaries and company divisions	-	-
Net cash provided (used) by investing activities	**7,652**	**(15,586)**
C. FUNDING ACTIVITIES	**30/06/2016**	**30/06/2015**
Issue/purchase of treasury shares	-	-
Issue/purchase of equity instruments	-	-
Distribution of dividends and other purposes	(1,820)	(4,285)
Net cash provided (used) by financing activities	**(1,820)**	**(4,285)**
NET CASH PROVIDED (USED) IN THE PERIOD	**(27,703)**	**(26,250)**
RECONCILIATION	**30/06/2016**	**30/06/2015**
Cash and cash equivalents at start of year	**130,889**	**131,022**
Total net cash provided (used) in the period	(27,702)	(26,250)
Cash and cash equivalents at end of year	**103,187**	**104,772**

Explanatory Notes

Statement of compliance with international accounting standards

This Consolidated Interim 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 30 June 2016, pursuant to EU Regulation no. 1606 of 19 July 2002. As concerns the illustrative schedules and tables, they are prepared in application of the Bank of Italy's instructions, when it exercised the powers established by Art. 9 of Italian Legislative Decree no. 38/2005, with Circular no. 262/05 as subsequently amended.

The interim report on operations at 30 June 2016 is clearly set out and gives a true and fair picture of the economic and financial situation of the Banca Sella Group.

General drafting principles

This consolidated interim report consists of the Balance Sheet, Income Statement, Statement of Comprehensive Income, Statement of Changes in Consolidate Shareholders' Equity, the Cash Flow Statement, and the Explanatory 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 31 December of the previous year.

Hence, in application of this provision and in conformance to the recognition criteria adopted for the following reports and comments in the Illustrative Notes, the figures from the income statement for the first half of 2016 are compared with those of the first half of 2015, appropriately reclassified to take into account the changes which occurred to the cited Bank of Italy provisions, while the balance sheet figures at 30 June 2016 are compared with those of the financial statements as at 31 December 2015.

This consolidated interim financial report was drawn up using the Euro as the currency. Amounts are shown in thousands of Euro for the accounting reports and, unless otherwise specified, in the explanatory notes.

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 31 December 2015 (for more detail regarding the preparation and valuation criteria, please refer to said statements).

Preparation is carried out in respect of the general standards foreseen in IAS 1 and in compliance with the general assumptions of the Systematic Framework. Accounting schedules complying with that foreseen in Bank of Italy Circular no. 262/2005.

The half-yearly report was prepared using the same accounting standards and criteria as in the last financial year, as well as the following IFRS accounting standards, amendments and interpretations applied as of 1 January 2016.

Consolidation area and methods

The Consolidated Financial Statements are the financial statements for the group, presented in the form of a single economic entity. This comprise the Balance Sheet and Income Statement of the parent company and of its directly and indirectly controlled companies.

In preparing the Consolidated Financial Statements, the draft financial statements for 2015 of the parent company and those of the other fully consolidated Group companies were used. These latter, when necessary, were appropriately reclassified and adjusted for proper representation in the bank balance sheet schedules and to ensure uniformity of use for the IAS/IFRS.

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

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

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

Pursuant to IFRS 10, the parent company Banca Sella Holding consolidates companies on the basis of the control principle, as defined in the cited IFRS.

In particular, control by the parent company is determined when the following three conditions are simultaneously met (paragraph 7, IFRS 10):

(a) exercising power over the investee;

(b) holding of rights or exposure to variable returns, deriving from the relationship with the investee; and

(c) the capacity to assert power held over the investee to affect the amount of these returns.

For the purposes of exercising power, it is necessary to consider whether valid rights are held (e.g. voting rights, potential voting rights, or one or more contractual agreements) that grant the current capacity to direct significant activities, that is activities that significantly affect the returns achieved by the investee.

A right or exposure to variable returns exists when the returns deriving from the relationships with the investee are susceptible to variation in relation to the economic performance of the same.

The capacity to assert power to affect returns exists when there is a practical capacity to unilaterally carry out the significant activities. To that end, a series of elements are considered, including the following which, if considered together with one's rights, can indicate that these rights are sufficient to grant power over the investee:

(a) the possibility, without having the contractual right, to appoint or approve key management personnel within the investee that have the ability to carry out significant activities;

(b) the possibility, without having the contractual right, to instruct the investee to undertake significant operations to the benefit of the parent company or to prohibit any change;

(c) the possibility to direct the selection process for members of the governing body of the investee or to obtain proxies from other holders of voting rights;

(d) key management personnel within the investee consists of related parties of the parent company (for example, the chief executive officer of the investee and the chief executive officer of the parent company are the same person);

(e) the governing body of the investee consists for the most part of related parties of the parent company.

Impairment Test disclosure

The Group carried out the impairment tests on equity investments at 30 June 2016, no test gave indications of losses in value. In addition, no evidence was found to indicate a need to carry out write-downs of the goodwill recognised in the assets in the Balance Sheet connected to the acquisitions of bank branches.

Note that the impairment tests are carried out in the same way as that done in the financial statements as at 31 December 2015 (for more details, please refer to the published document), and in respect of the standards contained in the Impairment Test Policy, issued by the Group within March 2012, with Circular 09/2012.

Fair value levels 2 and 3: measurement techniques and input used

Relative to the measurement techniques, input and relative adjustments used in measuring the fair value of instruments in level 2 and level 3, below we provide an extract of that specified in the Fair Value Policy adopted by the Group and currently in effect.

The asset swap spread model is used for the valuation of fixed-rate bonds, while the discount margin model is adopted for floating rate bonds. Having recourse to said models is motivated by the consideration that they represent the market standard for these types of securities in Europe.

The Euro swap rate curve used as the pricing input for fixed-rate bonds derives from the info-providers used in the Bank, while the spread levels used derive from the elaboration of variables connected with credit spread reported by info-providers. The purpose of such processing is to consider various variables that may affect pricing processes.

If the bonds contain an optional component, when possible the Bloomberg pricing model is used, so as to guarantee an estimate based on the method most widely used on the market. For this purpose, similarly to the previous cases, the option-adjusted-spread (OAS) used is the spread level deduced from the elaboration of variables connected with credit spreads reported by info-providers.

The bonds with a structure that cannot be priced with Bloomberg models are priced by dividing their structure into simpler components.

The valuation of said components is carried out using some valuations deduced from those provided by counterparties for the hedging instrument or, if they are not available, Monte Carlo simulations, using as inputs the values of the variables reported by the main info-providers.

The OTC derivatives that can typically be found in the financial statements concern swaps, rate options and exchange options.

Rate swaps are evaluated according to the discounted cash flow (DCF) method, which is the market standard and uses the swap rate curve relative to the contact currency as the input data. This curve is periodically drawn from the curve published by the main info-providers (Bloomberg/Reuters) in the Bank. If the swap structure is more complex, and such as to prevent a reasonable certainty in the estimate of the contract value, a valuation of the contract is requested to the counterparty of the transaction.

At present, rate options for BSG include only caps and floors and are measured using the Black model. This choice is based on the consideration that alternative models would present the problem of adjusting pricing parameters and would not provide significant improvement to the price estimate. Further elements supporting this choice are connected with the consideration that a wide amount of implicit volatility is reported by the main info-providers, together with the price of options themselves for standard maturity dates.

Both “plain vanilla” and “exotic” exchange options (European or American barrier options) are evaluated according to the Black&Scholes model. The necessary volatility curves for the calculation of implicit volatility for each option as well as the market rate and exchange quotations used for contract valuations are taken from the main info-providers in the Bank (Bloomberg). In the case of exotic options structures that are more complex and do not allow reasonable certainty about the value of the contract, when possible a measurement algorithm is developed internally or, when possible, an evaluation of the same is requested from a third party external to the transaction. These evaluations, when available, are part of the determination of the price together with the measurement provided by the counterpart in the transaction.

The fair value of ABS securities in the portfolio is measured according to Bloomberg pricing models. These models are based on a DCF (Discounted Cash Flow) method, using as input data the latest data provided by the company in charge of the securitisation.

The discount margin level used is deduced from the one reported by research, according to secondary market spreads for similar securities as to underlying security, country and rating. This level may be rectified to take into consideration external factors (and typical factors of the security) such as the different quality of assets, the performance of the underlying security, etc.

The techniques adopted for evaluating AFS investments each time are:

- the income approach, which determines the value of the company on the basis of its ability to yield income; to that end, the value of the company is calculated by discounting the expected income; average future earnings are estimated on the basis of corporate data (financial statements, interim reports, budgets, industrial plans); in addition to risk-free securities, the discount rate considers a premium for investments in business activities;
- multiple of earnings, which determines the company value on the basis of specific indicators relating market prices to financial statement values; multiple of earnings are expressed by a sample of quoted companies as similar as possible to the company to be evaluated; a number of factors are taken into account to establish sample homogeneity: belonging to the same economic sector, the size of the company, financial risks deriving from the corporate financial structure, market shares, geographical diversification, and so on.
- other measurement techniques commonly used by those participating in the market to give a price to companies if these techniques have demonstrated that the provide reliable estimates of the prices practices in current market transactions (these include the use of the equity method, which determines the value of the company on the basis of the algebraic balance between assets and liabilities; analysis on the basis of historic data obtained from company information; financial statements, half-yearly reports, budgets, industrial plans).

Unquoted close-end funds and private equity funds are evaluated on the basis of the data provided by the issuer or, if these data are not provided, according to the amount appropriated to the fund. Special attention will be paid to ABS funds where, as far as possible, the investor reports for the individual ABS will be analysed, which are available for individual funds in most cases.

In relation to the loans issued by each Bank in the Group and that subject to hedging, the determination of the fair value for the purposes of evaluating the efficacy of the same is done by using the discounted cash flow method. To that end, the same risk-free curve utilised to measure the hedges is used, and the spread paid is obtained from the security coupon according to that indicated in the hedging contract.

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

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

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

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

According to this procedure (current value of the instalments minus residual debt reduced by the hedging percentage), the fair value at the end of financial year T and the fair value at the end of financial year T-1 is calculated. The difference between these two figures is the fair value delta of the loans, which is then compared with the fair value delta of the IRSs.

Measurement processes and sensitivity

The use of the above described measurement techniques and models requires the selection and quantification of certain parameters, which vary based on the financial instrument to be measured.

These parameters are chosen and set up on the calculation software at the moment of a request for measurement of a new instrument.

The Risk Management service is responsible for validating the parameters defined.

Every time the fair value of the financial instrument is calculated, the above parameters are rechecked and updated both by the area that performs the calculation and by the Risk Management service.

By way of example, the main observable parameters can be linked to:

Rate Curve

This is a combination of yield rates for zero coupon synthetic securities, ordered in increasing order relative to the maturity dates of the same. These rates are obtained using consolidated "bootstrapping" methods from the market rates for deposits (for maturities no greater than 12 months) and market rates for IRSs (for maturities of no less than 2 years). For the purposes of the measurements, the mid rates are used. This is at the base of the measurement of all OTC derivatives.

Volatility Matrix

This consists of a table that indicates, for every maturity date and strike for the options considered, the relative value of the mid volatility quoted on the market. This table is the same for all cap/floor type options.

Spread

To measure bonds issued by the Group (structured or not), two types of spread are taken into consideration:

- *Rate spread*: represents the margin on the variable rate subject to indexing (for variable rate securities) or the IRS rate for the same maturity dates (for fixed rate securities).
- *Price spread*: represents the differential to be subtracted from the theoretical price to take into account the riskiness of the structure.

Implicit Volatility

This is the volatility of the option prices quoted for a specific underlying instrument.

For every maturity date, the value of the at-the-money options is considered, or a weighted average of the volatility of the prices of the options quoted (even with different strikes) for the same maturity date.

Dividend Yield

In the measurement methodologies, this is obtained as the annualised logarithm of the ratio between dividend and price, as reported by the main information providers (Bloomberg, Reuters, etc.), for maturity dates analogous to those of the derivative in question.

By way of example, the main non-observable parameters can be linked to:

Correlations

To calculate correlations, the logarithmic variations in the prices of the two assets (exchange rate and price of the underlying instrument) considered are used. To that end, data relative to the last 6 months is generally used.

Historic Volatility

In the case that the implicit volatility of the options is not quoted, the historic volatility of the underlying instrument is used, measured on the basis of the standard deviation of the logarithmic variations of the prices of the same.

There is no significant observable input used for fair value measurement of assets and liabilities in level 3.

Fair value hierarchy

Any transfers from a fair value hierarchy level to another occurs as a function of the evolution of the characteristics of each security and in relation to the criteria which determine classification in the various levels of the fair value hierarchy. They are identified twice a year, at the time of the half-yearly and annual financial statements.

Other information

The Group does not manage groups of financial assets or liabilities on the basis of their net exposure to market risks or credit risk.

Information is provided relative to the subordinated loan disbursed to HDI Assicurazioni by Banca Sella Holding, in that at 30 June 2016 this receivable was measured at its nominal value, in derogation of the fair value measurement standard for receivables. In June 2016 production from non-life products showed a clear improvement with respect to previous months. Unfortunately this trend was not able to restore balance for the overall trend of amounts seen during the first six months of the year, which were influenced by the lack of completion of the disposal. That being said, while placement of policies during the first half was not in line with the approved plan, it is held that the placement objectives will be fully reached over the course of the first 4 years, and therefore it is believed that the nominal value at 30 June 2016 is the best expression of the fair value of this receivable.

Main Items in the Consolidated Balance Sheet

Assets

Following the disposal of the insurance segment during the first half of 2016, as described in significant events during the half, the items reported below pertain to the banking group, with the exception of the insignificant amounts relative to Brosel, the Group's insurance brokering company. As a consequence, it was not held necessary to make a distinction between the banking and the insurance group.

Financial assets held for trading - Item 20

Financial assets held for trading: product breakdown

Item/Value	30/06/2016			31/12/2015		
	L1	L2	L3	L1	L2	L3
A. Cash assets						
1. Debt securities	865,995	9,118	3	335,197	2,700	3
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	865,995	9,118	3	335,197	2,700	3
2. Equity securities	2,901	-	1	4,599	-	1
3 UCITS units	10,578	-	5,632	10,443	-	6,147
4. Loans	-	-	-	-	-	-
4.1 Reverse repurchase agreements	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
Total A	**879,474**	**9,118**	**5,636**	**350,239**	**2,700**	**6,151**
B. Derivative instruments						
1. Financial derivatives:	806	19,203	-	466	18,154	-
1.1 held for trading	806	19,009	-	466	18,090	-
1.2 linked to fair value option	-	-	-	-	-	-
1.3 other	-	194	-	-	64	-
2. Credit Derivatives:	-	-	-	-	-	-
2.1 held for trading	-	-	-	-	-	-
2.2 linked to fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total B	**806**	**19,203**	**-**	**466**	**18,154**	**-**
Total (A+B)	**880,280**	**28,321**	**5,636**	**350,705**	**20,854**	**6,151**

Financial assets almost entirely pertain to Banca Sella Holding (82.7%), which provides treasury services for the entire Group. The main investment categories are represented by bonds issued by banks, financial companies and corporations, and are mainly short-term.

Financial assets available for sale - Item 40

Financial assets available for sale: breakdown

Item/Value	30/06/2016			31/12/2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	2,566,819	20,989	-	2,535,014	20,316	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	2,566,819	20,989	-	2,535,014	20,316	-
2. Equity securities	3,244	-	72,077	2,680	-	73,010
2.1 Carried at fair value	3,244	-	49,415	2,680	-	51,357
2.2 Carried at cost	-	-	22,662	-	-	21,653
3. UCITS units	4,385	-	12,154	4,089	-	2,954
4. Loans	-	-	5,512	-	-	2,113
Total	**2,574,448**	**20,989**	**89,743**	**2,541,783**	**20,316**	**78,077**

Due from banks - Item 60

Due from banks: product breakdown

Type of transaction/Value	Total 30/06/2016				Total 31/12/2015			
	BV	FV			BV	FV		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Due from Central Banks	**247,484**	**-**	**-**	**247,484**	**104,414**	**-**	**-**	**104,414**
1. Term deposits	-	X	X	X	-	X	X	X
2. Statutory reserve	247,484	X	X	X	104,414	X	X	X
3. Reverse repurchase agreements	-	X	X	X	-	X	X	X
4. Other	-	X	X	X	-	X	X	X
B. Due from banks	**274,411**	**-**	**-**	**274,411**	**199,542**	**-**	**9,963**	**189,615**
1. Loans	274,411	-	-	274,411	189,615	-	-	189,615
1.1 Current accounts and demand deposits	97,919	X	X	X	85,808	X	X	X
1.2 Term deposits	1,417	-	-	-	4,355	-	-	-
1.3. Other loans and advances:	175,075	X	X	X	99,452	X	X	X
- Reverse repurchase agreements	76,287	X	X	X	8,032	X	X	X
- Financial leasing	-	X	X	X	-	X	X	X
- Other	98,788	X	X	X	91,420	X	X	X
2. Debt securities	-	-	-	-	9,927	-	9,963	-
2.1 Structured securities	-	X	X	X	-	X	X	X
2.2 Other debt securities	-	X	X	X	9,927	X	X	X
Total	**521,895**	**-**	**-**	**521,895**	**303,956**	**-**	**9,963**	**294,029**

Key: FV=fair value BV= book value

Due from banks mainly pertains to Banca Sella Holding (88.8%).

Due from customers - Item 70

Due from customers: product breakdown

Type of transaction/Value	Total 30/06/2016						Total 31/12/2015					
	Book value			Fair Value			Book value					
		Impaired						Impaired				
	Non-impaired	Acquired	Other	L1	L2	L3	Non-impaired	Acquired	Other	L1	L2	L3
Loans	**7,501,075**	**-**	**614,894**	**-**	**-**	**8,243,452**	**7,383,999**	**-**	**649,423**	**-**	**-**	**8,153,151**
1. Current accounts	836,040	-	129,075	X	X	X	787,994	-	138,086	X	X	X
2. Reverse repurchase agreements	257,521	-	-	X	X	X	347,432	-	-	X	X	X
3. Mortgage loans	3,385,589	-	313,142	X	X	X	3,318,685	-	323,613	X	X	X
4. Credit cards, personal loans and salary-backed loans	1,107,276	-	18,181	X	X	X	1,123,192	-	22,315	X	X	X
5. Financial leasing	870,747	-	66,570	X	X	X	857,199	-	67,100	X	X	X
6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X
7. Other loans and advances	1,043,902	-	87,926	X	X	X	949,497	-	98,309	X	X	X
Debt securities	**124**	**-**	**-**	**-**	**124**	**-**	**120**	**-**	**-**	**-**	**120**	**-**
8. Structured securities	-	-	-	X	X	X	-	-	-	X	X	X
9. Other debt securities	124	-	-	X	X	X	120	-	-	X	X	X
Total	**7,501,199**	**-**	**614,894**	**-**	**124**	**8,243,452**	**7,384,119**	**-**	**649,423**	**-**	**120**	**8,153,151**

Credit quality

Distribution of financial assets by portfolios of origin and credit quality (book values)

Portfolio/Quality		Bad loans	Unlikely to pay	Impaired past-due exposures	Non-impaired past due loans	Non-impaired exposures	Total
1. Financial assets available for sale		-	39	-	-	2,593,281	2,593,320
2. Financial assets held to maturity		-	-	-	-	-	-
3. Due from banks		-	-	-	-	521,895	521,895
4. Due from customers		345,974	251,149	17,771	234,570	7,266,629	8,116,093
5. Financial assets carried at fair value		-	-	-	-	-	-
6. Financial assets held for sale		-	-	-	-	-	-
	30/06/2016	**345,974**	**251,188**	**17,771**	**234,570**	**10,381,805**	**11,231,308**
	31/12/2015	**339,110**	**291,023**	**21,108**	**260,657**	**10,948,862**	**11,860,760**

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

Portfolio / Quality		Non-performing assets			Non-impaired assets			
		Gross exposure	Specific adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	Total (net exposure)
1. Financial assets available for sale		39	-	39	2,593,281	-	2,593,281	2,593,320
2. Financial assets held to maturity		-	-	-	-	-	-	-
3. Due from banks		-	-	-	522,050	(155)	521,895	521,895
4. Due from customers		1,245,824	(630,930)	614,894	7,547,725	(46,526)	7,501,199	8,116,093
5. Financial assets carried at fair value		-	-	-	X	X	-	-
6. Financial assets held for sale		-	-	-	-	-	-	-
Total	**30/06/2016**	**1,245,863**	**(630,930)**	**614,933**	**10,663,056**	**(46,681)**	**10,616,375**	**11,231,308**
Total	**31/12/2015**	**1,244,734**	**(593,493)**	**651,241**	**11,255,307**	**(45,788)**	**11,209,519**	**11,860,760**

Portfolio / Quality		Assets with evident low creditworthiness		Other assets
		Cumulative capital losses	Net exposure	Net exposure
1. Financial assets held for trading		-	121	895,004
2. Hedging derivatives		-	-	6,662
Total	**30/06/2016**	**-**	**121**	**901,666**
Total	**31/12/2015**	**-**	**9**	**366,793**

Cash credit and off balance sheet exposures to banks: gross and net amounts and past-due segments

Type of exposure/amounts	Gross exposure					Specific value adjustments	Portfolio adjustments	Net exposure
	Non-performing assets				Non-impaired assets			
	Up to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	Over 1 year				
A. CASH EXPOSURES								
a) Bad loans	-	-	-	-	X	-	X	-
- of which: exposures subject to forbearance	-	-	-	-	X	-	X	-
b) Unlikely to pay	-	-	-	-	X	-	X	-
- of which: exposures subject to forbearance	-	-	-	-	X	-	X	-
c) Impaired past-due loans	-	-	-	-	X	-	X	-
- of which: exposures subject to forbearance	-	-	-	-	X	-	X	-
d) Non-impaired past-due loans	X	X	X	X	-	X	-	-
- of which: exposures subject to forbearance	X	X	X	X	-	X	-	-
e) Other non-impaired exposures	X	X	X	X	920,308	X	(155)	920,153
- of which: exposures subject to forbearance	X	X	X	X	-	X	-	-
TOTAL A	**-**	**-**	**-**	**-**	**920,308**	**-**	**(155)**	**920,153**
B. OFF BALANCE SHEET EXPOSURES								
a) Impaired	-	-	-	-	X	-	X	-
b) non-impaired	X	X	X	X	42,992	X	-	42,992
TOTAL B	**-**	**-**	**-**	**-**	**42,992**	**-**	**-**	**42,992**
TOTAL (A+B)	**-**	**-**	**-**	**-**	**963,300**	**-**	**(155)**	**963,145**

Cash credit and off balance sheet exposures to customers: gross and net amounts and past-due segments

Type of exposure/amounts	Gross exposure					Specific value adjustments	Portfolio adjustments	Net exposure
	Non-performing assets				Non-impaired assets			
	Up to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	Over 1 year				
A. CASH EXPOSURES								
a) Bad loans	1,483	2,288	6,218	895,150	X	(559,165)	X	345,974
- of which: exposures subject to forbearance	4	23	657	41,290	X	(18,914)	X	23,060
b) Unlikely to pay	193,714	43,105	30,915	49,256	X	(65,802)	X	251,188
- of which: exposures subject to forbearance	126,114	27,526	16,543	29,797	X	(34,926)	X	165,054
c) Impaired past-due loans	2,318	9,130	4,211	8,075	X	(5,963)	X	17,771
- of which: exposures subject to forbearance	431	1,366	730	3,765	X	(2,866)	X	3,426
d) Non-impaired past-due loans	X	X	X	X	240,360	X	(5,790)	234,570
- of which: exposures subject to forbearance	X	X	X	X	46,626	X	(2,954)	43,672
e) Other non-impaired exposures	X	X	X	X	10,377,504	X	(40,736)	10,336,768
- of which: exposures subject to forbearance	X	X	X	X	152,489	X	(6,003)	146,486
TOTAL A	**197,515**	**54,523**	**41,344**	**952,481**	**10,617,864**	**(630,930)**	**(46,526)**	**11,186,271**
B. OFF BALANCE SHEET EXPOSURES	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Impaired	9,913	-	-	-	X	-	X	9,913
b) non-impaired	X	X	X	X	1,313,141	X	(1,531)	1,311,610
TOTAL B	**9,913**	**-**	**-**	**-**	**1,313,141**	**-**	**(1,531)**	**1,321,523**
TOTAL (A+B)	**207,428**	**54,523**	**41,344**	**952,481**	**11,931,005**	**(630,930)**	**(48,057)**	**12,507,794**

Hedging derivatives - Item 80

Hedging derivatives: breakdown by hedge type and level

	30/06/2016			30/06/2016	30/06/2015			30/06/2015
	L1	L2	L3		L1	L2	L3	
A) Financial derivatives								
1) Fair value	-	6,662	-	114,940	-	10,282	-	201,639
2) Cash flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B) Credit derivatives								
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**6,662**	**-**	**114,940**	**-**	**10,282**	**-**	**201,639**

Fair value adjustment of financial assets in hedged portfolios - Item 90

Fair value adjustments of hedged assets: breakdown by hedged portfolio

Value adjustments of hedged assets / Values	30/06/2016	31/12/2015
1. Increases	**139,996**	**123,141**
1.1 of specific portfolios:	139,996	123,141
a) receivables	139,996	123,141
b) financial assets available for sale	-	-
1.2 total	-	-
2. Decreases	**-**	**-**
2.1 of specific portfolios:	-	-
a) receivables	-	-
b) financial assets available for sale	-	-
2.2 total	-	-
Total	**139,996**	**123,141**

Equity investments - Item 100

Investments: information on equity investments

Name	Registered and operational office	Type of relationship	Shareholding relationship		Voting rights %
			Investor company	Stake %	
B. Companies subject to significant influence					
MARTIN MAUREL SELLA BANQUE PRIVEE S.A.M.	Principality of Monaco	sub. to sign. influence	Finanziaria 2010 S.p.A.	45.0000%	-
DPIXEL S.R.L.	Biella	sub. to sign. influence	Banca Sella Holding S.p.A.	40.0000%	-
S.C.P. VDP1	Principality of Monaco	sub. to sign. influence	Banca Sella Holding S.p.A.	29.0000%	-
HI-MTF SIM S.P.A.	Milan	sub. to sign. influence	Banca Sella Holding S.p.A.	25.0000%	-
ENERSEL S.P.A.	Biella	sub. to sign. influence	Banca Sella Holding S.p.A.	18.2982%	-

Main Items in the Consolidated Balance Sheet

Liabilities

Following the disposal of the insurance segment during the first half of 2016, as described in significant events during the half, the items reported below pertain to the banking group, with the exception of the insignificant amounts relative to Brosel, the Group's insurance brokering company. As a consequence, it was not held necessary to make a distinction between the banking and the insurance group.

Due to banks - Item 10

Due to banks: product breakdown

Type of transaction/Value	30/06/2016	31/12/2015
1. Due to central banks	**350,000**	**280,470**
2. Due to banks	**213,588**	**358,831**
2.1 Current accounts and demand deposits	89,476	145,924
2.2 Term deposits	-	26,129
2.3 Loans and advances	123,010	185,447
2.3.1 Repurchase agreements	-	-
2.3.2 Others	123,010	185,447
2.4 Liabilities for commitments to repurchase own equity instruments	-	-
2.5 Other payables	1,102	1,331
Total	**563,588**	**639,301**
Fair value - level 1	**-**	**-**
Fair value - level 2	**-**	**-**
Fair value - level 3	**563,588**	**639,301**
Total fair value	**563,588**	**639,301**

Due to customers - Item 20

Due to customers: product breakdown

Type of transaction/Value	30/06/2016	31/12/2015
1. Current accounts and demand deposits	8,897,111	8,189,568
2. Term deposits	816,661	908,677
3. Loans	194,966	132,702
3.1 Repurchase agreements	14,968	17,801
3.2 Others	179,998	114,901
4. Liabilities for commitments to repurchase own equity instruments	-	-
5. Other payables	128,573	120,472
Total	**10,037,311**	**9,351,419**
Fair value - level 1	**-**	**-**
Fair value - level 2	**-**	**-**
Fair value - level 3	**10,037,311**	**9,351,419**
Fair value	**10,037,311**	**9,351,419**

Securities in issue - Item 30

Securities in issue: product breakdown

Type of securities / Values	30/06/2016				31/12/2015			
	Book Value	*Fair Value*			Book Value	*Fair Value*		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. Bonds	676,193	-	520,725	198,682	831,034	-	495,481	333,625
1.1 structured	-	-	-	-	-	-	-	-
1.2 others	676,193	-	520,725	198,682	831,034	-	495,481	333,625
2. Other securities	67	-	-	67	67	-	-	67
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	67	-	-	67	67	-	-	67
Total	**676,260**	**-**	**520,725**	**198,749**	**831,101**	**-**	**495,481**	**333,692**

Financial liabilities held for trading - Item 40

Financial liabilities held for trading: product breakdown

Type of transaction/Value	30/06/2016					31/12/2015				
	NV	FV			FV*	NV	FV			FV*
		L1	L2	L3			L1	L2	L3	
A. Cash liabilities										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	166,855	182,783	73	-	182,856	15,791	19,144	-	-	19,144
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	x	-	-	-	-	x
3.1.2 Other bonds	-	-	-	-	x	-	-	-	-	x
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	x	-	-	-	-	x
3.2.2 Others	-	-	-	-	x	-	-	-	-	x
Total A	**166,855**	**182,783**	**73**	**-**	**182,856**	**15,791**	**19,144**	**-**	**-**	**19,144**
B. Derivative instruments										
1. Financial derivatives	x	30	17,536	-	x	x	29	18,831	-	x
1.1 Held for trading	x	30	17,536	-	x	x	29	18,831	-	x
1.2 Linked to fair value option	x	-	-	-	x	x	-	-	-	x
1.3 Others	x	-	-	-	x	x	-	-	-	x
2. Credit derivatives	x	-	-	-	x	x	-	-	-	x
2.1 Held for trading	x	-	-	-	x	x	-	-	-	x
2.2 Linked to fair value option	x	-	-	-	x	x	-	-	-	x
2.3 Others	x	-	-	-	x	x	-	-	-	x
Total B	**x**	**30**	**17,536**	**-**	**x**	**x**	**29**	**18,831**	**-**	**x**
Total (A+B)	**x**	**182,813**	**17,609**	**-**	**x**	**x**	**19,173**	**18,831**	**-**	**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

NV = nominal or notional value

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

Hedging derivatives - Item 60

Hedging derivatives pertain exclusively to the banking group

6.1 Hedging derivatives: breakdown by hedge type and level

	Fair Value 30/06/2016			NV	Fair Value 31/12/2015			NV
	L1	L2	L3	30/06/2016	L1	L2	L3	31/12/2015
A. Financial derivatives	**-**	**143,042**	**-**	**717,772**	**-**	**128,513**	**-**	**767,277**
1) Fair value	-	143,042	-	717,772	-	128,513	-	767,277
2) Cash flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**143,042**	**-**	**717,772**	**-**	**128,513**	**-**	**767,277**

Key

NV = nominal or notional value

L1 = Level 1

L2 = Level 2

L3 = Level 3

Other information

1. Guarantees Given and Commitments

Transactions	Amount 30/06/2016	Amount 31/12/2015
1) Financial guarantees issued	32,923	27,041
a) Banks	329	-
b) Customers	32,594	27,041
2) Commercial guarantees issued	174,980	184,509
a) Banks	45	384
b) Customers	174,935	184,125
3) Irrevocable commitments to disburse funds	1,103,930	272,912
a) Banks	390,639	17,084
i) for certain use	390,639	17,084
ii) usage uncertain	-	-
b) Customers	713,291	255,828
i) for certain use	463,592	76,033
ii) usage uncertain	249,699	179,795
4) Commitments underlying credit derivatives: protection sales	-	-
5) Assets used in guarantee of third-party obligations	22,103	22,972
6) Other commitments	-	-
Total	**1,333,936**	**507,434**

5. Management and broking for customer accounts:

Type of services	Amount 30/06/2016	Amount 31/12/2015
1. Orders carried out on behalf of customers	**49,385,224**	**121,521,842**
a) purchases	24,908,718	61,324,428
1. settled	24,704,180	61,224,578
2. not settled	204,538	99,850
b) sales	24,476,506	60,197,414
1. settled	24,246,508	60,126,779
2. not settled	229,998	70,635
2. Portfolio management	**4,363,870**	**4,212,869**
a) Individual	4,187,752	4,031,814
b) Collective	176,118	181,055
3. Custody and administration of securities	**32,820,787**	**33,852,309**
a) third-party securities on deposit as custodian bank (exclusive of portfolios managed)	-	-
1. securities issued by companies included within consolidation	-	-
2. other securities	-	-
b) third party securities on deposit (excluding portfolio management): other	11,939,985	11,526,355
1. securities issued by companies included within consolidation	557,740	576,355
2. other securities	11,382,245	10,950,000
c) third-party securities deposited with third parties	17,535,388	18,524,848
d) own securities deposited with third parties	3,345,414	3,801,106
4. Other transactions	**59,528,872**	**147,478,827**

The table below shows a breakdown of indirect funding for the Banca Sella Group:

Indirect deposits, breakdown

	30/06/2016	31/12/2015
a) Indirect deposits from management and broking for third parties (see previous table)		
- Portfolio management	4,363,870	4,212,869
- Custody and administration of securities:		
- third-party securities on deposit as custodian bank (exclusive of assets managed) - Other securities	-	-
- other third party securities on deposit (excluding asset management): other - Other securities	11,382,245	10,950,000
b) Indirect deposits from insurance policies	1,903,694	1,587,668
Total indirect deposits	**17,649,809**	**16,750,537**

Main items in the Consolidated Income Statement

Following the disposal of the insurance segment during the first half of 2016, as described in significant events during the half, the items reported below pertain to the banking group, with the exception of the insignificant amounts relative to Brosel, the Group's insurance brokering company. As a consequence, it was not held necessary to make a distinction between the banking and the insurance group.

Interest - Items 10 and 20

Interest and similar income: breakdown

Item/Technical type	Debt securities	Loans	Other transactions	Total 30/06/2016	Total 30/06/2015
1. Financial assets held for trading	6,658	-	1,572	8,230	6,801
2. Financial assets carried at fair value	-	-	-	-	1,047
3. Financial assets available for sale	10,740	4	-	10,744	22,921
4. Financial assets held to maturity	-	-	-	-	-
5. Due from banks	81	337	-	418	440
6. Due from customers	4	134,575	134	134,713	154,593
7. Hedging derivatives	x	x	2,292	2,292	4,844
8. Other assets	x	x	1,276	1,276	22
Total	**17,483**	**134,916**	**5,274**	**157,673**	**190,668**

Interest and similar expenses: breakdown

Item/Technical type	Payables	Securities	Other transactions	Total 30/06/2016	Total 30/06/2015
1. Due to central banks	211	x	-	211	260
2. Due to banks	993	x	-	993	1,739
3. Due to customers	10,637	x	-	10,637	20,997
4. Securities in issue	x	8,464	-	8,464	10,222
5. Financial liabilities held for trading	1,179	-	625	1,804	2,088
6. Financial liabilities carried at fair	-	-	-	-	-
7. Other liabilities and reserves	x	x	1,163	1,163	84
8. Hedging derivatives	x	x	13,735	13,735	16,276
Total	**13,020**	**8,464**	**15,523**	**37,007**	**51,666**

Interest and similar expenses: differentials relative to hedging transactions

	30/06/2016	30/06/2015
A. Positive differentials on hedging transactions	2,292	603
B. Negative differentials on hedging transactions	13,735	566
C. Balance (A-B)	**(11,443)**	**37**

Fees - Items 40 and 50

Fee income: breakdown

Type of service/Value	Total 30/06/2016	Total 30/06/2015
a) sureties issued	2,031	1,892
b) credit derivatives	-	-
c) asset management, brokerage and advisory services:	72,598	74,984
1. financial instruments trading	611	645
2. currency trading	731	980
3. portfolio management	28,664	31,444
3.1. individual	19,090	18,481
3.2 collective	9,574	12,963
4. custody and administration of securities	997	932
5. depositary bank	-	7
6. placement of securities	15,574	17,561
7. activities related to receiving and sending orders	13,614	16,168
8. consultancy activities	1,036	555
8.1 regarding investments	915	397
8.2 regarding financial structure	121	158
9. distribution of third party services	11,371	6,692
9.1 portfolio management	22	28
9.1.1. individual	22	28
9.1.2. collective	-	-
9.2 insurance products	11,125	6,519
9.3 other products	224	145
d) collection and payment services	56,179	56,410
e) servicing of securitisation transactions	82	97
f) services for factoring transactions	-	-
g) tax collection services	-	-
h) activities for management of multilateral trading facilities	-	-
i) current account keeping and management	11,393	11,549
j) other services	28,824	27,682
Total	**171,107**	**172,614**

Below is the breakdown of the sub-item relative to other services:

Fee income: breakdown of sub-item "Other services"

	30/06/2016	30/06/2015
- credit and debit cards	5,881	5,792
- expense recovery on loans to customers	5,663	5,843
- fees and commissions on relations with credit institutions	248	237
- safe deposit box leasing	112	102
- recovery of postal, printing and similar expenses	838	927
- fees on loans to customers	13,400	10,741
Other	2,682	4,040
Total "other services"	**28,824**	**27,682**

Fee expenses: breakdown

Service/Amount	Total 30/06/2016	Total 30/06/2015
a) sureties received	80	373
b) credit derivatives	-	-
c) asset management and brokerage services:	26,534	26,265
1. financial instruments trading	2,445	2,278
2. currency trading	-	-
3. portfolio management:	262	471
3.1 own	123	254
3.2 delegated by third-parties	139	217
4. custody and administration of securities	406	355
5. placement of financial instruments	446	453
6. off-site sales of financial instruments, products and services	22,975	22,708
d) collection and payment services	20,381	27,644
e) other services	2,701	2,831
Total	**49,696**	**57,113**

Below is the breakdown of the sub-item relative to other services:

Fee expenses: breakdown of sub-item "Other services"

	30/06/2016	30/06/2015
Relations with banks	205	362
Loans	477	429
Brokering	-	-
Other	2,019	2,040
Total "Other services"	**2,701**	**2,831**

Dividends and similar income - Item 70

Dividends and similar income: breakdown

Item/Income	Total 30/06/2016		Total 30/06/2015	
	Dividends	Income from UCITS units	Dividends	Income from UCITS units
A. Financial assets held for trading	208	-	93	12
B. Financial assets available for sale	1,056	-	733	100
C. Financial assets carried at fair value	-	-	-	-
D. Equity investments	-	x	-	x
Total	**1,264**	**-**	**826**	**112**

Net income (losses) from trading activities - Item 80

Net gains/(losses) on trading activities: breakdown

Transactions/Income components	Capital gains (A)	Trading gains (B)	Capital losses (C)	Trading losses (D)	Net gains (losses) [(A+B) -
1. Financial assets held for trading	**1,716**	**14,704**	**(3,982)**	**(5,751)**	**6,687**
1.1 Debt securities	1,534	14,162	(3,228)	(5,175)	7,293
1.2 Equity securities	55	542	(341)	(576)	(320)
1.3 UCITS units	127	-	(413)	-	(286)
1.4 Loans and advances	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	**584**	**21**	**(581)**	**(43)**	**(19)**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	584	21	(581)	(43)	(19)
2.3 Other	-	-	-	-	-
3. Financial assets and liabilities: foreign exchange gains (losses)	**x**	**x**	**x**	**x**	**7,340**
4. Derivative instruments	**28,907**	**30,305**	**(32,817)**	**(26,591)**	**(2,943)**
4.1 Financial derivatives:	28,907	30,305	(32,817)	(26,591)	(2,943)
- On debt securities and interest rates	28,876	21,890	(29,973)	(21,874)	(1,081)
- On equities and equity indices	31	8,414	(2,844)	(4,716)	885
- On currencies and gold	x	x	x	x	(2,747)
- Other	-	1	-	(1)	-
4.2 Credit derivatives	-	-	-	-	-
Total	**31,207**	**45,030**	**(37,380)**	**(32,385)**	**11,065**

Net income (losses) from hedging activities - Item 90

Net gains/(losses) on hedging activities: breakdown

Income components/Amounts	Total 30/06/2016	Total 30/06/2015
A. Income from:		
A.1 Fair value hedging derivatives	466	25,759
A.2 Hedged financial assets (fair value)	16,847	-
A.3 Hedged financial liabilities (fair value)	354	2,373
A.4 Cash flow hedging derivatives	-	-
A.5 Assets and liabilities in foreign currencies	-	-
Total hedging income (A)	**17,667**	**28,132**
B. Expenses from:		
B.1 Fair value hedging derivatives	18,597	2,992
B.2 Hedged financial assets (fair value)	16	25,095
B.3 Hedged financial liabilities (fair value)	-	-
B.4 Cash flow hedging derivatives	-	-
B.5 Assets and liabilities in foreign currencies	-	-
Total expenses for hedging activities (B)	**18,613**	**28,087**
C. Net gains/(losses) on hedging activities (A-B)	**(946)**	**45**

Profit (losses) from sales/repurchases - Item 100

Profit (losses) from sales/repurchases: breakdown

Item/Income component	Total 30/06/2016			Total 30/06/2015		
	Gains	Losses	Net income/losses	Gains	Losses	Net income/losses
Financial assets						
1. Due from banks	73	72	1	-	-	-
2. Due from customers	197	1,341	(1,144)	55	7	48
3. Financial assets available for sale	51,886	2,331	49,555	24,445	3,578	20,867
3.1 Debt securities	4,955	2,291	2,664	23,054	3,295	19,759
3.2 Equity securities	46,931	40	46,891	1,198	18	1,180
3.3 UCITS units	-	-	-	193	265	(72)
3.4 Loans and advances	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	-	-	-
Total assets	**52,156**	**3,744**	**48,412**	**24,500**	**3,585**	**20,915**
Financial liabilities						
1. Due to banks	61	-	61	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities in issue	465	454	11	401	845	(444)
Total liabilities	**526**	**454**	**72**	**401**	**845**	**(444)**

Value adjustments for impairment - Item 130

Net value adjustments for impairment of loans: breakdown

	Write-downs (1)			Write-backs (2)				Total	
	Specific		Portfolio	Specific		Portfolio		30/06/2016	30/06/2015
	Write-offs	Other		A	B	A	B		
A. Due from banks									
- Loans	-	-	-	-	-	-	35	35	3
- Debt securities	-	-	-	-	-	-	-	-	-
B. Due from customers									
Impaired loans acquired									
- Loans	-	-	x	-	-	x	x	-	-
- Debt securities	-	-	x	-	-	x	x	-	-
Other receivables									
- Loans	(1,100)	(64,980)	-	8,027	18,263	-	1,028	(38,762)	(92,060)
- Debt securities	-	-	-	-	-	-	-	-	-
C. Total	**(1,100)**	**(64,980)**	**-**	**8,027**	**18,263**	**-**	**1,063**	**(38,727)**	**(92,057)**

A= from interest B= from other writebacks

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

Transactions/Income components	Write-downs (1)		Write-backs (2)		Total 30/06/2016	Total 30/06/2015
	Specific		Specific			
	Write-offs	Other	A	B		
A. Debt securities	-	(230)	-	-	(230)	-
B. Equity securities	-	(1,637)	-	-	(1,637)	(1,915)
C. UCITS units	-	-	x	x	-	-
D. Loans to banks	-	-	x	-	-	-
E. Loans to customers	-	(1,818)	-	-	(1,818)	(6)
F. Total	**-**	**(3,685)**	**-**	**-**	**(3,685)**	**(1,921)**

Net value adjustments for impairment of other financial transactions: breakdown

Transactions/Income components	Write-downs (1)			Write-backs (2)				Total	
	Specific		Portfolio	Specific		Portfolio		30/06/2016	30/06/2015
	Write-offs	Other		A	B	A	B		
A. Sureties issued	-	-	(17)	-	-	-	-	(17)	147
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	-	-	-	-	-	-	-	-
D. Other operations	(8)	(568)	-	-	219	-	-	(357)	(54)
E. Total	**(8)**	**(568)**	**(17)**	**-**	**219**	**-**	**-**	**(374)**	**93**

Net premiums - Item 150

Net premiums: breakdown

Premiums deriving from insurance activity	Direct work	Indirect work	Total 30/06/2016	Total 30/06/2015
A. Life business				
A.1 Registered gross premiums (+)	-	-	-	207,707
A.2 Reinsurance premiums ceded (-)	-	x	-	(446)
A.3 Total	-	-	-	207,261
B. Non-life				
B.1 Registered gross premiums (+)	-	-	-	809
B.2 Reinsurance premiums ceded (-)	-	x	-	(339)
B.3 Change in the gross amount of the premiums reserve (+/-)	-	-	-	(16)
B.4 Change in the Reinsurers' share of premiums reserve (+/-)	-	-	-	3
B.5 Total	-	-	-	457
C. Total net premiums	**-**	**-**	**-**	**207,718**

Balance of other insurance management income and expenses - Item 160

Balance of other insurance management income and expenses: breakdown

	Total 30/06/2016	Total 30/06/2015
1. Net variation in technical reserves	-	(68,598)
2. Pertinent accidents paid during year	-	(145,345)
3. Other (net) insurance management income and expenses	-	266
Total	**-**	**(213,677)**

Composition of the item: "Net variation in technical reserves"

Net variation in technical reserves	Total 30/06/2016	Total 30/06/2015
1. Life business		
A. Actuarial reserves	-	(65,337)
A.1 Gross annual amount	-	(65,213)
A.2 Reinsurers' shares (-)	-	(124)
B. Other technical reserves	-	(37)
B.1 Gross annual amount	-	95
B.2 Reinsurers' shares (-)	-	(132)
C. Technical reserves where the investment risk is borne by the policy holders	-	(3,271)
C.1 Gross annual amount	-	(3,271)
C.2 Reinsurers' shares (-)	-	-
Total "life business reserves"	**-**	**(68,645)**
2. Non-life:		
Change in other non-life technical reserves other than non life reserve net of reinsurance assignments	-	47

Composition of the item "Pertinent accidents during the period"

Expenses for accident	Total 30/06/2016	Total 30/06/2015
Life business: expenses relative to accidents, net of reinsurance assignments		
A. Amounts paid	-	(148,563)
A.1 Gross annual amount	-	(149,143)
A.2 Reinsurers' shares (-)	-	580
B. Change in the reserve for sums to be paid	-	3,380
B.1 Gross annual amount	-	3,775
B.2 Reinsurers' shares (-)	-	(395)
Total Life business accidents	**-**	**(145,183)**
Non-life: expenses relative to accidents, net of recoveries and reinsurance assignments		
C. Amounts paid	-	(177)
C.1 Gross annual amount	-	(233)
C.2 Reinsurers' shares (-)	-	56
D. Change in recoveries net of reinsurers' shares	-	-
E. Variations in accidents reserve	-	15
E.1 Gross annual amount	-	13
E.2 Reinsurers' shares (-)	-	2
Total Non-life accidents	**-**	**(162)**

Breakdown of "Other insurance management income and expenses" - life insurance

	Total 30/06/2016	Total 30/06/2015
Life business		
A. Income	-	193
- Other technical income net of reinsurance assignments	-	87
- Income and capital gains not realised relative to investments in favour of risk-bearing insured parties	-	-
- Change in commissions and other acquisition expenses to be amortized	-	-
- Commissions and sharing of profits received from reinsurers	-	106
- Other income	-	-
B. Expenses	-	(30)
- Other technical expenses net of reinsurance assignments	-	(16)
- Expenses and capital losses not realised relative to investments in favour of risk-bearing insured parties	-	-
- Acquisition commissions	-	(11)
- Other acquisition expenses	-	(3)
- Collection commissions	-	-
- Other charges	-	-
Total Life business (A - B)	**-**	**163**

Breakdown of "Other insurance management income and expenses" - non-life

	Total 30/06/2016	Total 30/06/2015
Non-life:		
A. Income	-	129
- Other technical income net of reinsurance assignments	-	10
- Change in commissions and other acquisition expenses to be amortized	-	-
- Commissions and sharing of profits received from reinsurers	-	118
- Other income	-	1
B. Expenses	-	(26)
- Other technical expenses net of reinsurance assignments	-	(23)
- Acquisition commissions	-	(3)
- Other acquisition expenses	-	-
- Collection commissions	-	-
- Other charges	-	-
Total Non-life (A - B)	**-**	**103**

Administrative expenses - Item 180

Personnel expenses: breakdown

Type of expense/Amount	Total 30/06/2016	Total 30/06/2015
1) Employees	116,470	111,568
a) Wages and Salaries	85,376	81,865
b) Social security contributions	19,943	19,473
c) Severance indemnities	2,284	2,005
d) Pension expenses	1,695	1,302
e) Provision for severance indemnities	103	103
f) Provision for retirement and similar obligations:	-	-
– defined contribution	-	-
- defined benefit	-	-
g) Payments into external supplementary pension funds:	3,559	3,060
– defined contribution	3,559	3,060
- defined benefit	-	-
h) Costs deriving from share-based payment agreements	-	-
i) other employee benefits	3,510	3,760
2) Other current personnel	341	743
3) Directors and auditors	2,332	2,965
4) Retired personnel expenses	-	-
Total	**119,143**	**115,276**

Other employee benefits

Type of expense/Amount	Total 30/06/2016	Total 30/06/2015
- early retirement incentives and provision to support income	119	98
- benefits for dependent children	28	24
- benefits in kind	1,375	1,176
- insurance expenses	1,027	1,004
- professional training courses	443	602
- travel expenses	83	178
Other	435	678
Total	**3,510**	**3,760**

Other administrative expenses: breakdown

Type of service/Value	Total 30/06/2016	Total 30/06/2015
Legal and notarial expenses	3,432	3,990
IT assistance and sundry advice	2,176	3,159
Leasing of electronic machines and software licences	885	720
Sundry rentals and expenses for services provided by third parties	17,231	16,153
Computer networks and telephone	2,448	2,443
Postal	2,064	2,334
Transport expenses	1,826	2,144
Cleaning of premises	648	605
Surveillance and escort of valuables	1,420	1,464
Electricity and heating	2,162	2,373
Rent of premises	7,970	8,039
Sundry insurance policies	870	939
Classified advertisements, publicity and entertainment expenses	1,382	2,147
Membership fees	859	913
Information and inspections	1,216	1,450
Other fees payable	480	514
Other	4,188	4,120
Maintenance and repair expenses	**4,777**	**4,623**
- Real estate	201	235
- Movables	1,240	1,312
Hardware and software	3,336	3,076
Indirect taxes	**36,096**	**30,749**
- Stamp duty	24,413	25,738
- Substitute tax Pres. Dec. 601/73	824	714
- Single municipal tax (IMU)	995	807
- DGS and SRF contribution	6,251	-
- Other indirect taxes and duties	3,613	3,490
Total	**92,130**	**88,879**

Net provisions for risks and charges - Item 190

Net provisions for risks and charges: breakdown

	Balances as of: 30/06/2016	Balances as of: 30/06/2015
Relative to risks due to legal disputes and customer complaints	2,218	2,282
Relative to operational risks	30	46
Relative to staff expenses	97	1,290
Relative to other charges	1,086	847
Reattributions to Income Statement relating to risks of legal disputes and customer complaints	(397)	(603)
Reattributions to Income Statement relating to operational risks	(1,071)	-
Reattributions to Income Statement relating to personnel expenses	(64)	(6)
Reattributions to Income Statement relating to other expenses	(297)	(442)
Total	**1,602**	**3,414**

Net value adjustments on tangible assets - Item 200

Net value adjustments on tangible assets: breakdown

Asset/Income component	Amortisation (a)	Impairment losses(b) (b)	Write-backs (c)	Net income/losses (a + b + c) 30/06/2016
A. Tangible assets				
A.1 Company owned	7,972	1	-	7,973
- For business purposes	7,674	1	-	7,675
- For investment	298	-	-	298
A.2 Assets acquired through financial leasing	-	-	-	-
- For business purposes	-	-	-	-
- For investment	-	-	-	-
Total	**7,972**	**1**	**-**	**7,973**

Net value adjustments on intangible assets - Item 210

Net value adjustments on intangible assets: breakdown

Asset/Income component	Amortisation (a)	Impairment losses(b) (b)	Write-backs (c)	Net income/losses (a + b + c) 30/06/2016
A. Intangible assets				
A.1 Company owned	8,265	-	-	8,265
- Generated internally by the company	1,298	-	-	1,298
- Other	6,967	-	-	6,967
A.2 Assets acquired through financial leasing	-	-	-	-
Total	**8,265**	**-**	**-**	**8,265**

Other operating income and expenses - Item 220

Other operating expenses/income

	30/06/2016	30/06/2015
Total other operating expenses	4,776	3,666
Total other operating income	46,143	43,200
Other operating expenses/income	**41,367**	**39,534**

Other operating expenses: breakdown

	Total 30/06/2016	Total 30/06/2015
Amortization of expenses for improvements on third party assets	523	342
Losses connected to operational risk	1,162	1,111
Financial leasing management expenses	-	-
Advances on the account of customers	1,994	5
Service renderings related to credit recovery	296	265
Restitution of Fund/SICAV incentives to customers (MIFID)	12	17
Other charges	789	1,926
Total	**4,776**	**3,666**

Other operating income: breakdown

	Total 30/06/2016	Total 30/06/2015
Rents and instalments receivable	531	803
Charges to third parties and refunds received:	25,504	25,446
- taxes recovered	24,644	24,713
- insurance premiums and refunds	860	733
Expenses recovered and other revenues on current accounts and deposits	4,368	4,845
Income for software services	1,452	544
Income on insurance brokerage activities	1,321	1,264
POS fees receivable	2,915	2,777
Expenses and service renderings advanced on behalf of customers	18	10
Expenses recovered for services rendered in relation to credit recovery	1,759	1,658
Income from the sale of the business unit	-	-
Other income	8,275	5,853
Total	**46,143**	**43,200**

Income (losses) from equity investments - Item 240

Income (losses) from equity investments: breakdown

Income components/Sectors	30/06/2016	30/06/2015
1) Jointly controlled companies		
A. Income	-	-
1. Revaluations	-	-
2. Gains on sales	-	-
3. Write-backs	-	-
4. Other income	-	-
B. Expenses	-	-
1. Write-downs	-	-
2. Impairment losses	-	-
3. Losses on sales	-	-
4. Other charges	-	-
Net income/losses	-	-
2) Companies subject to significant influence		
A. Income	534	954
1. Revaluations	534	884
2. Gains on sales	-	-
3. Write-backs	-	-
4. Other income	-	70
B. Expenses	(190)	(59)
1. Write-downs	(139)	(59)
2. Impairment losses	-	-
3. Losses on sales	(51)	-
4. Other charges	-	-
Net income/losses	**344**	**895**
Total	**344**	**895**

Income (losses) from the disposal of investments - Item 270

Income (losses) from the disposal of investments: breakdown

Income component/Amount	Total 30/06/2016	Total 30/06/2015
A. Properties	2	-
- Gains on sales	2	-
- Losses on sales	-	-
B. Other assets	2,319	15
- Gains on sales	2,319	17
- Losses on sales	-	(2)
Net income/losses	**2,321**	**15**

Income taxes on continuing operations for the period - Item 290

Income taxes for the period on continuing operations: breakdown

Income components/Sectors	Total 30/06/2016	Total 30/06/2015
1. Current taxes (-)	(12,573)	(2,244)
2. Change in current taxes of previous years (+/-)	191	(53)
3. Decreases in current taxes for the year (+)	1,376	41
3. bis Reduction in current taxes for the year for tax credits pursuant to law 214/2011 (+)	1,329	-
4. Changes in deferred taxes (+/-)	(3,716)	(4,737)
5. Changes in deferred taxes (+/-)	644	249
6. Taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)	(12,749)	(6,744)

Profit (losses) for the period pertaining to minority interests - Item 330

Breakdown of item 330 "Profit (loss) pertaining to minority interests"

	30/06/2016	30/06/2015
Investments in consolidated companies with significant minority interests		
1. Banca Sella S.p.A.	12,288	312
2. Banca Patrimoni Sella & C. S.p.A.	713	1,887
3. Easy Nolo S.p.A.	3	142
4. CBA Vita S.p.A.	-	47
5. Sella Gestioni SGR S.p.A.	104	29
6. Consel S.p.A.	-	(522)
7. Family Advisory SIM S.p.A.	(3)	-
Other investments	14	49
Total	**13,119**	**1,944**

Information about consolidated equity

Own funds and banking capital adequacy ratios

As of 1 January 2014, the new harmonised regulations for banks and investment companies took effect, as contained in regulation 575/2013 ("CRR") and Directive 2013/36/EU ("CRD IV"), which transfer to the European Union the standards defined by the Basel Committee for bank regulation (Basel 3).

To implement and support application of the new EU regulations, as well as to achieve comprehensive review and simplification of the bank supervisory regulations, on 17 December 2013 the Bank of Italy issued Circular 285 "Supervisory provisions for banks", with subsequent updates which:
i) implemented the provisions of CRD IV, for which implementation is the responsibility of the Bank of Italy pursuant to the Consolidated Banking Act;
ii) indicates the methods through which the national discretion attributed to national authorities in the EU regulations was exercised;
iii) outlines a complete, organic and rational regulatory framework, integrated with the directly applicable EU provisions, so as simplify use by operators.

In the Banca Sella Group, supervision of capital adequacy is ensured by capital management activities.

The Capital Management Plan is defined at the same time as the strategic plan and the Risk Appetite Framework (RAF) and includes an assessment of the impact of ordinary activities and definition of any extraordinary operations with an eye to meeting the capitalisation objectives (represented by the Common Equity Tier 1 ratio and the Total Capital ratio) held necessary and appropriate to give the Group current and prospective solidity and sustainability.

The Capital Management plan is systematically monitored by the Parent Company Risk Management area, through activities that supervise capital amounts and absorption, including:

i) monthly calculation of final figures, based on operating profit achieved;

ii) quarterly simulation of future trends, aimed at preventing any situations in which the established levels are not respected.

The Group's solvency ratios, at the consolidated and individual levels, constitute part of the monthly reports prepared for the Board of Directors of the Parent Company and the Group companies, for the Group's Alignment and Trend Verification Meeting and the Group's ALM Committee.

1. Common Equity Tier 1 (Common Equity Tier 1 – CET1)

Common Equity Tier 1 at 30 June 2016 included the following financial instruments:

- Maurizio Sella s.a.p.a., 25,550,315 ordinary shares with a nominal value of € 0.52 (zero point fifty two) each, including share premiums, reserves and profits accrued and net of 256,449 treasury shares held for a calculable value of € 905,303,167;
- Banca Sella s.p.a., 668,456,168 ordinary shares with a nominal value of € 0.50 (zero point fifty) each, including share premiums, reserves and profits accrued for a calculable value of € 104,821,988 relative to minority interests;
- Banca Sella Holding s.p.a., 209,976,000 ordinary shares with a nominal value of € 0.50 (zero point fifty) each; 4,051,340 special shares with a nominal value of € 0.50 (zero point fifty) each, including share premiums, reserves and profits accrued for a calculable value of € 2,801,269 relative to minority interests;
- Banca Patrimoni Sella & C., 28,000,000 ordinary shares with a nominal value of € 1 each, including share premiums, reserves and profits accrued for a calculable value of € 11,649,168 relative to minority interests;
- Biella Leasing, 25,000,000 ordinary shares with a nominal value of € 0.80 each, including share premiums, reserves and profits accrued for a calculable value of € 69,837 relative to minority interests.

2. Additional Tier 1 (Additional tier 1 – AT1)

Additional Tier 1 at 30 June 2016 included the following financial instruments:

- Banca Sella s.p.a., 668,456,168 ordinary shares with a nominal value of € 0.50 (zero point fifty) each, including share premiums, reserves and profits accrued for a calculable value of € 9,086,927 relative to minority interests;
- Banca Sella Holding s.p.a., 209,976,000 ordinary shares with a nominal value of € 0.50 (zero point fifty) each; 4,051,340 special shares with a nominal value of € 0.50 (zero point fifty) each, including

share premiums, reserves and profits accrued for a calculable value of € 397,870 relative to minority interests;

- Banca Patrimoni Sella & C., 28,000,000 ordinary shares with a nominal value of € 1 each, including share premiums, reserves and profits accrued for a calculable value of € 1,021,139 relative to minority interests;
- Biella Leasing, 25,000,000 ordinary shares with a nominal value of € 0.80 each, including share premiums, reserves and profits accrued for a calculable value of € 9,192 relative to minority interests.

3. Tier 2 (Tier 2 – T2)

- Banca Sella s.p.a., 668,456,168 ordinary shares with a nominal value of € 0.50 (zero point fifty) each, including share premiums, reserves and profits accrued for a calculable value of € 12,086,344 relative to minority interests;
- Banca Sella Holding s.p.a., 209,976,000 ordinary shares with a nominal value of € 0.50 (zero point fifty) each; 4,051,340 special shares with a nominal value of € 0.50 (zero point fifty) each, including share premiums, reserves and profits accrued for a calculable value of € 523,847 relative to minority interests;
- Banca Patrimoni Sella & C., 28,000,000 ordinary shares with a nominal value of € 1 each, including share premiums, reserves and profits accrued for a calculable value of € 1,337,237 relative to minority interests;
- Biella Leasing, 25,000,000 ordinary shares with a nominal value of € 0.80 each, including share premiums, reserves and profits accrued for a calculable value of € 12,257 relative to minority interests.
- Subordinated instruments issued by Group companies for a total calculable amount of € 134,571,512.

Own funds

	Total 30/06/2016	Total 31/12/2015
A - Common Equity Tier 1 - CET1 before application of prudential filters	**978,684**	**931,038**
of which CET1 instruments subject to transitional provisions	-	-
B. CET1 prudential filters (+/-)	(1,770)	(1,112)
C. CET1 gross of elements to be deducted and the effects of the transitional regime (A +/- B)	**976,914**	**929,927**
D. Elements to be deducted from CET1	**101,479**	**108,895**
E. Transitional regime - Impact on CET1 (+/-), including minority interests subject to transitional provisions	**23,556**	**36,406**
F. Total Common Equity Tier 1 (Common Equity Tier 1 – CET1) (C – D +/- E)	**898,992**	**857,438**
G. Additional Tier 1- AT 1, gross of elements to be deducted and the effects of the transitional regime	**17,525**	**17,218**
of which AT1 instruments subject to transitional provisions	-	-
H. Elements to be deducted from AT1	**-**	**-**
I. Transitional regime - Impact on AT1 (+/-), including instruments issued by subsidiaries and included in AT1 due to the effects of transitional provisions	**(7,010)**	**(10,331)**
L. Total Additional Tier 1 (Additional Tier 1 - AT1) (G - H +/- I)	**10,515**	**6,887**
M. Tier 2- AT 2, gross of elements to be deducted and the effects of the transitional regime	**106,162**	**111,680**
of which T2 instruments subject to transitional provisions	26,325	32,105
N. Elements to be deducted from T2	**-**	**7,320**
O. Transitional regime - Impact on T2 (+/-), including instruments issued by subsidiaries and included in T2 due to the effects of transitional provisions	**48,541**	**88,679**
P. Total Tier 2 - T2 (M - N +/- O)	**154,703**	**193,039**
Q. Total own funds (F + L + P)	**1,064,210**	**1,057,363**

Reconciliation of profit for regulatory purposes

	30/06/2016
Profit for the period	65,416,426
- Donations	27,288
- estimated dividends	1,249,921
Profit for regulatory purposes	64,139,217

Capital adequacy

Capital adequacy

	Not weighted amounts		weighted amounts/requirements	
	30/06/2016	31/12/2015	30/06/2016	31/12/2015
A. Risk assets				
A.1 Credit and counterparty risk	11,869,183	11,597,927	6,255,247	6,134,661
1. Standardised method	11,869,183	11,597,927	6,255,247	6,134,661
2. Methodology based on internal ratings	-	-	-	-
2.1 Basic	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitisations	-	-	-	-
B. Regulatory capital requirements				
B.1 Credit and counterparty risk			**500,499**	**490,849**
B.2 Credit evaluation adjustment risk			1,555	1,980
B.3 Regulatory risk			35	16
B.4 Market risks			13,950	14,460
1. Standard method			13,950	14,460
2. Internal models			-	-
3. Concentration risk			-	-
B.5 Operational risk			84,728	84,728
1. Basic method			84,728	84,728
2. Standard method			-	-
3. Advanced method			-	-
B.6 Other calculation elements			-	-
B.7 Total prudential requirements			600,767	592,033
C. Risk assets and capital ratios				
C.1 Risk-weighted assets			7,509,581	7,400,411
C.2 Common equity Tier 1/Risk-weighted assets (CET1 capital ratio)			11.97%	11.59%
C.3 Tier 1 capital/Risk weighted assets (Tier 1 capital ratio)			12.11%	11.68%
C.4 Total own funds/Risk-weighted assets (Total capital ratio)			14.17%	14.29%

On the basis of the prudential regulatory provisions, the total requirement is equal to the sum of the capital requirements prescribed against credit, counterparty, credit valuation adjustment, regulatory, market and operational risks. In general, methods used to calculate capital requirements refer to the standardised approach and basic indicator approach (BIA), in terms of operational risk.

Banca Sella Group's capital management policies have the goal of guaranteeing that the capital base is in line with the level of risk taken on, while complying with regulatory requirements and company development plans.

With its communication released on 24 November 2015, the Bank of Italy, upon completing the periodic prudential review process (SREP), indicated the additional specific capital requirements with respect to the minimum capital amounts indicated in the current regulations, in proportion to risk exposure.

The Group therefore must adopt capital ratios at the consolidated level, including 2.5% as a capital conservation reserve in the amounts as follows:

- common equity tier 1 ratio (CET1 ratio) of 7%, binding in the amount of 5.2% (of which 4.5% for minimum regulatory requirements and 0.7% for additional requirements determined following the SREP); this ratio is at 11.97% for the Group;
- Tier 1 ratio of 8.5%, binding in the amount of 6.9% (of which 6% for minimum regulatory requirements and 0.9% for additional requirements determined following the SREP); this ratio is at 12.11% for the Group;
- total capital ratio of 10.5%, binding in the amount of 9.2% (of which 8% for minimum regulatory requirements and 1.2% for additional requirements determined following the SREP); this ratio is at 14.17% for the Group.

Transactions with related parties

Information on the remuneration of managers with strategic responsibility

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).

With the 9th update, on 12 December 2011, the Bank of Italy introduced into Circular no. 263 "New regulations for the prudential supervision of banks", the new TITLE V - Chapter 5 (Section IV) "Risk activities and conflict of interest with regards to related parties" in application of CICR Resolution no. 277 of 29 July 2008 and Art. 53, paragraphs 4, 4-ter and 4-quater of Italian Legislative Decree no. 385 of 1 September 1993.

The Bank introduces these provisions, explaining that "The regulation of related party transactions aims to monitor the risk that the nearness of some subjects to the bank's decision-making units may compromise the objectivity and impartiality of the decisions relating to the granting of loans and other transactions with regards to said subjects, with possible distortion of the resource allocation process, exposure of the bank to risks that have not been adequately measured or monitored and potential damages for investors and shareholders".

As parent company, Banca Sella Holding S.p.A. has prepared suitable group procedures to ensure compliance with the above provisions, the general rules of which are dictated by two internal regulatory documents: the "Group Regulation for the management of related party transactions" and the "Internal Controls Policies".

Both documents have been approved by the Board of Directors of the parent company and subsequently enacted by the Bank.

In the light of the Group's current organisational structure, the following are included within "managers with strategic responsibilities": Board members, and members of Banca Sella Holding general management, based on the exercising of management, coordination and control functions.

Fees paid to managers with strategic responsibilities(*) *in Euro thousands*

Item	Total 30/06/2016
a) Short-term employee benefits	1,842
b) Post-employment benefits	-
c) Other long-term benefits	-
d) severance indemnities	86
e) Share-based payments	-
Total	**1,928**

(*) including those who serve as directors

Fees paid to Directors and Statutory Auditors *in Euro thousands*

Item	Total 30/06/2016
Directors	113
Statutory Auditors	62
Total	**1,175**

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.

Intra-group transactions were carried out following assessments of mutual benefit, in line with market terms, with the aim of creating value within the Group.

In preparing the consolidated financial statements, transactions and existing balances with intra-group related parties are eliminated.

The table below sets out assets, liabilities, guarantees and commitments existing as of 30 June 2016 differentiated by the different types of related parties:

Related party transactions (Euro thousands)			30/06/2016		
	Parent company and entities that have joint control or significant influence	Affiliates and other entities in the same group	Associates and joint ventures	Managers with strategic responsibilities for the entity or its parent	Other related parties
Interest income	-	3	-	-	1
Interest expense	-	-23			
Revenues from dividends	-				
Revenues from commissions and fees	-				
Expenses from commissions and fees	-	-	-	-	-
Financial assets	999	6,380	8,971	5,740	6,649
Financial liabilities	13	235	241	7,873	-
Nominal amount of commitments to disburse loans, financial guarantees and other commitments made	2,802	767	1.008	6.305	731