Banca Simetica

Financial Statements 2013

12th YEAR

BANCA SIMETICA S.p.A.

Share Capital and Reserves at 31/12/2013 € 27,347,682
Biella Register of Companies No. 02071270025 - R.E.A. (Economic Administrative Index) No. 179386 at the Biella Chamber of Commerce for Industry, Agriculture and Handicraft
Tax code/VAT No. 02071270025
Registered Bank, registration No. 5713 - ABI code No. 3398.5

Member of the Fondo Nazionale di Garanzia (National Guarantee Fund) and of the Fondo Interbancario di Tutela dei Depositi (Interbank Deposit Protection Fund)

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Company boards

Board of Directors

PIER LUIGI BARBERA	Chairman
GIORGIO MELLO RELLA	Managing Director
MAURO BRUNIERA	Executive Director
ANDREA PERINI	Independent Director

Pier Luigi BARBERA

Chairman

Appointed Chairman on 26 April 2012, he is responsible for the proper functioning of the corporate governance system and for guaranteeing the balance of powers. He acts as a point of contact between the internal supervisory bodies and committees.

He is authorised to sign severally on behalf of the company in dealings with third parties and before the courts of law.

Giorgio MELLO RELLA

Managing Director

Appointed Managing Director on 26 April 2012, he is vested with powers as regards ordinary and extraordinary administration with the exception of the powers pertaining exclusively to the Board of Directors:

- to define the company's market operations, products and operating limits;autorizzazione nuovi mercati o prodotti;
- to approve new markets or products;
- to approve the list of counterparties for off-market trading and operating limits (within the limits established by the Risk Control Manual);
- to conduct periodic reviews of operating limits;
- to approve risk management policies and strategies;
- to approve the organisational structure;
- to acquire and dispose of major stakes;
- to approve and amend the main internal regulations;
- to appoint committees within corporate boards;
- to appoint the heads of Internal Audit, Compliance and Risk Management.

Mauro BRUNIERA

Executive Director

With powers, granted on 26 April 2012, as regards the provision of portfolio management services:

- to perform analyses and issue forecasts to be used as the basis for general investment strategies;
- to carry on investment activities;
- to manage the business organisation;
- to manage personnel.

Andrea PERINI

Independent Director

Appointed on 26 April 2012:

- acquires information about how the company is managed and organised from its managers, the internal audit and other control functions;

- takes part in the appointment and dismissal of the heads of the internal control and risk management functions.

From left: Mauro Bruniera, Andrea Perini, Giorgio Mello Rella e Pier Luigi Barbera.

Board of Statutory Auditors

MARIO ROVETTI	Chairman
ENZO MARIO NAPOLITANO	Statutory Auditor
GIOVANNI SPOLA	Statutory Auditor
FILIPPO MARIA BAU'	Alternate Auditor
FABIO DANIELE	Alternate Auditor

From left: Mario Rovetti, Giovanni Spola e Enzo Mario Napolitano.

Independent Auditors

Deloitte & Touche S.p.A.

Distinguishing factors

The main distinguishing factors of BANCA SIMETICA S.p.A. are set out in articles 3, 19, 20 and 21 of the BYLAWS:

Art. 3) Ethical objectives

The activities of the company are inspired by the following principles of Ethical Finance:

- ethically oriented finance is sensitive to the non-economic consequences of economic actions;
- lending in its various forms, securities intermediation and more specifically arbitrage trading, are not only a human right but also socially useful;
- efficiency and sobriety are components of ethical responsibility;
- profit obtained from the possession and exchange of securities must be a consequence of activities carried on with a view to the common interest and must be equally distributed among all parties that contribute to its realisation, including employees and partners;
- maximum transparency of all operations is a fundamental requisite of any ethical financial activity;
- the participation not only of shareholders, but also of investors, in the company's decision making process must be encouraged;
- all activities of an institution which accepts the principles of Ethical Finance should be guided by these criteria.

The company has been set up to manage the financial resources of families, women, men, organisations, companies of any kind and entities, by using their savings and liquid assets for their own interest provided that is not in conflict with the common interest.
The company shall not enter into financial relations with economic activities that, even indirectly, obstruct human development and contribute to any violation of fundamental human rights. The company shall have an educational role in helping investors and borrowers to take an interest in how their money is allocated and used and encouraging the latter to develop their autonomy and entrepreneurship by implementing responsible planning strategies.

Art. 19) Financial statements and profits

The financial year shall end on 31 December each year, when the financial statements shall be drawn up in accordance with the law.
Net profits shall be allocated as follows:

- initially, an amount of not less than 5% (five per cent) to the legal reserve, until this amounts to one fifth of the share capital;
- a portion, to be defined by the Meeting and in any case not less than 10% (ten per cent), for social purposes, in accordance with the provisions of art. 3 above, to non-profit-making organisations engaged in socially useful work and the other entities listed under art. 100, para. 2 of Presidential Decree 917/86 and subsequent amendments. Any conflicts of interest shall be made known in advance and be governed by the provisions of the law. Said portion shall be determined by taking into consideration any donations made during the corporate year and recorded in the profit and loss account. The Meeting shall also define the criteria for selecting beneficiaries, the maximum limits and methods of allocation, which must be observed by the Board of Directors operating under the supervision of the Ethics Committee;

- the difference shall be allocated to the shareholders, unless otherwise agreed upon by the Meeting.

Art. 20) Ethics Committee

The General Meeting shall appoint the members of an Ethics Committee. Said Committee shall consist of three members chosen for their ethical standards and who are active in the fields of solidarity, cooperation and scientific research.
The members of the Ethics Committee shall hold office for three years. They shall not receive any remuneration and may only be re-elected once.
The Ethics Committee shall act as an advisory body on ethical matters, overseeing the company's compliance with the principles of ethical conduct as set forth in these bylaws.
The Committee shall elect a chairman. It shall report on its work to the Shareholders' Meeting at least once a year. Said report shall coincide with the approval of the social or sustainability report.
The organisation and operation of the Committee shall be governed by specific regulations to be approved by the Board of Directors and endorsed by the Shareholders' Meeting.

Art. 21) Social or sustainability report

In addition to the provisions of articles 2423 et seq of the Italian Civil Code, the Board of Directors shall prepare a social or sustainability report, to be drawn up in compliance with national and international standards, accounting principles and current legislation.
The social or sustainability report shall explain the company's effective pursuit of the corporate purpose as defined under art. 3 of these bylaws and the social, environmental and cultural impacts of its business activities. Specific reference shall be made to allocations of funds for social purposes and donations by the company during the year.
The social or sustainability report shall be accompanied by a report by the Ethics Committee, in which the latter shall express its opinion as regards the company's compliance with the bylaws and the decisions of the Meetings, and a report by the Board of Statutory Auditors with its opinion concerning the compatibility of the information provided with that contained in the accounts.
The social or sustainability report shall be submitted to the Shareholders' Meeting for approval on the basis of the same terms and conditions applicable for the approval of the financial statements. It shall thus be made an integral part of the financial statements, along with the accompanying reports.

The three pillars of Banca Simetica

At a time of profound upheaval and continuous change throughout the financial world, we decided that the best legal form to remain a viable and competitive player in the marketplace was that of a bank.
Our key objective is to enhance the reputation of the new bank, on the basis of three distinctive pillars:

- High ideals
- High professional standards
- Irreproachable conduct

We believe our transformation should not undermine the continuity of projects and values:

- continuing to be inspired by the main principles of Ethical Finance;
- working with a strong sense of social responsibility;
- continuing to pay the greatest attention to risk control issues;
- continuing to focus on all items of expense in the profit and loss account;
- continuing to put our clients' interests first and foremost;
- continuous and gradual development of all sources of income and prudential and gradual approach to other bank services.

The company has always upheld the principles of Corporate Social Responsibility; for this reason it adheres to the guidelines set forth in the ISO 26000 standard, which was approved in 2010.

While remaining focused on its mission, creating and fostering a profitable relationship with all the local players that share its values continues to rank as a priority for the bank.
This concern for the community is also reflected in the fact that the company supports a number of associations involved in socially useful work, in line with article 19 of the bylaws.
Details of all the projects supported in 2013 are contained in the Social Report.

Directors' Report

Dear Shareholders,

2013, our twelfth year of business, was another positive year for us.
From a general perspective, there was an easing of tensions on sovereign debts in the eurozone, and in particular on that of Italy.
This led to a contraction of risk premiums on both the public and private debt markets, with volatility on bond markets falling to pre-crisis levels comparable to those of 2011.
In this context, we continued to operate on proprietary and third party securities with our usual attention, while also closely monitoring of the quality of the assets in the portfolio and operating limits.
I wish to thank our internal control departments for their extremely professional support to the business units and to management, and for their analyses and constructive proposals.
In April and May the bank underwent an inspection by Banca d'Italia, the outcome of which was substantially favourable.
Once again, clients of Banca Simetica lodged no claims whatsoever.
At the end of the year total assets under management reached almost € 171 million.
Gross income from asset management reached more than 3.5% (weighted average). This was an excellent result which further boosted our first-rate professional reputation.
2013 was the bank's first full year at the new legal and operational headquarters in Via C. Crosa, 3/c in Biella.
In line with our commitment to allocate 10% of profits to social development, as set forth in the bylaws, the company focused on a number of local schemes, details of which are contained in the accompanying Social Report.
The financial statements for the year ended at 31 December 2013 which you are invited to approve, reflect a net income of € 684,719, after depreciation and amortisation for € 417,451 and income tax for € 456,884.

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The Board of Directors
Chairman
Pier Luigi Barbera

Changes in the main balance sheet and profit and loss account items

The following statements illustrate the changes to the main items in the balance sheet and profit and loss account.

ASSETS			
AMOUNTS IN EUR	31/12/2013	31/12/2012	CHANGE
CASH AND RECEIVABLES FROM BANKS	21,910,664	26,821,425	-4,910,761
FINANCIAL ASSETS HELD FOR TRADING	10,170,317	21,793,856	-11,623,539
INTANGIBLE AND TANGIBLE ASSETS	3,317,805	3,625,694	-307,889
OTHER ASSETS	8,651,150	2,257,325	6,393,825
TOTAL ASSETS	**44,049,936**	**54,498,300**	**-10,448,364**

LIABILITIES			
AMOUNTS IN EUR	31/12/2013	31/12/2012	CHANGE
DUE TO CLIENTS	8,137,486	23,012,186	-14,874,700
FINANCIAL LIABILITIES HELD FOR TRADING	0	150	-150
SEVERANCE INDEMNITY FUND	358,828	456,362	-97,534
OTHER LIABILITIES	8,205,940	3,650,929	4,555,011
SHAREHOLDERS' EQUITY	27,347,682	27,378,673	-30,991
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**44,049,936**	**54,498,300**	**-10,448,364**

PROFIT AND LOSS ACCOUNT			
AMOUNTS IN EUR	31/12/2013	31/12/2012	CHANGE
INTEREST MARGIN	579,607	266,688	312,919
NET FEES AND COMMISSIONS	958,587	1,064,704	-106,117
EARNING MARGIN	5,021,989	5,726,083	-704,094
OPERATING COSTS	-3,880,386	-4,030,658	150,272
INCOME TAX	-456,884	-509,384	52,500
PROFIT FOR THE YEAR	**684,719**	**1,186,041**	**-501,322**

Operational highlights

FINANCIAL INDICATORS			
	2013	**2012**	**Change %**
TOTAL ASSETS	44,049,936	54,498,300	-19.17
TOTAL FUNDS USED AND INVESTED (CLIENTS AND BANKS)	19,411,587	24,321,715	-20.19
TOTAL ASSETS UNDER MANAGEMENT	170,904,468	170,288,751	0.36
SHAREHOLDERS' EQUITY	27,347,682	27,378,673	-0.11
INTEREST MARGIN	579,607	266,688	117.34
EARNING MARGIN	5,021,989	5,726,083	-12.30
ADMINISTRATIVE EXPENSES AND PERSONNEL COSTS	-3,670,794	-4,043,394	-9.22
GROSS PROFIT FOR THE YEAR	1,559,054	1,767,659	-11.80
NET RESULT	**684,719**	**1,186,041**	**-42.27**

Data expressed in units of EUR

EFFICIENCY INDEXES		
	2013	**2012**
ROE	2.50	4.43
ADMINISTRATIVE EXPENSES/EARNING MARGIN	73.09	70.61

The economic scenario

There was renewed confidence on financial markets at the beginning of the year, triggered by the temporary agreement to raise the US debt ceiling and the early repayment by some European banks of the ECB's loan granted under its three-year financing operations in 2012.
Japan implemented large-scale expansionary monetary and fiscal policies, which also helped to strengthen its equity market.

Between February and March tensions were fuelled by a number of factors, including the outcome of the Italian general election, cuts to public spending in the US (the so-called sequester) and the banking crisis in Cyprus, resolved thanks to a European agreement that imposed a levy on all bank deposits of more than € 100,000.

International markets were very strongly affected by uncertainty over the duration of the accommodating monetary policy adopted by the US: the FED suggested that it might start reducing purchases of assets under its quantitative easing programme if the American economy started to show signs of recovery.
As a result, financial markets around the world became more volatile over the summer months. There was an increase in yields on long-term US and European government bonds with AAA rating. Many emerging countries experienced sizable outflows of capital (including Brazil, India, Turkey, Russia and Indonesia), reflected in a weakening of their currencies and contraction of their equity and bond markets.

The markets started to become less volatile from mid-September, following the FED's decision to await more evidence of underlying strength in the broader economy and employment market before scaling back asset purchases: this decision led to a drop in yields on treasury notes and a rise in equity markets.
In the middle of October the US government's decision to restore public spending and raise the debt

ceiling had a calming effect on international financial markets.
In November the ECB cut its benchmark interest rate to 0.25% (after lowering it by 25 basis points in May and having reiterated its intention to pursue an expansionary monetary policy owing to the general sluggishness of the economy and weak inflationary pressure).
Towards the end of the year there was a spurt of growth in the UK, Japanese and Chinese economies, with the latter benefitting from a fiscal stimulus package; on the other hand, many emerging countries experienced a slowdown in economic growth, linked to the tightening of international financial conditions. The drop in commodity prices also contributed to keeping overall prices down in the majority of advanced and emerging countries.

With regard to Italy, the risk premium on sovereign bond yields fell sharply, reflecting an improvement in public finances thanks to which Italy was able to leave the European excess deficit procedure launched in 2009.
There were some positive signs in the Italian economy towards the end of the year; but although the outlook for large, export-focused industrial enterprises has improved, the situation is less positive for smaller companies, businesses in the services sector and those based in the south of Italy.
Inflation continued to fall, dipping to 0.7 percent in December, in the wake of persistently weak domestic demand which has been held back by the government's austerity measures and difficult labour market conditions.

GROWTH IN REAL GDP (1)	2012	2013
Italy	-2.40%	-1.90%
Germany	0.70%	0.40%
UK	0.30%	1.80%
US	2.80%	1.90%
Japan	1.40%	1.50%
China	7,50%	7.70%
India	4.90%	4.40%
Russia	3.40%	1.30%
Brazil	1,00%	2,30%

(1) year-on-year percentage change

Source: Bloomberg

In the middle of December the FED finally announced the start of tapering of its asset purchase programme, which triggered a rise in interest rates on bonds. However, these started to fall again at the beginning of 2014, following the release of conflicting data on worldwide economic conditions and turbulence in certain emerging markets (especially Argentina, Turkey and South Africa). The period between the end of February and the beginning of March was characterised by geopolitical headwinds (tensions between Ukraine and Russia) and macroeconomic tensions; the latter mainly regard China which has accumulated bubbles in real estate and industrial sectors which now have excessive production capacity.

Profit for the period

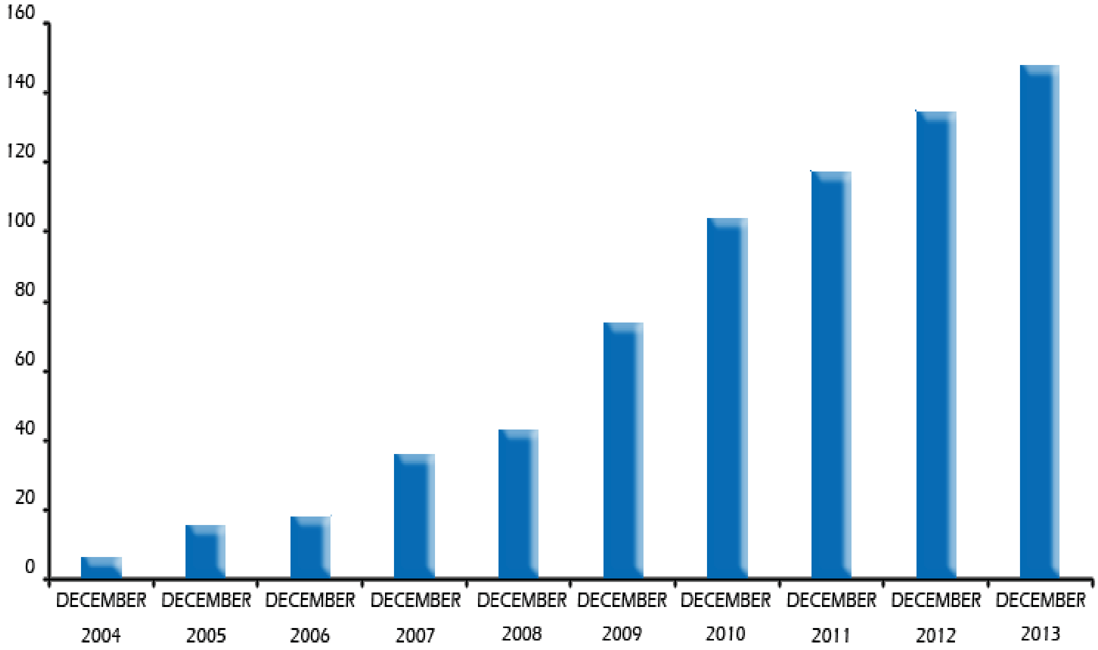
Net profit at 31 December 2013, for € 684,719, fell compared with the previous year (€ 1,186,041).
The reduction reflected a 10 percent drop in revenues from core business (owing to reduced volatility of bond markets).
The tax burden also increased as a result of extraordinary measures (IRES surcharge for banks), which brought the total amount of income tax to € 456,884.

Client services

As at 31 December 2013 clients' total equity rose slightly, to € 170.9 million.
Aggregate assets under management continued to increase, this year by € 13.54 million, to € 148.27 million (+ 10% compared with the end of 2012). This result reflects good returns on the lines managed and net funds of € 9.57 million.

A detailed analysis of client characteristics is provided in the specific section of the Social Report.

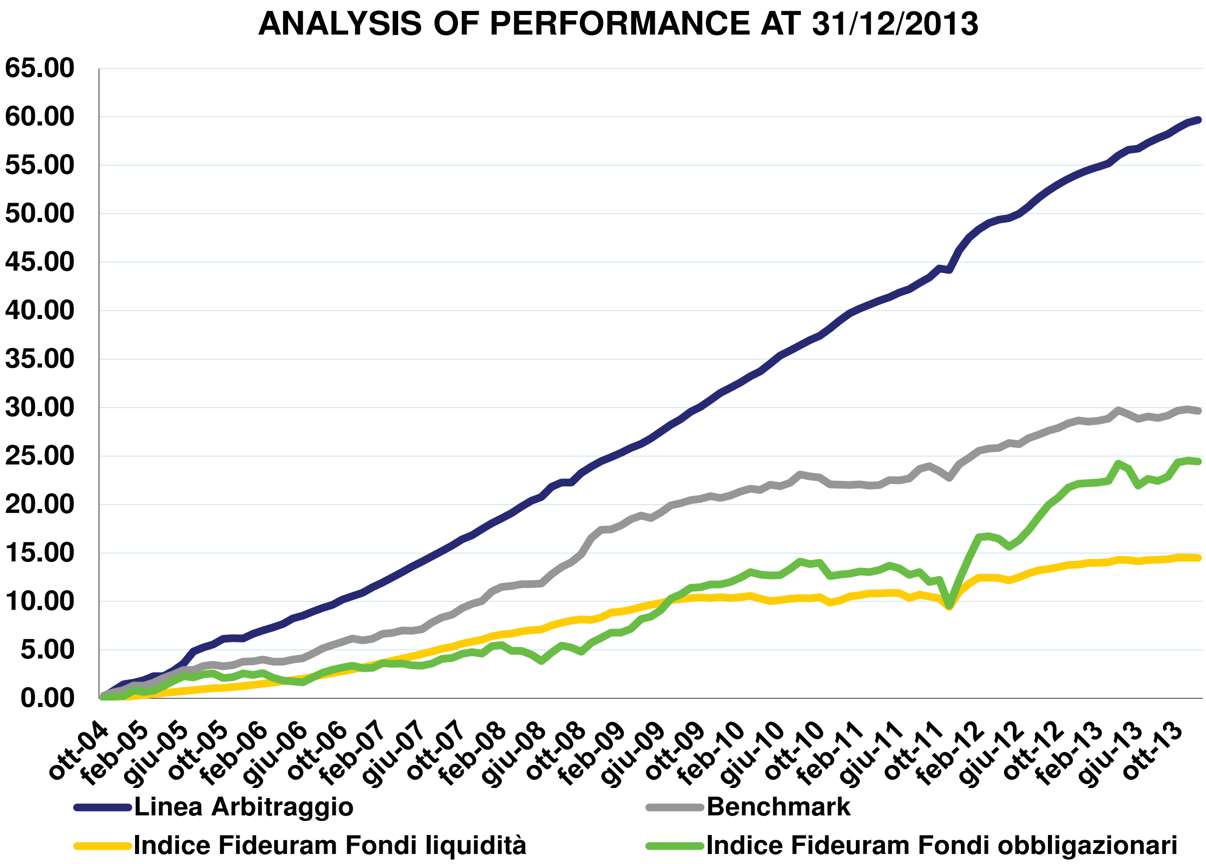
Clients' total equity 2004 - 2013



Data in € millions

Analysis of performance at 31/12/2013 (1)

Simetica Arbitrage



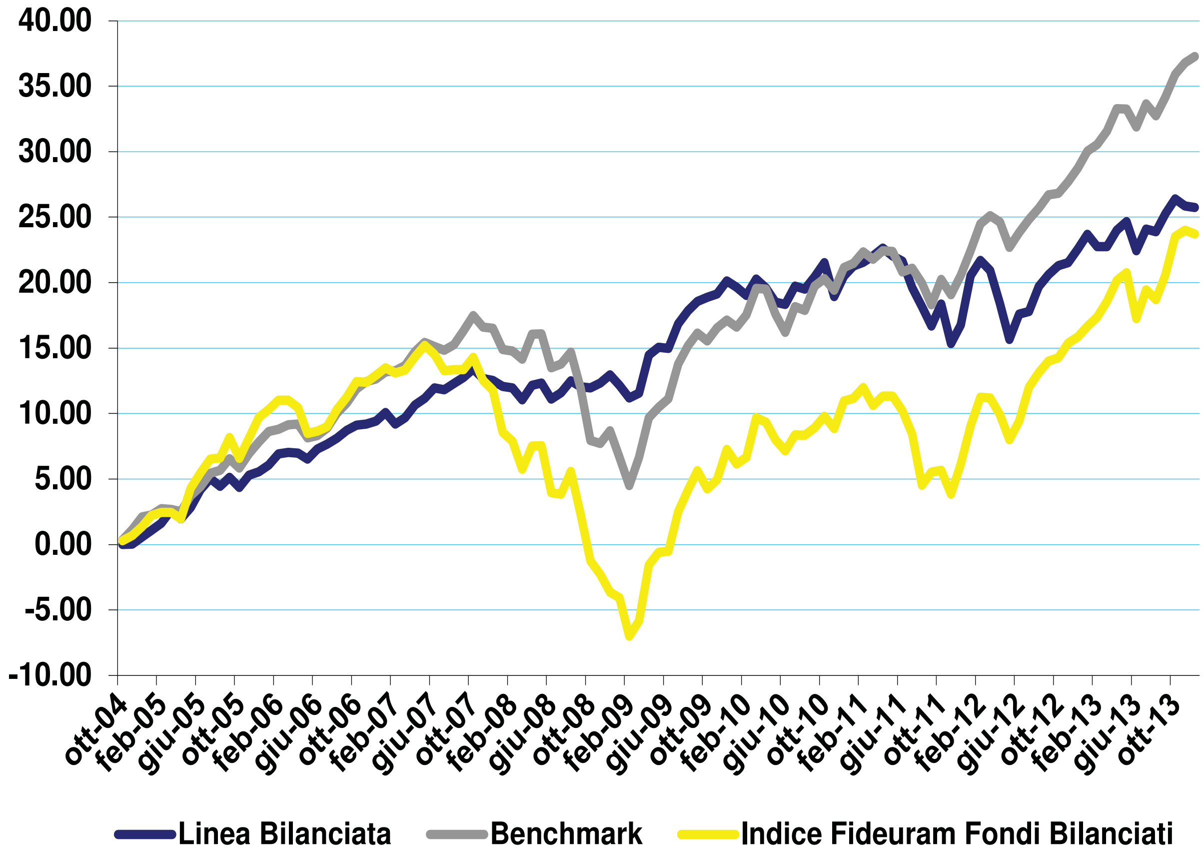
SIMETICA ARBITRAGE	
Performance in last 12 months	3.63%
Performance in last 12 months Fideuram Cash Index	0.62%
Performance in last 12 months Fideuram Security Index	1.87%
Benchmark performance in last 12 months	0.77%
Performance from 01/10/2004	59.69%
Performance from 01/10/2004 Fideuram Cash Index	14.50%
Performance from 01/10/2004 Fideuram Security index	24.44%
Benchmark performance from 01/10/2004	29.67%

BREAKDOWN OF BENCHMARK PERFORMANCE: ARBITRAGE	
Description	Weight
JP Morgan EMU 3 Month	75
JP Morgan EMU	25

(1) Performance is net of fees and gross of tax

Simetica Balanced

ANALYSIS OF PERFORMANCE AT 31/12/2013

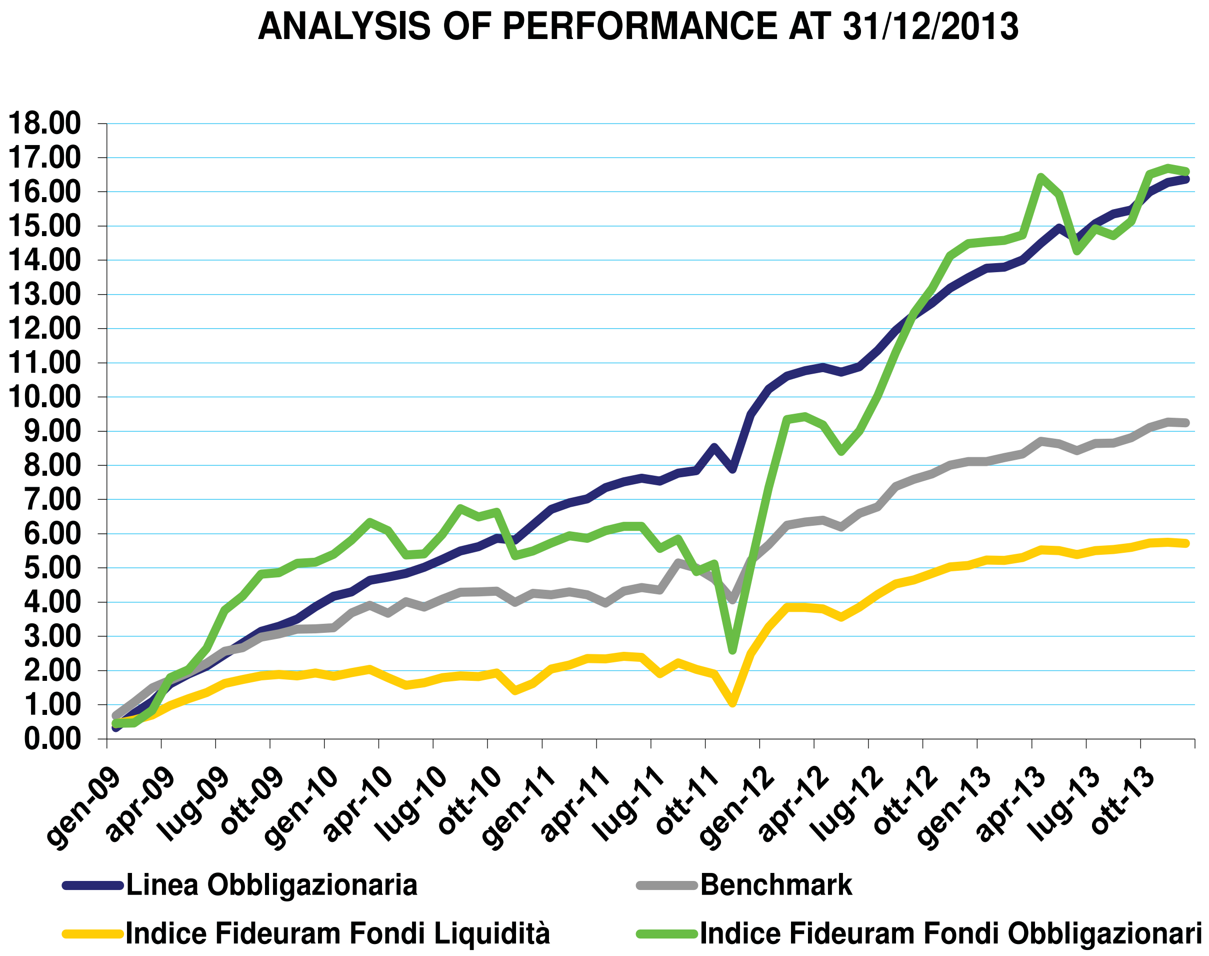


SIMETICA BALANCED	
Performance in last 12 months	2.60%
Performance in last 12 months Fideuram Balanced Index	6.79%
Benchmark performance in last 12 months	6.67%
Performance from 01/10/2004	25.72%
Performance from 01/10/2004 Fideuram Balanced Index	23.73%
Benchmark performance from 01/10/2004	37.28%

BREAKDOWN OF BENCHMARK PERFORMANCE: BALANCED

Descrizione	Weight
JP Morgan EMU 3 Month	50
JP Morgan EMU	25
MSCI WORLD EURO	25

Simetica Bond Securities



SIMETICA BOND SECURITIES	
Performance in last 12 months	2.54%
Performance in last 12 months Fideuram Cash Index	0.61%
Benchmark performance in last 12 months	1.07%
Performance from 01.01.09	16.37%
Performance from 01.01.09 Fideuram Cash Index	5.72%
Benchmark performance from 01.01.09	9.62%

BREAKDOWN OF BENCHMARK PERFORMANCE: BOND SECURITIES	
Description	Weight
JP Morgan EMU 1-3 Years	50
JP Morgan EMU 3 Month	50

Management fees and commissions

The application of low management fees in relation to the assets under management reflects our specific commitment to safeguarding the actual performance of clients' investments, especially when short-term interest rates are so low.
We believe that building an honest, open relationship with our clients is the best way of earning their trust over the longer term. That is why we do not apply any additional charges, such as per-line fees, account or security deposit charges, etc.
The increase in management fees, which amounted to € 573,141 (compared to € 508,240 in 2012) reflects the rise in net funds.
Fees and commissions also included trading commissions for assets managed, which almost entirely refer to bonds in the Simetica Arbitrage line.

Capital structure

Banca Simetica is an independent bank. The share capital amounts to € 7,600,000 and consists of 7,600 ordinary shares each with a nominal value of € 1.00.
Details of the share structure are set out in Annex 2.
At 31/12/2012 shareholders' equity amounted to € 27,347,682.

Corporate Governance

Corporate governance is based on a traditional system of administration and control.
The main provisions regarding corporate governance are set out in the bylaws, which have been drawn up in accordance with current legislation and in particular with the Supervisory Instructions issued by Banca d'Italia (circular No. 229 of 21 April 1999), the "Supervisory requirements concerning the organisation and corporate governance of banks", issued by Banca d'Italia in regulation No. 264010 on 4 March 2008 and the regulation issued jointly by Banca d'Italia and Consob on 29 October 2007 adopted pursuant to art. 6, sub-section 2-bis of the Consolidated Finance Act and Circular No. 263 of December 27, 2006 "New regulations for the prudential supervision of banks".
The Board of Directors is responsible for strategic supervision and management of the company. It is vested with full powers as regards the ordinary and extraordinary administration of the company and is empowered to carry out all the acts considered necessary or appropriate in order to implement and achieve the corporate purposes, with the sole exception of those powers pertaining exclusively to the General Meeting under the provisions of the law and the corporate bylaws.

The Board is the only body empowered to define, formalise and, if necessary, revise the operating limits and internal control systems..

The Chairman of the Board promotes the proper functioning of the corporate governance system and acts as a point of contact between the internal supervisory bodies.

The Managing Director represents the head of the company's internal structure and as such is vested with powers of management except for those powers that by law cannot be delegated.

The bylaws also provide for the presence of an Independent Director who, as a non-executive member:

- acquires information about how the company is managed and organised from its managers, the

internal audit and other control functions;
- takes part in the appointment and dismissal of the heads of the internal control and risk management functions.

The Board of Statutory Auditors is the controlling body responsible for overseeing compliance with the law, regulations and bylaws, the principles of correct administration and, in particular, the adequacy of the company's organisational, administrative and accounting system and its correct functioning.
The Supervisory Body is responsible for overseeing operations of the overall internal control system. It monitors the efficiency of all structures and functions involved in the control system and their proper coordination and promotes corrective measures when any shortcomings or irregularities are detected. It works with the company's internal control structures and functions to carry out the necessary tests and checks and the latter provide it with the appropriate information at regular intervals or in relation to specific circumstances or results.

Internal codes

The company has implemented an Organisational, Management and Control Model, in accordance with Italian Legislative Decree No. 231/2001. The document provides a detailed set of guidelines, the purpose of which is to prevent the offences for which the company would be held administratively liable under said law.

A specific Supervisory Body has been set up to oversee the efficiency and adequacy of the organisational model, guarantee its implementation within the company and verify and investigate any violations of the rules. This body must report its findings to the Board of Directors.

The company has also approved a Code of Conduct which has been prepared on the basis of the Self-Regulatory Rules issued by the Italian Banking Association - ABI, and a detailed set of specific procedures aimed at regulating all aspects in connection with conflicts of interest, market abuse, personal transactions by anyone having access to privileged information and anti-money laundering laws.

The control environment is a fundamental aspect of Banca Simetica's corporate culture, as it influences the degree to which members of staff are aware of the importance of control. It forms the basis for all other aspects of the internal control system, including its regulatory and organisational framework.

Control environment

The control environment is a fundamental aspect of Banca Simetica's corporate culture, as it influences the degree to which members of staff are aware of the importance of control. It forms the basis for all other aspects of the internal control system, including its regulatory and organisational framework.

The control environment reflects the integrity, the ethical standards and expertise of all members of staff, the philosophy and style of management with regard to accepted risk levels, methods and procedures for delegating responsibility, organisational and staff involvement policies, as well as the dedication of the Board of Directors and its ability to set clearly defined objectives.

Internal controls

Banca Simetica has structured its internal control system on three levels.

1. **Level one (line controls)**
   These consist of assessments by the heads of the various operational areas.

2. **Level two controls**
   Performed by the Risk Management and Compliance departments.
   The Risk Management department defines, manages and monitors the risks to which the company is exposed, in order to define and control the risk level that can be tolerated.
   The Compliance function, which is outsourced, monitors the company's compliance with all legislative and regulatory requirements.
   The Board of Directors, in accordance with the regulation issued on organisation, procedures and internal controls issued by Banca d'Italia on 10 March 2011, appointed an Anti-Money Laundering Manager (outsourced) and a person in charge of reporting any suspect transactions.
   It is the duty of the Anti-Money Laundering Manager to identify the applicable laws, collaborate in defining the appropriate procedures, prepare a training programme and define the information flows to the corporate bodies.
   The person in charge of reporting suspect transactions must evaluate any transactions suspected of violating anti-money laundering laws, based on all the available objective and subjective elements.

3. **Level three controls**
   These are performed by the Internal Audit department. Its job is to assess the appropriateness and efficacy of the intermediary's systems, processes, procedures and mechanisms and to formulate recommendations and verify compliance of the initiatives undertaken.

The internal control system functions meet all the applicable requirements for independence. More specifically, the heads of the relative departments:

- are not hierarchically under the heads of the departments being controlled;
- are appointed by the Board of Directors (in agreement with the Board of Statutory Auditors);
- report directly to the Board of Directors and Board of Statutory Auditors.

The heads of the relative functions do not take part in supplying the services they control.

The Company is in the process of bringing its organisational structure and internal procedures into line with the 15th update of circular 263/2006 issued on 2 July 2013 by Banca d'Italia aimed at rationalising the regulatory framework governing the internal control systems also in respect of Directive 2013/36/EU (CRD IV) which contains the so-called "Basel III" accord.

Risk management

The risks to which Banca Simetica is potentially exposed have been grouped and classified in the "Risk mapping manual". These risks include market risk, counterparty risk, settlement risk and liquidity risk in addition to operational, reputational and strategic risks.

The manual also contains a summary of the measurement techniques for the different types of regulatory and supervisory risks that are identified.

All risks are monitored on the basis of the internal control system as set out in the "Risk control manual".

The Risk Management function monitors and manages the different types of risk as established by Pillar 1 of Basel II (market risk, credit risk and operational risk) and is assisted by the Compliance function on matters regarding legal risks (which fall within the scope of operational risk) and by the Anti-Money Laundering function.
In addition to the risks under Pillar 1 of Basel II, the Risk Management function also monitors and manages counterparty and liquidity risk.

See part E of the notes and the Disclosure document prepared in accordance with pillar 3 of Basel II for a more detailed description of each type of risk and the relative procedures in place for monitoring and controlling these. The Disclosure document also sets out the main results obtained with regard to the internal procedures for calculating capital adequacy (ICAAP). Its purpose is to provide transparent information to the public about the risks to which the Bank is exposed, the procedures it adopts to control and manage these and its financial stability.

Capital requirements to cover risks

La misurazione dei rischi e la relativa adeguatezza patrimoniale sono calcolati secondo quanto stabilito Risks are measured and the relative capital requirement is calculated according to the methods defined by the New Regulations for the Prudential Supervision of Banks (Circular No. 263 of 27 December 2006).
The regulatory capital of Banca Simetica consists of tier 1 capital only, comprising the share capital, retained earnings (except the statutory reserve) and income for the period (net of dividends paid and amounts allocated to the statutory reserve) as positive items and intangible assets as the negative items.Banca Simetica does not hold innovative capital instruments and the prime quality constituents of the regulatory capital derive from its own means.
The bank's individual solvency (tier ratio) is well above the 8% limit required by Banca d'Italia and stood at 108.25% at 31 December 2013.
This ratio is high due to the fact that Banca Simetica performs proprietary trading activities through arbitrage (a low risk operation by definition), has not yet commenced lending activities and its high net worth.

Human Resources

A more detailed analysis of our human resources is provided in the specific section of the Social Report.
As at 31 December 2013 the number of employees stood at 24 (one part-time).
All new recruits receive a period of supervised on-the-job training.
Employees' contracts refer to the National Collective Bargaining Agreement for Bank Employees. The company has also adopted and applied all the provisions of Italian Legislative Decree No. 81 of 9 April 2008 implementing Italian law No. 123 of 3 August 2007 concerning health and safety at work.

R&D

In 2013 Banca Simetica continued to undertake important actions aimed at fostering development and strengthening its position as a fully integrated and specialist operator in the trade and arbitrage sector.
This, together with the continuous and systematic reviewing of our internal production processes and upgrading to ensure compliance with recent changes in the law, were important factors in enabling us to

achieve the results reported in the current financial statements.

Inspection by Banca d'Italia

In April and May the bank was subject to an inspection by Banca d'Italia, the outcome of which, to the satisfaction of all stakeholders, was substantially favourable.
Our sincere thanks to Banca d'Italia for its constructive collaboration.

Other information

The company does not own and has never purchased or sold any own shares or shares in controlling companies, even through trust companies or nominees.
There are no subsidiaries, associated companies, parent companies and enterprises controlled by the latter.

Social Report

In accordance with art. 21 of the bylaws, Banca Simetica has drawn up a Social Report. Once approved, this will be attached to the Directors' Report.

Significant events in early 2014

There have been no significant events since the end of the last financial year.

Outlook

In the first part of 2014 business operations in general and arbitrage and trading activities in particular were in line with the budget approved by the Board of Directors.
Good results have been achieved in terms of deposits in the portfolio management business for the first quarter (€ 945,000). Assets managed exceeded € 150 million as at 14 March 2014.
On the basis of these facts the outlook for 2014 is positive.

Allocation of profits for the year

Dear Shareholders,

You are invited to approve the financial statements for the year ended at 31 December 2013. We propose allocating the net profit for the year, amounting to € 684,719 as follows:

€	34.236	legal reserve
€	1.230	statutory social solidarity fund*
€	79.253	extraordinary reserve
€	570.000	profits to be allocated

* The amount to be allocated to the statutory fund was calculated taking into account donations made during the financial year and recorded in the profit and loss account, for € 67,242.
The statutory social solidarity fund was used for the amount of € 163,145 during the year.

Biella, 27 March 2014

The Board of Directors
Chairman
Pier Luigi Barbera

Balance Sheet

	ASSETS	2013	2012
10.	Cash and liquid assets	2,501,040	2,506,551
20.	Financial assets held for trading	10,170,317	21,793,856
60.	Due from banks	19,409,624	24,314,874
70.	Due from clients	1,963	6,841
110.	Tangible assets	3,308,110	3,610,957
120.	Intangible assets	9,695	14,737
130.	**Tax assets**	733,363	637,216
	a) current	725,399	634,087
	b) prepaid	7,964	3,129
	- of which transformable into tax credits (Law No. 214/2011)	0	0
150.	Other assets	7,915,824	1,613,268
	Total assets	**44,049,936**	**54,498,300**

	LIABILITIES AND SHAREHOLDERS' EQUITY	2013	2012
20.	Due to clients	8,137,486	23,012,186
40.	Financial liabilities held for trading		150
80.	Tax liabilities	459,469	586,616
	a) current	457,816	584,764
	b) deferred	1,653	1,852
100.	Other liabilities	7,740,847	3,064,313
110.	Severance indemnity fund	358,828	456,362
	Provisions for risks and charges		
120.	a) pension funds and similar obligations		
	b) other provisions	5,624	
130.	Valuation reserves	17,435	42,328
160.	Reserves	17,745,528	17,250,304
170.	Issue premium	1,300,000	1,300,000
180.	Capital	7,600,000	7,600,000
200.	Profit (Loss) for the year (+/-)	684,719	1,186,041
	Total liabilities and shareholders' equity	**44,049,936**	**54,498,300**

Some items regarding comparative data as at 31 December 2012 differ from those reported in the accounts actually published owing to the retrospective application of the new revised IAS 19, in accordance with IAS 8 (changes in accounting policies).

The following items have been reclassified as at 31 December 2012:

- item 130. Valuation reserves
- item 200. Profit for the year

Profit and Loss Account

ITEMS		2013	2012
10.	Interest receivable and similar income	585,260	270,615
20.	Interest payable and similar expenses	(5,653)	(3,927)
30.	**Interest margin**	**579,607**	**266,688**
40.	Income from fees and commissions	1,490,542	1,500,944
50.	Costs of fees and commissions	(531,955)	(436,240)
60.	**Net fees and commissions**	**958,587**	**1,064,704**
70.	Dividends and similar income	252	47,484
80.	Net profits on trading	3,483,543	4,347,207
120.	**Earning margin**	**5,021,989**	**5,726,083**
140.	**Net result of financial management**	**5,021,989**	**5,726,083**
150.	Administrative expenses:	(3,670,794)	(4,043,394)
	a) personnel costs	(1,553,367)	(1,789,912)
	b) other administrative expenses	(2,117,427)	(2,253,482)
160.	Net provisions to reserves for risks and charges	(5,624)	
170.	Net adjustments/re-adjustments of value of tangible assets	(412,409)	(66,795)
180.	Net adjustments/re-adjustments of value of intangible assets	(5,042)	(5,439)
190.	Other operating expense/income	223,014	84,970
200.	**Operating costs**	**(3,870,855)**	**(4,030,658)**
240.	Gains (Losses) on sale of investments	(9,531)	
250.	**Profit (loss) on current operations before tax**	**1,141,603**	**1,695,425**
260.	Income tax on current operations for the year	(456,884)	(509,384)
270.	**Profit (loss) on current operations net of tax**	**684,719**	**1,186,041**
290.	**Net profit (loss) for the year**	**684,719**	**1,186,041**

Some items regarding comparative data as at 31 December 2012 differ owing to the retrospective application of the new revised IAS 19, in accordance with IAS 8 (changes in accounting policies).

The following items have been reclassified as at 31 December 2012:

item 150. a) Personnel costs, item 200. Operating costs, item 250. Profit (Loss) on current operations before tax, item 260. Income tax on current operations for the year, 270. Profit (Loss) on current operations net of tax , item 290. Net profit (loss) for the year.

Statement of comprehensive income

ITEMS		2013	2012
10.	Net profit (loss) for the year	684,719	1,186,041
90.	Actuarial gains (losses) arising from defined benefit plans	-24,893	42,328
120.	**Comprehensive income**	**659,826**	**1,228,369**

Statement of changes in shareholders' equity 2013

				CHANGE IN THE YEAR										
				Allocation of previous year's profit			Operations on shareholders' equity							
	Balance at 31.12.2012	Change in opening balance	Balance at 01.01.2013	Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of own shares	Extraordinary distribution of dividends	Change in capital instruments	Derivatives on own shares	Stock options	Comprehensive income for 2013	**Shareholders' equity at 31.12.2013**
Capital:	7,600,000		7,600,000											**7,600,000**
a) ordinary shares	7,600,000		7,600,000											**7,600,000**
b) other shares														
Issue premium	1,300,000		1,300,000											**1,300,000**
Reserves:	17,250,304		17,250,304	658,369		(163,145)								**17,745,528**
a) retained earnings	17,250,304		17,250,304	658,369		(163,145)								**17,745,528**
b) other														
Valuation reserves	42,328		42,328	(42,328)									17,435	**17,435**
Capital instruments														
Own shares														
Profit (Loss) for the year	1,186,041		1,186,041	(616,041)	(570,000)								684,719	**684,719**
Shareholders' equity	27,378,673		27,378,673	-	(570,000)	(163,145)							702,154	**27,347,682**

Statement of changes in shareholders' equity 2012

				CHANGE IN THE YEAR										
				Allocation of previous year's profit			Operations on shareholders' equity							
	Balance at 31.12.2011	Change in opening balance	Balance at 01.01.2023	Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of own shares	Extraordinary distribution of dividends	Change in capital instruments	Derivatives on own shares	Stock options	Comprehensive income for 2011	**Shareholders' equity at 31.12.2012**
Capital:	7,600,000		7,600,000											**7,600,000**
a) ordinary shares	7,600,000		7,600,000											**7,600,000**
b) other shares														
Issue premium	1,300,000		1,300,000											**1,300,000**
Reserves:	14,116,545		14,116,545	3,199,239		(65,480)								**17,250,304**
a) retained earnings	14,116,545		14,116,545	3,199,239		(65,480)							42,328	**17,292,632**
b) other														
Valuation reserves														
Capital instruments														
Own shares														
Profit (Loss) for the year	3,769,239		3,769,239	(3,199,239)	(570,000)								1,186,041	**1,186,041**
Shareholders' equity	26,785,784		26,785,784	-	(570,000)	(65,480)							1,228,369	**27,378,673**

Cash flow statement – direct method

	2013	2012
A. OPERATIONAL ACTIVITIES		
1. Management	**950,595**	**1,153,995**
- interest earned (+)	499,157	138,122
- interest paid (-)	(5,653)	(3,927)
- dividends and similar income (+)	252	47,484
- net fees and commissions (+/-)	970,800	1,053,374
- personnel costs (-)	(1,573,355)	(1,774,193)
- other costs (-)	(2,189,279)	(2,213,492)
- other revenues (+)	3,706,489	4,432,067
- tax and duties (-)	(457,816)	(525,440)
2. Cash flow generated/absorbed by financial assets	**5,315,817**	**(3,236,694)**
- financial assets held for trading	11,709,642	(3,032,755)
- due from clients	4,878	(1,196)
- other assets	(6,398,703)	(202,743)
3. Cash flow generated/absorbed by financial liabilities	**(10,445,699)**	**(11,266,703)**
- due to clients	(14,874,700)	(3,928,273)
- financial liabilities held for trading	(150)	(7,366,513)
- other liabilities	4,429,151	28,083
Net cash flow generated/absorbed by operational activities	**(4,179,287)**	**(13,349,402)**
B. INVESTMENTS		
1. Cash flow generated by	**409**	**2,623**
- sale of tangible assets	409	2,623
2. Cash flow absorbed by	**(161,883)**	**(1,537,722)**
- purchase of tangible assets	161,883	1,535,496
- purchase of intangible assets	0	2,226
Net cash flow generated/absorbed by investments	**(161,474)**	**(1,535,099)**
C. FUNDING		
- distribution of dividends and other allocations	(570,000)	(570,000)
Net cash flow generated/absorbed by funding	**(570,000)**	**(570,000)**
Net cash flow generated/absorbed in the year	(4,910,761)	(15,454,501)

KEY: (+) generated; (-) absorbed

RECONCILIATION

	2013	2012
Cash and liquid assets at 01/01/2013	26,821,425	42,275,926
Total net liquid assets generated/absorbed in the year	(4,910,761)	(15,454,501)
Cash and liquid assets at 31/12/2013	21,910,664	26,821,425

Notes to the Financial Statements

Part A - Accounting policies

Part B - Information on the balance sheet

Part C - Information on the profit and loss account

Part C - Comprehensive income

Part E – Risks and related risk management policies

Part F – Equity

Part H – Transactions with related parties

Notes to the Financial Statements

Part A - Accounting policies

A.1 General information

- **Section 1**

Statement of compliance with international accounting standards
The financial statements of BANCA SIMETICA S.p.A. for the year ended 31 December 2013 have been drawn up in compliance with the IAS/IFRS developed by the IASB, and the relative interpretations of the IFRIC, adopted by the European Commission under Regulation (EC) No. 1606/2002.

- **Section 2**

Preparation criteria
These financial statements have been prepared in accordance with a number of amendments to IAS/IFRS and interpretations applicable for the first time as from 1 January 2013. These are listed below:

- On 12 May 2011 the IASB issued IFRS 13 -Fair value measurement, which provides guidance on how to determine fair value of items stated in the accounts and applies to all assets and liabilities for which IAS/IFRS require or permit fair value measurement or the disclosure of information based on fair value, with certain specific exceptions. It also requires entities to disclose more detailed information about how fair value is measured (fair value hierarchy) than previously required under IFRS 7.
- On 16 June 2011 the IAS issued an amended version of IAS 19 - Employee benefits, which eliminates the option to defer the recognition of actuarial gains and losses according to the so-called corridor approach. The new IAS 19 requires entities to recognise all actuarial gains and losses as they occur in the statement of Other comprehensive income, so that total net funds for defined benefit plans (net of plan assets) are recorded in the statement of financial position. The amendment also requires that changes from one year to the next in the defined benefit fund and plan assets be disaggregated into three components: service costs for the year must be recognised as Service costs in the profit and loss account; net financial charges, calculated by applying the appropriate discount rate to the balance of the defined benefit fund net of assets at the beginning of the year, must be stated as such in the profit and loss account, and actuarial gains and losses arising from the re-measurement of assets and liabilities must be stated as Other comprehensive profit (loss). The amendment also introduces requirements for new disclosures in the notes to the financial statements. The amendment applies retrospectively for periods beginning on or after 1 January 2013.
- On 16 June 2011 the IASB issued an amended version of IAS 1 - Presentation of financial statements, which requires entities to group items presented in Other comprehensive income based on whether they are potentially reclassifiable to profit or loss subsequently, i.e. those that might be reclassified and those that will not be reclassified. The amendment is effective for annual periods beginning on or after 1 July 2012.
- On 16 December 2011 the IASB issued amendments to IFRS 7 - Financial instruments: disclosures. The amendments require the provision of additional information evaluating the effect or potential effect of offsetting of financial assets and liabilities in accordance with IAS 32 on the entity's financial

position. The amendments apply for annual periods beginning on or after 1 January 2013. Entities must provide the disclosures required retrospectively. The application of these amendments did not produce any effect on these financial statements.

These financial statements have been drawn up according to the instructions issued by Banca d'Italia in circular No. 262 of 22 December 2005, as amended on 21 January 2014, "Financial statements of banks: preparation criteria and format" and subsequent amendments and additions.

IThe financial statements consist of the balance sheet, the profit and loss account, the statement of comprehensive income, the statement of changes in shareholders' equity, the cash flow statement, the notes to the financial statements and the Directors' Report on the standing of BANCA SIMETICA SpA. The accounts in these financial statements are reflected in the company's accounts.

The financial statements have been prepared on a going concern basis and with reference to the generally accepted accounting principles listed below:

- principle of accruals-based accounting;
- principle of consistency in presentation and classification from one year to the next;
- principle of non-compensation unless expressly allowed;
- principle of substance over form;
- principle of prudence in the exercise of the judgements needed in making the estimates required under conditions of uncertainty, such that assets or income are not overstated and liabilities and charges are not understated, but without this leading to the creation of hidden reserves or undue provisions;
- principle of neutrality of information;
- principle of full disclosure/materiality.

Unless otherwise specified, the amounts shown in the balance sheet, explanatory notes and Directors' report are in euro.

- **Section 3**

Events after the reporting period
Events after the reporting period
When necessary, amounts recognised after the reporting period are adjusted to reflect the events occurring after the reference date for which adjustments must be made pursuant to IAS 10.

No significant events occurred after the end of the reporting period that have not already been mentioned in the Directors' Report.

A.2 Main items in the balance sheet

These financial statements were drawn up on the basis of the following criteria.

- **Financial assets and liabilities held for trading**

A financial asset or liability is classified as held for trading, and included under item 20 "Financial assets held for trading" or item 40 "Financial liabilities held for trading" if:

- it is purchased or held mainly for the purpose of selling or repurchasing it in the short-term;

- it is part of a portfolio of well-identified financial instruments that are managed as a group and in respect of which there is evidence of a recent and effective strategy aimed at obtaining a profit in the short-term.

Recognition criteria
Financial assets and liabilities include debt securities, equity securities and derivatives, acquired for the main purpose of short-term profit-making.

Classification criteria
Financial assets and liabilities include debt securities, equity securities and derivatives, acquired for the main purpose of short-term profit-making.

Valuation criteria
Subsequent to initial recognition, the financial instruments in question are measured at fair value, recognising any changes in the profit and loss account under item 80 "Net result of trading activities". The fair value of assets or liabilities of a trading portfolio is determined by reference to the prices observed in active markets.
In case of securities listed in active markets, the fair value is determined by reference to market prices. A market is defined as active if the prices reflect normal market transactions, are readily and regularly available and express the price of actual and regular market transactions.

Derecognition criteria
Financial assets and liabilities held for trading are derecognised when the contractual rights to the cash flows arising from the financial assets or liabilities expire or when the financial assets or liabilities are sold, transferring substantially all the risks and rewards of ownership related to the assets or liabilities in question.

Criteria for recognising income items
Results of sales of financial assets or liabilities held for trading are recorded in the profit and loss account under item 80 "Net result of trading activities".

- **Receivables**

Receivables are non-derivative financial assets which provide for fixed or otherwise determinable payments and are not quoted on an active market.

Recognition criteria
Receivables and loans are initially recognised when the company becomes party to a loan agreement or the creditor acquires the right to receive payment of the amounts agreed upon by contract. This corresponds to the date when the loan is disbursed. The financial instrument is initially recognised at fair value, which corresponds to the total amount disbursed inclusive of income or charges directly attributable to the asset and that are determinable from the outset, regardless of when they are actually settled. The initial recognition value does not include all the charges that will be reimbursed by the debtor or those that are classified as ordinary internal administrative costs.

Classification criteria
Receivables include loans to banks and financial institutions, which provide for fixed or otherwise determinable payments, are not quoted on active markets and not classified at the outset as available for

sale or among the financial assets recognised at fair value that impact on profit and loss.

Valuation criteria

Receivables are measured at amortised cost using the effective interest rate method.
The amortised cost of a financial asset or liability is the amount at which the financial asset or liability was measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation on any difference between the initial amount and the maturity amount, and minus any write-down (for impairment or non-collection).

The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability (or group of financial assets and liabilities) and of allocating the interest over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument. When calculating the effective interest rate it will be necessary to estimate cash flows, taking into account all the contractual terms of the financial instrument (for example, prepayment, call and similar options) but future credit losses should not be considered. The calculation includes all fees and points paid or received between the parties to the contract, that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. The amortised cost is calculated for all receivables having an original maturity of eighteen months or more as with shorter maturity dates the effect of discounting would be immaterial. Receivables of such short duration as to make the effects of actualisation negligible, are stated at face value.
The effective interest rate initially recognised is the rate (known as the original rate) that is also always used to discount expected cash flows and to determine the amortised cost after initial recognition.
The presence of objective evidence that a financial asset or group of financial assets may be impaired must be verified at each balance sheet or interim report date.

Derecognition criteria

Receivables are derecognised when all contractual rights to the cash flows arising from the financial assets expire or when the financial assets are sold, transferring substantially all the risks and benefits of ownership related to the assets in question. Otherwise, the receivables continue to be included in the financial statements at an amount which reflects the residual control over the asset, even though legal ownership has effectively been transferred.

Criteria for recognising income items

Interest relating to "loans to banks" is stated under item "10. Interest and similar income" in profit and loss on an accruals basis.

- **Tangible assets**

"Operating assets" are tangible assets owned and used by the company to carry on its operating activities and the useful life of which extends beyond one financial year.
"Investment property" represents property held with a view to earn rentals or for capital appreciation.
Tangible assets (operating assets and investment property) also include leasehold assets (under finance lease contracts) which are recorded even though the legal right to the assets remains with the lessor company.

Recognition criteria

Tangible assets are initially recognised at cost (under item 110 "Tangible assets"), inclusive of any directly attributable costs incurred in bringing the asset into working condition for its intended use, and any non-recoverable taxes and duties. This value is subsequently increased by additional costs incurred which are

expected to generate future economic benefits. Costs for ordinary maintenance on tangible assets are charged to earnings as and when incurred.
The cost of a tangible asset is only recognised as an asset if:

- it is probable that the future economic benefits attributable to the asset will flow to the company
- the cost of the asset can be measured in a reliable manner.

Classification criteria
Tangible assets include property, plant, electronic equipment and any other type of equipment.

Valuation criteria
Subsequent to initial recognition, operating tangible assets are carried at cost, as described above, less any accumulated depreciation and impairment losses. The depreciable amount, equal to the cost less the residual value (i.e. the amount that is expected to be received for the asset at the end of its useful life after deducting disposal costs), is depreciated on a straight-line basis over the residual useful life of the asset. The useful life, which is regularly reviewed in order to assess if significant changes in estimates have occurred, is defined as the period of time over which an asset is expected to be used by the company.
The depreciation of an asset starts when the asset is ready for use and ceases when the asset is disposed of and eliminated from the accounting records. As a result, depreciation does not stop when the asset becomes idle or is retired from active use and held for disposal unless the asset is fully depreciated.
At each balance sheet or interim report date, the company reviews the carrying amounts of its fixed assets to determine whether there is any indication that those assets have suffered an impairment loss. The impairment loss is the difference between the asset's carrying amount and its recoverable amount. The latter is the higher of the fair value, net of selling costs, and the related value in use intended as the present value of the future cash flows expected to be generated by the asset. The impairment loss is immediately recognised in the profit and loss account under item 170 "Adjustments to the net value of tangible assets". This item also includes any future write-backs that may be recorded if the reasons that gave rise to the original impairment cease to exist.

Derecognition criteria
Tangible assets are eliminated from the financial statements at the time of disposal or when the assets are permanently withdrawn from use and no future economic benefits are expected to be generated from their disposal.

Criteria for recognising income items
Systematic depreciation is recognised in profit and loss under item "170 Adjustments to net value of tangible assets".

Any gain or loss arising on the derecognition or disposal of the tangible asset, calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is included in the profit and loss account under item 240 "Gains (Losses) from sale of investments".

• *Intangible assets*

An intangible asset is an identifiable non-monetary asset without physical substance, that is used by the company to carry out its activities and from which the company can be expected to receive future economic benefits.

An intangible asset is identifiable when:

- it is separable, that is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged;
- it arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from other rights and obligations.

The future economic benefits arising from an intangible asset may include the revenues from the sale of products or services, cost savings or other benefits resulting from the use of the asset by the company.

Recognition criteria

The assets shown in the balance sheet under item 120 "Intangible assets" are recorded at cost and any subsequent costs incurred after their initial recognition are only capitalised if they are expected to generate future economic benefits and only if those costs can be assessed and allocated to the assets in a reliable manner.

The cost of an intangible asset includes:

- the purchase price including any non-recoverable taxes and duties less any discounts and rebates;
- any directly attributable cost required to make the asset ready for its intended use.

Classification criteria

Intangible assets include application software for multi-year use.

Valuation criteria

Subsequent to initial recognition, intangible assets with a definite useful life are recognised at cost less cumulative amortisation and any impairment losses that may have occurred.
The amortisation is allocated systematically over the best estimate of the asset's useful life, using the straight-line method.
The assets start being amortised when they are ready for use and cease being amortised when the assets are eliminated from the accounting records.
Intangible assets with an indefinite useful service life are recognised at cost less any impairment losses. These losses are recorded as a result of the impairment tests carried out on an annual basis. As a result, these assets are not amortised.
Impairment losses that arise from the difference between the carrying value of the assets and their recoverable value are recognised, like write-backs, under item 180 "Adjustments to the net value of intangible assets".

Derecognition criteria

Intangible assets are eliminated from the financial statements when disposed of or when no future economic benefits are expected to flow to the company from their use or disposal.

Criteria for recognising income items

Systematic depreciation is recognised in profit and loss under item "180 Adjustments to the net value of intangible assets".
Any gain or loss arising on the derecognition or disposal of the intangible asset, calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is included in the profit and loss account under item 240 "Gains (Losses) from sale of investments".

- **Current and deferred taxes**

Income tax for the year is calculated and stated in the financial statements on an accruals basis and credited or charged to the profit and loss account for the year in which it is earned or incurred.
Differences between the profit defined in accordance with the provisions of the Italian Civil Code and the taxable income may be temporary or permanent, depending on whether the difference between the values for specific income or charge items measured on the basis of the Civil Code or on the basis of tax laws will be re-absorbed in future.
Permanent differences have no impact on subsequent financial periods and there is no need for any adjustment to the tax stated in profit and loss; temporary differences generate a saving or an increase in tax for the year. This difference is made up in subsequent years and results in a difference between the tax due and tax for the year.
For this reason the financial statements must not only include "current" tax, i.e. tax calculated according to tax laws, but also "deferred" tax, i.e. tax due on the basis of the timing differences described above, to be paid or recovered in subsequent years.
The provision for income tax is determined on the basis of a prudential forecast of the current tax charge, prepaid tax and deferred tax.

Deferred tax assets are recognised to the extent that it is likely that taxable profits will be available in subsequent years against which deductible temporary differences can be used.

Deferred tax assets and liabilities are continuously reviewed and assessed using the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, on the basis of current tax rates and regulations.

- **Payables and securities in issue**

Classification criteria
Amounts due to clients, due to banks and securities in issue consist of financial instruments (other than trade liabilities) which represent the typical form of funding for clients, for other banks or incorporated in securities. Such amounts also include any liabilities arising from financial leasing transactions.

Recognition criteria
Liabilities are initially recognised on the settlement date and at their current value, which is normally the amount paid to the bank. The initial value also includes any transaction costs and proceeds paid in advance and directly attributable to each liability; the initial value does not include charges recovered by the counterparty creditor or relating to internal administrative costs.

Valuation criteria
Following initial recognition, financial liabilities are recognised at their amortised cost using the effective interest rate method. Short-term liabilities continue to be recognised at the value paid.

Derecognition criteria
Financial liabilities are derecognised when paid or when they have expired. Derecognition also occurs if previously issued securities are repurchased.

• Transactions in foreign currency

Recognition criteria

Financial liabilities are derecognised when paid or when they have expired. Derecognition also occurs if previously issued securities are repurchased.

Valuation criteria

At the end of the year accounting entries in foreign currency are valued at the exchange rate prevailing at year-end.

Criteria for recognising income items

Exchange differences arising from cash settlement or conversion of cash items at rates other than the initial conversion rate, or the conversion rate of the previous financial statements, are recognised in profit and loss for the period in which they arise.

• Other information

Employee severance indemnity

Employee severance indemnity is calculated on an actuarial basis. For the actuarial calculation of this amount the company requested and obtained a report by an actuary registered with the National Actuarial Association, published by the National Order of Actuaries.

The "Projected Unit Credit Cost" method was used for the actuarial calculation. This method is based on the projection of future expense on the basis of statistical records, demographic data and the financial actualisation of these flows at market interest rates.

As from 1 January 2013, in accordance with the provisions of the new revised IAS 19, actuarial gains and losses, defined as the difference between the carrying value of the liability and the current value of commitments, are recorded in the statement of comprehensive income and in a specific valuation reserve in shareholders' equity.

Revenues

Revenues are recognised when received or when future benefits are likely to be received and said benefits can be measured reliably.

Charges

Charges are recognised when incurred and when there is a reduction in the future economic benefits that can be measured reliably.

A.4 FAIR VALUE

A.4.5.1 Fair value hierarchy

A.4.5.1 ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING BASIS: BREAK-DOWN BY LEVEL OF FAIR VALUE.

	2013			2012		
Financial assets/liabilities at fair value	L1	L2	L3	L1	L2	L3
1. Financial assets held for trading	10,170,317			21,793,856		
2. Financial assets at fair value						
3. Financial assets available for sale						
4. Hedging derivatives						
5. Tangible assets						
6. Intangible assets						
Total	**10,170,317**			**21,793,856**		
1. Financial liabilities held for trading						
2. Financial liabilities at fair value						
3. Hedging derivatives						
Total						

Legenda:Key:

L1= Level 1

L2= Level 2

L3= Level 3

A.4.5.4 ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE OR MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS: BREAKDOWN BY LEVEL OF FAIR VALUE

	2013				2012			
Assets/Liabilities not measured at fair value or measured at fair value on a non-recurring basis	VB	L1	L2	L3	VB	L1	L2	L3
1. Financial assets held to maturity								
2. Due from banks	19,409,624			19,409,624	24,314,874			24,314,874
3. Due from clients								
4. Tangible assets held for investment								
5. Non-current assets and disposal groups								
Total								
1. Due to banks								
2. Due to clients	8,137,486			8,137,486	23,012,186			23,012,186
3. Securities in issue								
4. Liabilities associated with a disposal group								
Total								

The fair value is equal to the book value as these are demand deposits

Key:

BV = Book value

L1= Level 1

L2= Level 2

L3= Level 3

Part B - Information on the balance sheet - assets

Section 1 – Cash and liquid assets – Item 10

1.1 CASH AND LIQUID ASSETS: BREAKDOWN

	2013	2012
a) Cash	2,110	4,202
b) Free deposits with Central Banks	2,498,930	2,502,349
Total	**2,501,040**	**2,506,551**

Section 2 – Financial assets held for trading – Item 20

2.1 FINANCIAL ASSETS HELD FOR TRADING: PRODUCT BREAKDOWN

Items/Amounts	2013			2012		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A Financial assets						
1. Debt securities	10,170,317			16,179,806		
1.1 Structured securities						
1.2 Other debt securities	10,170,317			16,179,806		
2. Equity instruments				281,903		
3. Units in investment funds				1,157,932		
4. Loans				3,986,813		
4.1 Repos				3,986,813		
4.2 Other						
Total A	**10,170,317**			**21,606,454**		
B Derivatives						
1. Financial derivatives				187,402		
1.1 trading				187,402		
1.2 fair value option						
1.3 other						
2. Credit derivatives						
2.1 trading						
2.2 fair value option						
2.3 other						
Total B				**187,402**		
Total (A+B)	**10,170,317**			**21,793,856**		

The debt securities in the portfolio at the end of the year related to ordinary own account trading activities.

2.2 FINANCIAL ASSETS HELD FOR TRADING: BREAKDOWN BY BORROWER/ISSUER

Items/Amounts	Total 2013	Total 2012
A Financial assets		
1. Debt securities	**10,170,317**	**16,179,806**
a) Governments and Central Banks	7,871,268	12,282,554
b) Other public-sector entities		
c) Banks	2,295,643	3,370,500
d) Other issuers	3,406	526,752
2. Equity instruments		**281,903**
a) Banks		41,273
b) Other issuers		240,630
- insurance undertakings		
- financial undertakings		39,892
- non-financial undertakings		200,738
- other		
3. Units in investment funds		1,157,932
4. Loans		3,986,813
a) Governments and Central Banks		
b) Other public-sector entities		
c) Banks		
d) Other parties		3,986,813
Total A	**10,170,317**	**21,606,454**
B Derivatives		
a) Banks		187,402
b) Clients		
Total B		**187,402**
Total (A+B)	**10,170,317**	**21,793,856**

The breakdown of financial assets by issuers' economic sector is in line with Banca d'Italia classification criteria.

2.3 FINANCIAL ASSETS HELD FOR TRADING: CHANGES FOR THE YEAR

	Debt securities	Equity instruments	Units in investment funds	Loans	**Total**
A. Opening balance	**16,179,806**	**281,903**	**1,157,932**	**3,986,813**	**21,606,454**
B. Increases					
B1. Purchases	7,399,370,787	781,529	13,642,376	4,236,489,934	11,650,284,626
B2. Increases in fair value	18,524				18,524
B3. Other changes	5,935,082	12,585	45,041	12,038	6,004,746
C. Reductions					
C1. Sales	7,379,368,306	1,069,235	14,763,667	4,240,488,202	11,635,689,409
C2. Refunds	29,865,725				29,865,725
C3. Reductions in fair value	24,140				24,140
C4. Transfers to other portfolios					
C5. Other changes	2,075,711	6,781	81,682	583	2,164,758
D. Closing balance	**10,170,317**	**0**	**0**	**0**	**10,170,317**

Section 6 – Due from banks – Item 60

6.1 DUE FROM BANKS: PRODUCT BREAKDOWN

Type of transactions/ Amounts	Total 2013				Total 2012			
	BV	FV			BV	FV		
		L1	L2	L3		L1	L2	L3
A. Loans to Central Banks								
1. Time deposits								
2. Compulsory reserves								
3. Repos								
4. Other								
B. Loans to banks	19,409,624			19,409,624	24,314,874			24,314,874
1. Loans								
1.1 Current accounts and free deposits	19,330,610			19,330,610	24,262,489			24,262,489
1.2 Time deposits	79,014			79,014	52,385			52,385
1.3 Other loans:								
- Repos								
- Finance leases								
. Other								
2. Debt securities								
2.1 Structured securities								
2.2 Other debt securities								
Total	**19,409,624**				**24,314,874**			

The fair value is equal to the book value as these are demand deposits.

Key
FV = fair value
BV = book value
L1= Level 1
L2= Level 2
L3= Level 3

The compulsory reserve is set aside through the Istituto Centrale delle Banche Popolari Italiane; this amount is therefore stated on line B. 2 "Time deposits".
Sub-item "B. 1 current accounts and free deposits" includes the company's liquid assets held with banks at the end of the year subject to ordinary market conditions and inclusive of accruals at the end of the year; it includes receivables for initial margins from clearing houses with the intermediation of Istituto Centrale delle Banche Popolari Italiane; such initial margins are required against positions on held-for-trading derivative financial instruments listed on regulated markets.

Section 7 – Due from clients – Item 70

7.1 DUE FROM CLIENTS: PRODUCT BREAKDOWN

Type of transactions/ Amounts	Total 2013						Total 2012					
	Book value			Fair value			Book value			Fair value		
	Per-form-ing	Deteriorati		L1	L2	L3	Per-form-ing	Deteriorati		L1	L2	L3
		Acquistati	Altri					Acquistati	Altri			
Loans												
1. Current accounts												
2. Repos												
3. Mortgages												
4. Credit cards, personal loans and salary-backed loans												
5. Financial leases												
6. Factoring												
7. Other loans	1,963					1,963	6,841					6,841
Debt securities												
8. Structured securi-ties												
9. Other debt securi-ties												
Total (book value)	**1,963**						**6,841**					

Item “7. Other loans” consists entirely of receivables for security deposits.

7.2 DUE FROM CLIENTS: BREAKDOWN BY BORROWER/ISSUER

Type of transactions/Amounts	Total 2013			Total 2012		
	Perform-ing	Impaired		Performing	Impaired	
		Purchased	Other		Purchased	Other
1. Debt securities:						
a) Governments						
b) Other public-sector entities						
c) Other issuers						
- non-financial undertakings						
- financial undertakings						
- insurance undertakings						
- other						
2. Loans to:	**1,963**			**6,841**		
a) Governments						
b) Other public-sector entities						
c) Other parties	1,963			6,841		
- non-financial undertakings						
- financial undertakings						
- insurance undertakings						
- other	1,963			6,841		
Total	**1,963**			**6,841**		

The breakdown of financial assets by issuers' economic sector is in line with Banca d'Italia classification criteria.

Section 11 - Tangible assets - Item 110

11.1 TANGIBLE ASSETS: BREAKDOWN OF ASSETS VALUED AT COST		
Assets/Amounts	**Total 2013**	**Total 2012**
1. Assets owned	**3,308,110**	**3,610,957**
a) land	42.000	
b) buildings	2,064,075	2,082,768
c) furniture and fittings	283,216	335,314
d) electronic systems	918,819	1,192,875
e) other		
2. Leased		
a) land		
b) buildings		
c) furniture and fittings		
d) electronic systems		
e) other		
Total	**3,308,110**	**3,610,957**

Tangible assets are recognised at cost and depreciated on the basis of their actual technical-economic deterioration. There have been no revaluations.

The following depreciation rates are applied:

ASSET GROUP	RATE
Property	3
Machinery and miscellaneous equipment	15
Furniture and fittings	15
Electronic office equipment	20
Internal communication and remote signalling systems	25

11.5 TANGIBLE ASSETS FOR OPERATIONAL USE: CHANGES FOR THE YEAR

	Land	Buildings	Furni- ture	Electronic systems	Other	**Total**
A. Gross opening balance		**2,082,768**	**386,649**	**1,612,216**		**3,610,957**
A.1 Total net reduction in value		-	**51,335**	**419,341**		
A.2 Net opening balance		**2,082,768**	**335,314**	**1,192,875**		**3,610,957**
B. Increases:	42,000	87,800	2,208	29,495		**161,503**
B.1 Purchases		87,800	2,208	29,495		119,503
B.2 Capitalised expenditure on improvements						
B.3 Write-backs						
B.4 Increases in fair value recognised in						
a) shareholders' equity						
b) profit and loss						
B.5 Positive exchange differ- ences						
B.6 Transfer from properties held for investment						
B.7 Other changes	42,000					**42,000**
C. Reductions:		**106,493**	**54,306**	**303,551**		**464,350**
C.1 Disposals			109	300		409
C.2 Depreciation		64,493	52,561	295,356		412,410
C.3 Impairment losses recog- nised in:						
a) shareholders' equity						
b) profit and loss						
C.4 Reductions of fair value						
a) in shareholders' equity						
b) in profit and loss						
C.5 Negative exchange differ- ences						
C.6 Transfers to:						
a) tangible assets held for investment						
b) assets held for sale						
C.7 Other changes		42,000	1,636	7,895		**51,531**
D. Net final balance	**42,000**	**2,064,075**	**283,216**	**918,819**	**-**	**3,308,110**
D.1 Total net reduction in value		64,493	92,696	593,276		
D.2 Gross closing balance	**42,000**	**2,128,568**	**375,912**	**1,512,095**	**-**	**3,308,110**
E. Carried at cost						

Section 12 - Intangible assets - Item 120

Intangible assets carried at cost consist entirely of capitalised expenditure on software, amortised over a maximum of five years.

12.1 INTANGIBLE ASSETS: BREAKDOWN BY TYPE OF ASSET

Assets/Amounts	Total 2013		Total 2012	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill				
A.2 Other intangible assets	**9,695**		**14,737**	
A.2.1 Assets carried at cost:	9,695		14,737	
a) internally generated				
b) other	9,695		14,737	
A.2.2 Assets carried at fair value:				
a) internally generated				
b) other				
Total	**9,695**		**14,737**	

12.2 INTANGIBLE ASSETS: CHANGES FOR THE YEAR

	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		Finite life	Indefinite life	Finite life	Indefinite life	
A. Opening balance				**14,737**		**14,737**
A.1 Total net reductions in value						
A.2 Net opening balance				**14,737**		**14,737**
B. Increases						
B.1 Purchases						
B.2 Increases in internally generated intangible assets						
B.3 Write-backs						
B.4 Increases in fair value						
- in equity						
- through profit or loss						
B.5 Positive exchange differences						
B.6 Other changes						
C. Reductions				**5,042**		**5,042**
C.1 Disposals						
C.2 Value re-adjustments						
- Depreciation				5,042		5,042
- Write-downs:						
+ in equity						

+ through profit or loss						
C.3 Reduction in fair value:						
- in equity						
- through profit or loss						
C.4 Transfers to non-current assets held for sale						
C.5 Negative exchange differences						
C.6 Other changes						
D. Net closing balance				**9,695**		**9,695**
D.1 Total net value re-adjustments						
E Gross closing balance				**9,695**		**9,695**
F. Carried at cost						

Section 13 - Tax assets and tax liabilities - Item 130 on the assets side and Item 80 on the liabilities side

This section includes tax assets (current and prepaid) and tax liabilities (current and deferred) stated, respectively, under item 130 in assets and 80 in liabilities.

13.1 Prepaid tax assets: breakdown

Prepaid tax assets for temporary differences in taxable income amounted to a total of € 7,964.

13.2 Deferred tax liabilities: breakdown

Deferred tax liabilities for temporary differences in taxable income amounted to a total of € 1,653.

13.3 CHANGES IN PREPAID TAXES (PER CONTRA IN PROFIT AND LOSS)	Total 2013	Total 2012
1. Opening balance	**2,213**	**2,366**
2. Increases	**3,654**	**2,768**
2.1 Prepaid taxes in the year		
a) relating to previous years		
b) due to changes in accounting criteria		
c) write-backs	3,654	2,768
d) other		
2.2 New taxes or increases in applicable tax rates		
2.3 Other increases		
3. Reductions	**2,921**	**2,921**
3.1 Prepaid taxes cancelled in the year		
a) reversals	2,921	2,921
b) write-downs for non-recovery		
c) due to changes in accounting criteria		
d) other		
3.2 Reductions in applicable tax rates		
3.3 Other reductions		
a) conversion to tax credit pursuant to Law No. 214/2011		
b) other		
4. Closing balance	**2,946**	**2,213**

13.4. CHANGE IN DEFERRED TAXES (PER CONTRA IN PROFIT AND LOSS)	Total 2013	Total 2012
1. Opening balance	**1,852**	**2,864**
2. Increases		
2.1 Deferred taxes for the year		
a) relating to previous years		
b) due to changes in accounting criteria		
c) other		
2.2 New taxes or increases in applicable tax rates		
2.3 Other increases		
3. Reductions	**199**	**1,012**
3.1 Deferred taxes cancelled in the year		
a) reversals	199	1,012
b) due to changes in accounting criteria		
c) other		
3.2 Reductions in applicable tax rates		
3.3 Other reductions		
4. Closing balance	**1,653**	**1,852**

At year-end the bank re-examined its tax position and, in compliance with the applicable accounting standards, calculated "prepaid taxes" and "deferred taxes" on the basis of the reasonable certainty of their recovery The imbalance of prepaid taxes and deferred taxes calculated/cancelled in the year was recorded in profit and loss under item 260 "Income tax on current operations for the year".

13.5 CHANGES IN PREPAID TAXES (PER CONTRA IN SHAREHOLDERS' EQUITY)

	Total 2013	**Total 2012**
1. Opening balance	**916**	**916**
2. Increases	**4,102**	
2.1 Prepaid taxes recognised in the year		
a) relating to previous years		
b) due to changes in accounting criteria	4,102	
c) other		
2.2 New taxes or increases in applicable tax rates		
2.3 Other increases		
3. Reductions		
3.1 Prepaid taxes cancelled in the year		
a) reversals		
b) write-downs for non-recovery		
c) due to changes in accounting criteria		
d) other		
3.2 Reductions in applicable tax rates		
3.3 Other reductions		
4. Closing balance	**5,018**	**916**

13.7 Other information

Current tax assets and liabilities reflect amounts due from the tax authorities for taxes paid in advance and withholdings and amounts due for taxes for the year.

Current tax assets

Description	**Total 2013**	**Total 2012**
Prepaid IRES	471.180	425.000
Prepaid IRAP	195.477	150.000
Withholding tax	277	622
Other receivables from the tax authorities*	58.465	58.465
Total	**725.399**	**634.087**

*On 18/02/2013 the bank submitted an application for reimbursement of IRES, pursuant to article 2 para 1-quater of Decree-Law 201/2011, in view of the absence of any deduction for IRAP on expenses relating to employees and co-workers in 2007, 2008, 2009, 2010 and 2011. This amount is recognised under taxes in the profit and loss account.

Current tax liabilities

Description	Total 2013	Total 2012
Provision for IRES	331.600	416.071
Provision for IRAP	126.216	168.693
Total	**457.816**	**584.764**

Section 15 – Other assets – Item 150

15.1 Other assets: breakdown

Description	Total 2013	Total 2012
Prepayments and accrued income	100,280	127,160
Advance payments to suppliers	3,500	14,959
Other minor items	5,537	304
Transactions in securities to be credited *	7,505,114	1,470,845
Advanced tax payment on savings managed	127,063	
Advance payment 2014 stamp duty	174,330	
Total	**7,915,824**	**1,613,268**

* These are regular way transactions the original settlement value of which expired on 31/12/2013 and which were settled at their original price after 31/12/2013.

Part B - Information on the balance sheet - liabilities

Section 2 – Due to clients – Item 20

2.1. DUE TO CLIENTS: PRODUCT BREAKDOWN

Type of transactions/Amounts	Total 2013	Total 2012
1. Current accounts and demand deposits	8,137,486	23,012,186
2. Time deposits		
3. Loans		
3.1 Reverse repo agreements		
3.2 Other		
4. Liabilities in respect of commitments to repurchase treasury shares		
5. Other liabilities		
Total	**8,137,486**	**23,012,186**
Fair value – level 1		
Fair value – level 2		
Fair value – level 3	**8,137,486**	**23,012,186**
Total Fair value	**8,137,486**	**23,012,186**

Section 4 - Financial liabilities held for trading - Item 40

4.1. FINANCIAL LIABILITIES HELD FOR TRADING: PRODUCT BREAKDOWN

Type of transactions/ Amounts	Total 2013					Total 2012				
	NV	FV			FV *	NV	FV			FV *
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
A. Financial liabilities										
1. Due to banks										
2. Due to clients										
3. Debt securities										
3.1 Bonds										
3.1.1 Structured										
3.1.2 Other bonds										
3.2 Other										
3.2.1 Structured										
3.2.2 Other										
Totala A										
B. Derivatives										
1. Financial derivatives										
1.1 Trading							150			
1.2 Fair value option										
1.3 Other										
2. Credit derivatives										
2.1 Trading										
2.2 Fair value option										
2.3 Other										
Total B							**150**			
Total (A+B)							**150**			

Key

FV = fair value

FV* = fair value calculated excluding value adjustments due to variations in the credit rating of the issuer since the issue date

NV = nominal or notional value

Section 8 – Tax liabilities – Item 80

See section 13 of Assets.

Section 10 – Other liabilities – Item 100

10.1. OTHER LIABILITIES: BREAKDOWN		
	Total 2013	**Total 2012**
Due to tax authorities	1,074,971	1,445,073
Social security	110,325	138,325
Accrued liabilities	203,362	239,676
Due to suppliers	182,398	236,392
Transactions in securities to be settled*	6,115,923	982,226
Other minor items	53,868	22,621
Total	**7,740,847**	**3,064,313**

*See note of table 15.1

Section 11 - Severance indemnity fund - Item 110

11.1 SEVERANCE INDEMNITY FUND : CHANGES FOR THE YEAR		
	Total 2013	**Total 2012**
A. Opening balance	**456,362**	**422,309**
B. Increases		
B.1 Provision for the year	61,726	38,757
B.2 Other changes		
C. Reductions		
C.1 Disbursements made	144,707	3,212
C.2 Other changes	14,553	1,492
D. Closing balance	**358,828**	**456,362**
Total	**358,828**	**456,362**

11.2 Other information

Actuarial valuations were performed as of 31 December 2013 using analytical data supplied by the employment advisor.
The following demographic and economic and financial assumptions were used for the actuarial valuations:

Demographic assumptions

- Mortality rates for the Italian population by age and gender were those published by the Italian Institute of Statistics (ISTAT) in 2000, reduced by 25%.
- The probability of termination of service due to absolute and permanent disability was calculated, by age and gender, according to the disability tables currently used by the insurance sector.
- For retirement age it was assumed that active employees stop working as soon as they reach the minimum pensionable age or length of service in order to qualify for a pension payable through the mandatory general insurance scheme.
- The probability of termination of service due to resignation or dismissal was determined at a rotation rate of 10.00% per annum.

- The assumed rate of requests for advance payment was 3.00% per year (percentage of employees requesting payment of the termination benefit in advance each year). Advances were assumed to be 70.00% of the termination benefit held by the company.

Economic and financial assumptions

Salaries were assumed to increase at an average annual rate of 3.50%. This value was subsequently used for total salary projections.

Estimated rate of inflation 2.00%.

A discount rate of 3.17% was used, as per the Iboxx index at 31 December 2013 for over-ten-year bonds of corporate issuers with an AA rating.

Sensitivity analysis of the main valuation parameters using data as at 31 December 2013

Inflation rate + 0.25%	371.939,98
Inflation rate + -0.25%	357.176,52
Discount rate + 0.25%	355.916,80
Discount rate + -0.25%	373.337,11
Turnover rate + 1%	363.448,84

Service Costs 2014	59.212,75
Duration of plan	15,4

Expected disbursements in the 1st year	48.444
Expected disbursements in the 2nd year	36.837
Expected disbursements in the 3rd year	39.081
Expected disbursements in the 4th year	40.937
Expected disbursements in the 5th year	42.431

Section 12 – Provision for risks and charges – Item 120

12.1 PROVISION FOR RISKS AND CHARGES: breakdown

Items/Amounts	Total 2013	Total 2012
1.Provision for pensions		
2. Other provisions for risks and charges	5,624	
2.1 disputes		
2.2 personnel costs		
2.3 other	5,624	
Total	**5,624**	

12.2 PROVISION FOR RISKS AND CHARGES: changes for the year			
	Provision for pensions	Other provisions	Total
A. Opening balance			
B. Increases		**5,624**	**5,624**
B.1 Provision for the year		5,624	5,624
B.2 Changes due to the passing of time			
B.3 Variations due to changes in the discount rate			
B.4 Other changes			
C. Reductions			
C.1 Use over the period			
C.2 Variations due to changes in the discount rate			
C.3 Other changes			
D. Closing balance		**5,624**	**5,624**

As at 31 December 2013 the maximum amount required by the Interbank Deposit Protection Fund (equal to € 5,624) had been allocated on the basis of prudent calculations for actions already resolved.

Section 14 – Equity - Items 130, 150, 160, 170, 180, 190 and 200

This section describes the breakdown of share capital and reserves.

14.1 "Share capital" and "Own shares": breakdown

The share capital consists of 7,600 ordinary shares each with a nominal value of € 1,000.

14.2 SHARE CAPITAL - NUMBER OF SHARES: CHANGES FOR THE YEAR		
Items/Types	**Ordinary**	**Other**
A. Issued shares as at the beginning of the year	**7,600**	
- fully paid	7,600	
- not fully paid		
A.1 Own shares (-)		
A.2 Shares outstanding: opening balance	**7,600**	
B. Increases		
B.1 New issues		
- against payment:		
- business combinations		
- bonds converted		
- warrants exercised		
- other		
- free:		
- to employees		
- to directors		
- other		

B.2 Sales of own shares		
B.3 Other changes		
C. Reductions		
C.1 Cancellation		
C.2 Purchase of own shares		
C.3 Business transferred		
C.4 Other changes		
D. Shares outstanding: closing balance	**7,600**	
D.1 Own shares (+)		
D.2 Shares outstanding as at the end of the year	7,600	
- fully paid	7,600	
- not fully paid		

14.4 Reserves: other information

DESCRIPTION	2013	2012
Legal	1,186,238	1.124.820
Statutory	1,241,159	1.401.468
Other	15,318,131	14.724.016
Valuation reserves	17,435	42,328
Total	**17,762,963**	**17,292,632**

Pursuant to art. 2427, No. 7(b) of the Italian Civil Code:
The legal reserve of €1,186,238, is available for use to cover losses.
The statutory social solidarity fund, for € 1,241,159, is unavailable, and will be used for socially useful purposes.
The other reserves item, for € 15,318,131, is available and distributable for use to increase capital, cover losses or distribution to shareholders.

No reserves have ever been used to cover losses.

Other information

1. GUARANTEES GIVEN AND COMMITMENTS		
Transactions	**2013**	**2012**
1) Financial guarantees given to		
a) Banks	38,254	48,227
b) Clients		
2) Commercial guarantees given to		
a) Banks		
b) Clients		
3) Irrevocable commitments to disburse funds		
a) Banks		
i) for specified use*	35,142,903	2,162,119

ii) for unspecified use		
b) Clients		
i) for specified use*	76,048,731	55,830,304
ii) for unspecified use		
4) Underlying obligations for credit derivatives: sales of protection		
5) Assets used to guarantee others' obligations		
6) Other commitments		
Total	**111,229,888**	**58,040,650**

Item 1-a refers to the commitment towards the Interbank Deposit Protection Fund
*regular way purchase and sale of securities, against sales for € 109,776,415

4. MANAGEMENT AND TRADING ON BEHALF OF THIRD PARTIES

Type of service	Amount
1. Execution of orders on behalf of clients	
a) Purchases	
1. regulated	1,457,046,928
2. not regulated	19,473,527
b) Sales	
1. regulated	1,314,719,953
2. not regulated	19,257,359
2. Portfolio management	
a) individual	140,740,989
b) collective	
3. Custody and administration of securities	
a) third party securities held in deposit in connection with deposit bank activities (excluding portfolio management)	
1. securities issued by the reporting bank	1,672,000
2. other securities	
b) third-party securities held in deposit (excluding portfolio management): other	
1. securities issued by the reporting bank	
2. other securities	
c) third party securities deposited with third parties	20,362,056
d) own securities deposited with third parties	10,170,317
4. Other transactions	92,390,288

* Item 4 refers to the sum of purchases (€ 46,481,791) and sales (€ 45,908,497) relating to the "Collection and transmission of orders"

Part C - Information on the profit and loss account

Section 1 – Interest – Items 10 and 20

1.1 INTEREST AND SIMILAR INCOME: BREAKDOWN

	Items/Types	Debt securities	Loans	Other transactions	**Total**	**Totale 2012**
1	Financial assets held for trading	2013	Total		**410,254**	**150,841**
2	Financial assets available for sale	2012				
3	Financial assets held to maturity					
4	Due from banks		162,968		**162,968**	**94,851**
5	Due from clients					
6	Financial assets at fair value		12,038		**12,038**	**24,923**
7	Hedging derivatives					
8	Other assets					
	Total	**410,254**	**175,006**		**585,260**	**270,615**

1.3 Interest and similar income: other information

1.3.1 Interest income on financial assets denominated in foreign currencies

At 31 December 2013 interest income on financial assets in foreign currencies amounted to € 7,040.

1.4 INTEREST EXPENSE AND SIMILAR CHARGES: BREAKDOWN

	Items/Types	Liabilities	Securities	Other transactions	**Total 2013**	**Total 2012**
1.	Due to central banks					
2.	Due to banks	5,070			5,069	520
3.	Due to clients					
4.	Securities in issue					
5.	Financial liabilities held for trading					
6.	Financial liabilities at fair value	583			583	3,407
7.	Other liabilities and funds					
8.	Hedging derivatives					
	Total	**5,653**			**5,652**	**3,927**

1.6 Interest expense and similar charges: additional information

1.6.1 Interest expense on liabilities in foreign currencies

At 31 December 2013 interest expense on financial liabilities in foreign currencies amounted to € 5,069.

Section 2 - Fees and commissions - Items 40 and 50

2.1 INCOME FROM FEES AND COMMISSIONS: BREAKDOWN

Services/Amounts	Total 2013	Total 2012
a) guarantees given		
b) credit derivatives		
c) management, brokerage and advisory services:		
1. financial instrument trading	877,378	861,626
2. currency trading		
3. portfolio management		
3.1. individual	573,141	617,672
3.2. collective		
4. custody and administration of securities		
5. deposit bank		
6. placement of securities		
7. collection and transmission of orders	15,193	21,646
8. advisory		
8.1. on investments		
8.2. on financial structuring		
9. distribution of third party services		
9.1. portfolio management		
9.1.1. individual		
9.1.2. collective		
9.2. insurance products		
9.3. other products		
d) collection and payment services		
e) securitisation servicing		
f) factoring		
g) tax collection services		
h) management of multilateral trade systems		
i) management of current accounts		
j) other services	24,830	
Total	**1,490,542**	**1,500,944**

2.2 INCOME FROM FEES AND COMMISSIONS: PRODUCT AND SERVICE DISTRIBUTION CHANNELS

Channels/Amounts	Total 2013	Total 2012
a) through own branches:		
1. asset management	524,036	570,617
2. placement of securities		
3. third-party products and services		
b) off-site:		
1. asset management	49,105	47,055
2. placement of securities		
3. third-party products and services		
c) other distribution channels:		
1. asset management		
2. placement of securities		
3. third-party products and services		
Total	**573,141**	**617,672**

2.3 COSTS OF FEES: BREAKDOWN

Services/Amounts	Total 2013	Total 2012
a) guarantees received		
b) credit derivatives		
c) management and brokerage:		
1. financial instrument trading	8,222	10,968
2. currency trading		
3. portfolio management		
3.1 own		
3.2 third-party portfolios		
4. custody and administration of securities	432,880	332,225
5. placement of financial instruments		
6. off-site distribution of financial instruments, products and services	59,573	61,187
d) collection and payment services		
e) other services	31,280	31,860
Total	**531,955**	**436,240**

Costs of trading commissions refer exclusively to markets on which the bank operates through brokers. Payments of commissions to promoters are included in costs of fees and commissions under item "c) 6 off-site distribution of financial instruments, products and services".

Fees and commissions for custody and administration of securities (c.4) include the following amounts:

- fees and commissions for settlement € 372,158;
- fees and commissions for clearing € 40,751;
- fees and commissions for custody € 19,971.

Section 3 - Dividends and similar income - Item 70

3.1 DIVIDENDS AND SIMILAR INCOME BREAKDOWN

Item/Proceeds		Total 2013		Total 2012	
		dividends	proceeds from investment fund units	dividends	proceeds from investment fund units
A.	Financial assets held for trading		252	37,585	9,899
B.	Financial assets available for sale				
C.	Financial assets at fair value				
D.	Shareholdings				
	Total		**252**	**37,585**	**9,899**

Section 4 - Net profits on trading - Item 80

4.1 NET PROFITS ON TRADING: BREAKDOWN

Transaction/P&L item	Gains (A)	Profits from trading (B)	Losses (C)	Losses from trading (D)	Net result [(A+B) - (C+D)]
1. Financial assets held for trading	**18,524**	**5,992,708**	**24,140**	**2,164,174**	**3,822,918**
1.1. Debt securities	18,524	5,935,082	24,140	2,075,711	3,853,755
1.2 Equity instruments		12,585		6,781	5,804
1.3 Units in investment funds		45,041		81,682	-36,641
1.4 Loans					
1.5 Other					
2. Financial liabilities held for trading					
2.1. Debt securities					
2.2 Deposits					
2.3 Other					
3. Financial assets and liabilities: exchange differences					**-49,819**
4. Derivatives	**0**	**749,404**	**0**	**1,038,960**	**-289,556**
4.1 Financial derivatives:					
- on debt securities and interest rates		253,580		544,630	-291,050
- on equity securities and share indexes		495,824		494,330	1,494
- on currency and gold					
- Other					
4.2 Credit derivatives					
Total	**18,524**	**6,742,112**	**24,140**	**3,203,134**	**3,483,543**

Section 9 – Administrative expenses – Item 150

9.1 PERSONNEL COSTS: BREAKDOWN		
Expenses/Amounts	**Total 2013**	**Total 2012**
1) Employees		
a) salaries and wages	922,310	1,100,749
b) social security contributions	232,599	257,088
c) employee severance indemnity		
d) national insurance contributions		
e) allocations to provisions for severance indemnity	61,726	97,141
f) provision for retirement payments and similar provisions:		
- defined contribution		
- defined benefit		
g) payments to external pension funds:		
- defined contribution		
- defined benefit		
h) costs related to share-based payments		
i) other employee benefits	37,712	37,577
2) Other staff		
3) Directors and statutory auditors	299,020	297,357
4) Retired employees		
5) Recoveries for employees seconded to other companies		
6) Refunds of costs for third-party employees seconded to the company		
Total	**1,553,367**	**1,789,912**

The decrease in sub-item a) salaries and wages reflected the reduction in the variable linked to the bank's performance.

Sub-item e) allocations to provisions for severance indemnity – employees, consists of the following:

Service Cost 50.244 euro
Interest Cost 11.482 euro

Item 3) Directors and Statutory Auditors refers to payments to Directors and Statutory Auditors inclusive of national insurance contributions paid by the company.

9.2 AVERAGE NUMBER OF EMPLOYEES BY CATEGORY	
Employees:	
a) directors	
b) middle management	4
c) other employees	19.5
Other personnel	

9.5 OTHER ADMINISTRATIVE EXPENSES: BREAKDOWN		
Detail	Total 2013	Total 2012
Rentals and incidental charges	22,340	34,344
ICT expenses	589,194	867,775
Trading activities	328,309	349,053
Advisory and professional services	105,310	115,231
Auditing fees	61,003	62,837
Fees for licences and outsourced IT services	405,137	348,488
Compulsory contributions and market membership fees	86,425	97,823
Telephone and electricity	109,180	84,875
Donations	67,242	120,000
Virtual stamp duty	188,931	74,631
Sundries	159,980	98,425
Total	**2,123,051**	**2,253,482**

Expenses for trading activities include fees for trading in markets of which the bank is a direct member.

Section 10 - Net provisions to reserves for risks and charges - Item 160

10.1 Net provisions to reserves for risks and charges: breakdown

Reference should be made to table 12.2 on page 58 for information about net provisions to reserves for risks and charges.

Section 11 - Adjustments/re-adjustments to net value of intangible assets - Item 170

11.1 ADJUSTMENTS/RE-ADJUSTMENTS TO NET VALUE OF TANGIBLE ASSETS: BREAKDOWN				
Asset/P&L item	Depreciation (a)	Impairment losses (b)	Write-backs (c)	Net result (a + b - c)
A. Property, plant and equipment				
A.1 Owned				
- used in the business	412,409			412,409
- held for investment				
A.2 Leased				
- used in the business				
- held for investment				
Total	**412,409**			**412,409**

Section 12 - Adjustments/re-adjustments to net value of intangible assets - Item 180

12.1 ADJUSTMENTS/RE-ADJUSTMENTS TO NET VALUE OF INTANGIBLE ASSETS: BREAKDOWN				
Asset/P&L item	Amortisation (a)	Impairment losses (b)	Write-backs	Risultato netto (a + b - c)
A. Intangible assets	(c)	Net result		
A.1 Owned	(a + b - c)			
- Internally generated				
- Other	5,042			5,042
A.2 Leased				
Total	**5,042**			**5,042**

Section 13 – Other operating expense/income – Item 190

13.1 Other operating expense: breakdown

Other operating expense amounted to € 5,602 in 2013, compared to € 6,372 in 2012.

13.2 Other operating income: breakdown

Other operating income amounted to € 228,616 in 2013, compared to € 91,342 in 2012.
The main component of other operating income was the stamp duty refund for a total of € 188,932.

Section 17 - Gains (losses) from sale of investments - Item 240

17.1 GAINS (LOSSES) FROM SALE OF INVESTMENTS: BREAKDOWN		
P&L item/Amount	Total 2013	Total 2012
A. Property		
- Gains on sale		
- Losses on sale		
B. Other assets		
- Gains on sale	250	
- Losses on sale	9,781	
NET RESULT	**-9,531**	

Section 18 – Income taxes for the year on current operations – Item 260

18.1 INCOME TAXES FOR THE YEAR ON CURRENT OPERATIONS: BREAKDOWN

	P&L item/Amount	Total 2013	Total 2012
1.	Current taxes (-)	-457,816	-584,764
2.	Changes relating to prior years (+/-)		58,465
3.	Reduction in current taxes for the year (+)		
3.bis	Reduction in current taxes for the year for credits pursuant to Law No. 214/2011 (+)		
4.	Change in prepaid taxes (+/-)	199	15,903
5.	Change in deferred taxes (+/-)	733	1,012
6.	Tax for the year (-) (-1+/-2+3+/-4+/-5)	-456,884	-509,384

The tax rates used to determine both deferred and current taxes are those specified by current tax legislation.

18.2 RECONCILIATION BETWEEN THEORETICAL TAX LIABILITY AND ACTUAL TAX LIABILITY STATED IN THE FINANCIAL STATEMENTS

IRES	2013
Pre-tax profit (loss)	1,141,603
IRES at theoretical rate of 36%	410,977
Tax on increases	44,133
Tax on reductions	-123,511
IRES at current actual rate of 29.05%	331,600

IRAP	2013
Pre-tax profit (loss)	1,141,603
IRAP at theoretical rate of 5.57%	63,587
Tax on non-taxable income	-12,741
Tax on non-deductible expenses	75,370
IRAP at current actual rate of 11.06%	126,216

Section 21 - Earnings per share

Earnings per share, calculated as the ratio between total profit (loss) for the year and the number of ordinary shares, amounted to € 90.

Part D - Comprehensive income

Statement of comprehensive income

STATEMENT OF COMPREHENSIVE INCOME			
Items	Gross amount	Income tax	Net amount
10. Net profit (loss) for the year	**1,141,603**	**(456,884)**	**684,719**
20. Tangible assets			
30. Intangible assets			
40. Defined benefit plans	-17,435	-7,458	-24,893
50. Non-current assets and disposal groups			
60. Portion of valuation reserves of equity investments valued through equity			
Other income components reclassified through profit or loss			
70. Foreign investment hedge:			
a) changes in fair value			
b) reclassified through profit or loss			
c) other changes			
80. Exchange differences:			
a) changes in fair value			
b) reclassified through profit or loss			
c) other changes			
90. Cash flow hedge:			
a) changes in fair value			
b) reclassified through profit or loss			
c) other changes			
100. Financial assets available for sale:			
a) changes in fair value			
b) reclassified through profit or loss			
- rettifiche da deterioramento			
- utili/perdite da realizzo			
c) other changes			
110. Non-current assets and disposal groups:			
a) changes in fair value			
b) reclassified through profit or loss			
c) other changes			
120. Portion of valuation reserves of equity investments valued through equity:			
a) changes in fair value			
b) reclassified through profit or loss			
- impairment losses			
- gains/losses on disposal			
c) other changes			
130. Total other income components			
140. Comprehensive income (Item 10+130)	**1,124,168**	**(464,342)**	**659,826**

Part E – Risks and related risk management policies

In accordance with Title IV, Chapter 1 of Banca d'Italia Circular No. 263 of 27 December 2006 ("New Regulations for the Prudential Supervision of Banks") information concerning the bank's capital adequacy and risk exposure is published on its corporate website www.bancasimetica.com.

Section 1 – Credit risk

• Qualitative disclosure

1. General

Banca Simetica is not currently engaged in lending activities. The company's core business is trading, mainly on the Italian Stock Exchange, London Stock Exchange, MTS and Eurex exchange, in addition to some MTF and OTC markets; for this reason it is only marginally exposed to the credit risk typical of banks, in connection with short-term deposits of excess liquid funds held in accounts at banks which have relations with the company.

The risk of counterparty insolvency is mainly related to failure to fulfil obligations under contracts for the purchase and sale of financial instruments traded on the markets.

For transactions on other regulated markets and outside regulated markets, where settlements are effected through the clearing house against payment or delivery of securities, there is a counterparty risk but this is limited to the holding period.

The credit risk is therefore a counterparty risk, which depends on the pre-settlement risk, i.e. the risk of replacing transactions with counterparties that fail to fulfil their contractual obligations. This risk is linked to two conditions:

- non-performance by the counterparty (usually due to the insolvency thereof);
- unfavourable changes in the price of traded financial instruments between the original trading date and the date of replacement.

The risk associated with failure to deliver sureties or sums due by the counterparty within the terms of the contract is regarded as settlement risk.

To mitigate this risk, Banca Simetica is an indirect member of the payment systems run by Monte Titoli and Cassa di Compensazione e Garanzia.

2. Credit risk management

For the credit risk linked to deposits of short-term cash excesses held in bank accounts, there are maximum exposure limits per counterparty.

For transactions on financial markets with no central counterparty, there is a counterparty limit defined according to a parametric VaR model.

The Board of Directors approves the list of market counterparties for off-market operations and operations on all markets where settlement is not automatic and direct counterparty trading.

The heads of the departments involved are responsible for continuously monitoring all transactions that carry a pre-settlement risk.

Limits regarding the calculation of potential replacement costs inherent in the settlement risk to which the Back Office, Risk Management and Front Office areas are exposed are monitored on a daily basis.

Second level control is performed by Risk Management, using an internally developed application software to verify compliance with the limits. This control is performed daily.

The results of the second-level controls are set out in reports that are submitted to the Managing Director and the Internal Audit department. If the riskiest limits and/or maximum losses are exceeded, the reports are also submitted to the Board of Directors.

• **Quantitative disclosure**

A. Credit quality

A.1 Impaired and performing loans: amounts, write downs, changes, distribution by business activity and region

A.1.1 BREAKDOWN OF CREDIT EXPOSURE BY PORTFOLIO AND CREDIT QUALITY (BOOK VALUE)

Portfolio/quality	Non-performing loans	Doubtful debts	Restructured exposures	Past-due	Other assets	**Total**
1. Financial assets held for trading					10,170,317	**10,170,317**
2. Financial assets available for sale						
3. Financial assets held to maturity						
4. Loans and receivables with banks					19,409,624	**19,409,624**
5. Loans and receivables with clients					1,963	**1,963**
6. Financial assets at fair value						
7. Disposal groups						
8. Hedging derivatives						
Total 2013					**29,581,904**	**29,581,904**
Total 2012					**44,675,736**	**44,675,736**

A.1.2 BREAKDOWN OF CREDIT EXPOSURE BY PORTFOLIO AND CREDIT QUALITY (GROSS AND NET VALUES)

Portafogli/qualità	Impaired assets			In bonis			Total (net exposure)
	Gross exposure	Specific write-downs	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
1. Financial assets held for trading				10,170,317		10,170,317	10,170,317
2. Financial assets available for sale							
3. Financial assets held to maturity							
4. Loans and receivables with banks				19,409,624		19,409,624	19,409,624
5. Loans and receivables with clients				1,963		1,963	1,963
6. Financial assets at fair value							
7. Disposal groups							
8. Hedging derivatives							
Total 2013				**29,581,904**		**29,581,904**	**29,581,904**
Total 2012				**44,675,736**		**44,675,736**	**44,675,736**

A.1.3 BALANCE SHEET AND OFF-BALANCE SHEET EXPOSURE TO BANKS: GROSS AND NET VALUES

Exposure types/amounts	Gross exposure	Specific write-downs	Portfolio adjustments	Net exposure
A. BALANCE SHEET EXPOSURE				
a) Non-performing loans				
b) Doubtful debts				
c) Restructured exposures				
d) Past-due				
e) Other assets	19,409,624			19,409,624
TOTAL A	**19,409,624**			**19,409,624**
B. OFF-BALANCE SHEET EXPOSURES				
a) Impaired				
b) Other				
TOTAL B				

A.1.6 BALANCE SHEET AND OFF-BALANCE SHEET EXPOSURE TO CLIENTS: GROSS AND NET VALUES

Exposure types/amounts	Gross exposure	Specific write-downs	Portfolio adjustments	Net exposure
A. BALANCE SHEET EXPOSURE				
a) Non-performing loans				
b) Doubtful debts				
c) Restructured exposures				
d) Past-due				
f) Other assets	1,963			1,963
TOTAL A	**1,963**			**1,963**
B. OFF-BALANCE SHEET EXPOSURE				
a) Impaired				
b) Other				
TOTAL B				

A.2 Internal and external ratings

A.2.1 BALANCE SHEET AND OFF-BALANCE SHEET EXPOSURE BY EXTERNAL RATING CLASS

Exposures	External rating classes						No rating	**Total**
	AAA/AA-	A+/A-	BBB+/ BBB-	BB+/BB-	B+/B-	Lower than B-		
A. Balance sheet exposures		7,871,268	20,911,902	666,114		51,644	80,977	**29,581,904**
B. Derivatives								
B.1 Financial derivatives								
B.2 Credit derivatives								
C. Guarantees given								
D. Commitments to disburse funds								
E. Other								
Total		**7,871,268**	**20,911,902**	**666,114**		**51,644**	**80,977**	**29,581,904**

Ratings by Standard & Poor's, Moody's, Fitch and DBRS.

Tabella di raccordo rating

Standard & Poor's/ Fitch	**Moody's**	**DBRS**
AAA	Aaa	AAA
AA+	Aa1	AA HIGH
AA	Aa2	AA
AA-	Aa3	AA LOW
A+	A1	A HIG
A	A2	A
A-	A3	A LOW
BBB+	Baa1	BBB HIGH
BBB	Baa2	BBB
BBB-	Baa3	BBB LOW
BB+	Ba1	BB HIGH
BB	Ba2	BB
BB-	Ba3	BB LOW
B+	B1	B HIGH
B	B2	B
B-	B3	B LOW
CCC+	Caa	CCC HIGH
CCC	Ca	CCC
CCC-	C	CCC LOW
D	/	D
	/	
	/	

B. Distribution of balance sheet and off-balance sheet exposure

B.2 DISTRIBUTION OF BALANCE SHEET AND OFF-BALANCE SHEET EXPOSURE TO CLIENTS BY SECTOR (BOOK VALUE)

Exposures/Counterparties	Governments			Other state entitities			Financial companies			Insurance companies			Non-financial companies			Other		
	Net exp.	Specific write downs	Portfolio adjustments	Net exp.	Specific write downs	Portfolio adjustments	Net exp.	Specific write downs	Portfolio adjustments	Net exp.	Specific write downs	Portfolio adjustments	Net exp.	Specific write downs	Portfolio adjustments	Net exp.	Specific write downs	Portfolio adjustments
A. Balance sheet exposures																		
A.1 Non-performing loans																		
A.2 Doubtful debts																		
A.3 Restructured exposures																		
A.4 Past-due																		
A.5 Other exposures																1,963		
TOTAL																1,963		
B. Off-balance sheet exposures																		
B.1 Non-performing loans																		
B.2 Doubtful debts																		
B.3 Other impaired assets																		
B.4 Other exposures																		
Total (A+B) 2013																		
Total (A+B) 2012																**1,963**		
Totale (A+B) 2012																**6,841**		

B.2 DISTRIBUTION OF BALANCE SHEET AND OFF-BALANCE SHEET EXPOSURE TO CLIENTS BY SECTOR (BOOK VALUE)

Exposure/Geographical area	Italy		Other European countries		America		Asia		Rest of the world	
	Net exp.	Total write-downs	Net exp.	Total write-downs	Net exp.	Total write-downs	Net exp.	Total write-downs	Net exp.	Total write-downs
A. Balance sheet exposures										
A.1 Non-performing loans										
A.2 Doubtful debts										
A.3 Restructured exposures										
A.4 Past-due										
A.5 Other exposures	1,963									
TOTAL	**1,963**									
B. Off-balance sheet exposures										
B.1 Non-performing loans										
B.2 Doubtful debts										
B.3 Other impaired assets										
B.4 Other exposures										
Total (A+B) 2013	**1,963**									
Total (A+B) 2012	**6,841**									

B.3 DISTRIBUTION OF BALANCE SHEET AND OFF-BALANCE SHEET EXPOSURE TO BANKS BY GEOGRAPHIC AREA (BOOK VALUE)

Exposure/Geographical area	Italy		Other European countries		America		Asia		Rest of the world	
	Net exp.	Total write-downs	Net exp.	Total write-downs	Net exp.	Total write-downs	Net exp.	Total write-downs	Net exp.	Total write-downs
A. Balance sheet exposures										
A.1 Non-performing loans										
A.2 Doubtful debts										
A.3 Restructured exposures										
A.4 Past-due										
A.5 Other exposures	19,409,624									
TOTAL A	**19,409,624**									
B. Off-balance sheet exposures										
B.1 Non-performing loans										
B.2 Doubtful debts										
B.3 Other impaired assets										
B.4 Other exposures										
TOTAL B										
Total (A+B) 2013	**19,409,624**									
Total (A+B) 2012	**24,314,874**									

B.4 MAJOR RISKS

As at 31 December 2013 the bank’s exposure with Istituto Centrale delle Banche Popolari Italiane (Central Institute of Italian Cooperative Banks) and with Banca Monte dei Paschi di Siena amounted to the equivalent of more than 10% of its Regulatory Capital.
The amounts held with the respective banks amount to € 13,196,729 (with a weighted value of € 0) and € 5,425,796 (with weighted value of € 310,819). These positions, chiefly consisting of demand deposits,

do not constitute a significant risk in accordance with the laws in force.

Section 2 - Market risk

2.1 Interest rate risk and price risk - regulatory trading portfolio

• ***Qualitative disclosure***

A. General

The interest rate risk is mainly associated with trading of debt securities and derivative instruments; price risk originates from trading of all securities in general.
Bond desk operators in the Proprietary Trading department use arbitrage strategies to trade standardised financial instruments. This helps to reduce interest rate and price risks to a minimum.
More specifically, traders perform arbitrage operations on the basis of the specific "Management of own securities portfolio for arbitrage and proprietary trading" procedure, which requires them to:

- provide hedging within the shortest possible time;
- manage the arbitrage portfolio so as to minimise the risks described in the "Risk Mapping Manual";
- comply with the operating limits established by the Board of Directors and contained in the "Risk Control Manual".

B. Interest rate risk and price risk management processes and measurement methods

The interest rate risk is mainly associated with trading of debt securities and derivative instruments; price risk originates from trading of all securities in general.
Bond desk operators in the Proprietary Trading department use arbitrage strategies to trade standardised financial instruments. This helps to reduce interest rate and price risks to a minimum.
More specifically, traders perform arbitrage operations on the basis of the specific "Management of own securities portfolio for arbitrage and proprietary trading" procedure, which requires them to:

- level 1: Proprietary Trading;
- level two: Risk Management:
- level three: Internal Audit.

The Proprietary Trading Manager is responsible in the first instance for verifying compliance with the limits established by the Board of Directors.
If a limit is exceeded, the operator must bring the positions back to within the aforesaid limits. In any case, and with no exceptions whatsoever, the limit must be restored by the end of the day on which it was exceeded.
A maximum loss has also been defined. Positions must be closed upon reaching this limit. The Managing Director may authorise operating limits to be exceeded temporarily and define the corrective actions to be taken.
Second level control is performed by Risk Management, through continuous real-time monitoring and using an internally developed application software to verify compliance with the limits. This control is performed daily.
The results of these controls are set out in reports and submitted to the Managing Director, the Internal Audit department and, if the riskiest limits and/or maximum losses are exceeded, to the Board of Directors.

• **Quantitative disclosure**

1. REGULATORY TRADING PORTFOLIO: BREAKDOWN BY RESIDUAL TERM (REPRICING DATE) OF FINANCIAL ASSETS AND LIABILITIES AND FINANCIAL DERIVATIVES

Type/Residual term	on demand	up to 3 months	from 3 to 6 months	from 6 to 12 months	from 1 to 5 years	from 5 to 10 years	over 10 years	unspecified
1. Balance sheet assets								
1.1. Debt securities		2,186,676	3,869,593	2,783,628	1,278,776	51,644		
- with prepayment option								
- other								
1.2 Other assets								
2. Balance sheet liabilities								
2.1 Reverse repos								
2.2. Other liabilities:								
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ long positions								
+ short positions								
- Other derivatives								
+ long positions								
+ short positions								
3.2 Without underlying security								
- Options								
+ long positions								
+ short positions								
- Altri derivati								
+ long positions								
+ short positions								

Currency denominated in EUR

3. REGULATORY TRADING PORTFOLIO: INTERNAL MODELS AND OTHER SENSITIVITY ANALYSIS PROCEDURES.

Banca Simetica does not use internal models and/or other sensitivity analysis procedures.

2.2 Interest rate and price risk - bank portfolio

- **Qualitative disclosure**

A. General aspects, operational processes and methods for measuring interest rate risk and price risk

Banca Simetica does not grant loans in the strictest meaning of the term and does not undertake any other activities that involve investments in medium or long-term assets; it is therefore only very marginally exposed to interest rate risk in that the on-demand liabilities in the form of client deposits are invested in liquid and short-term instruments on regulated markets or deposited with the European System of Central Banks and credit institutions with which the bank has established solid and long-term relationships.

Therefore the Bank does not make use of instruments to measure the interest rate risk in the banking book. It manages this risk by reducing (and in actual fact eliminating) any possible maturity gaps between assets and liabilities by investing liquid funds in assets that can easily be liquidated and any surplus amounts in liquid financial instruments of solid issuers with a life of less than 15 months.

Since the bank does not grant loans and has no equity interests or securities outside the trading portfolio, the bank portfolio is not exposed to price risk due to possible write downs of items in that portfolio.

• ***Informazioni di natura quantitativa***

1. TIME BREAKDOWN BY CONTRACTUAL RESIDUAL MATURITY (REPRICING DATE) OF FINANCIAL ASSETS AND LIABILITIES - CURRENCY: EUR

Items/Maturities	on demand	from 1 day to 3 months	from 3 to 6 montrhs	from 6 to 12 months	from 1 to 5 years	from 5 to 10 yeans	over 10 years	unspecified
1. Financial assets								
1.1 Debt securities								
- with prepayment option								
- other								
1.2 Due from banks	18,494,557							79,014
1.3 Due from clients								
- current accounts								
- other loans	1,963							
- with prepayment option								
- other								
2. Balance sheet liabilities								
2.1 Due to clients								
- current accounts	8,137,486							
- other loans								
- with prepayment option								
- other								
2.2 Due to banks								
- current accounts								
- other loans								
2.3 Debt securities								
- with prepayment option								
- other								
2.4 Other liabilites								
- with prepayment option								
- other								
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ long positions								
+ short positions								
3.2 Without underlying security								
- Options								
+ long positions								

+ short positions								
- Other derivatives								
+ long positions								
+ short positions								
4. Other off-balance operations								
+ long positions								
+ short positions								

1. TIME BREAKDOWN BY CONTRACTUAL RESIDUAL MATURITY OF FINANCIAL ASSETS AND LIABILITIES - CURRENCY: USD

Items/Maturities	on demand	from 1 day to 3 months	from 3 to 6 montrhs	from 6 to 12 months	from 1 to 5 years	from 5 to 10 yeans	over 10 years	unspecified
1. Financial assets								
1.1 Debt securities								
- with prepayment option								
- other								
1.2 Due from banks	301,211							
1.3 Due from clients								
- current accounts								
- other loans								
- with prepayment option								
- other								
2. Balance sheet liabilities								
2.1 Due to clients								
- current accounts								
- other loans								
- with prepayment option								
- other								
2.2 Due to banks								
- current accounts								
- other loans								
2.3 Debt securities								
- with prepayment option								
- other								
2.4 Other liabilites								
- with prepayment option								

- other								
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ long positions								
+ short positions								
3.2 Without underlying security								
- Options								
+ long positions								
+ short positions								
- Other derivatives								
+ long positions								
+ short positions								
4. Other off-balance operations								
+ long positions								
+ short positions								

1. TIME BREAKDOWN BY CONTRACTUAL RESIDUAL MATURITY (REPRICING DATE) OF FINANCIAL ASSETS AND LIABILITIES - CURRENCY: GBP

Items/Maturities	on demand	from 1 day to 3 months	from 3 to 6 montrhs	from 6 to 12 months	from 1 to 5 years	from 5 to 10 yeans	over 10 years	unspecified
1. Financial assets								
1.1 Debt securities								
- with prepayment option								
- other								
1.2 Due from banks	182,837							
1.3 Due from clients								
- current accounts								
- other loans								
- with prepayment option								
- other								
2. Balance sheet liabilities								
2.1 Due to clients								
- current accounts								
- other loans								
- with prepayment option								
- other								
2.2 Due to banks								

- current accounts								
- other loans								
2.3 Debt securities								
- with prepayment option								
- other								
2.4 Other liabilites								
- with prepayment option								
- other								
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ long positions								
+ short positions								
3.2 Without underlying security								
- Options								
+ long positions								
+ short positions								
- Other derivatives								
+ long positions								
+ short positions								
4. Other off-balance operations								
+ long positions								
+ short positions								

1. TIME BREAKDOWN BY CONTRACTUAL RESIDUAL MATURITY OF FINANCIAL ASSETS AND LIABILITIES - CURRENCY: CAD

Items/Maturities	on demand	from 1 day to 3 months	from 3 to 6 montrhs	from 6 to 12 months	from 1 to 5 years	from 5 to 10 yeans	over 10 years	unspecified
1. Financial assets								
1.1 Debt securities								
- with prepayment option								
- other								
1.2 Due from banks	40,758							
1.3 Due from clients								
- current accounts								
- other loans								
- with prepayment option								
- other								
2. Balance sheet liabilities								

2.1 Due to clients								
- current accounts								
- other loans								
- with prepayment option								
- other								
2.2 Due to banks								
- current accounts								
- other loans								
2.3 Debt securities								
- with prepayment option								
- other								
2.4 Other liabilites								
- with prepayment option								
- other								
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ long positions								
+ short positions								
3.2 Without underlying security								
- Options								
+ long positions								
+ short positions								
- Other derivatives								
+ long positions								
+ short positions								
4. Other off-balance operations								
+ long positions								
+ short positions								

1. TIME BREAKDOWN BY CONTRACTUAL RESIDUAL MATURITY (REPRICING DATE) OF FINANCIAL ASSETS AND LIABILITIES - CURRENCY: OTHER CURRENCIES

Items/Maturities	on demand	from 1 day to 3 months	from 3 to 6 montrhs	from 6 to 12 months	from 1 to 5 years	from 5 to 10 yeans	over 10 years	unspecified
1. Financial assets								
1.1 Debt securities								
- with prepayment option								
- other								
1.2 Due from banks	311,247							

1.3 Due from clients								
- current accounts								
- other loans								
- with prepayment option								
- other								
2. Balance sheet liabilities								
2.1 Due to clients								
- current accounts								
- other loans								
- with prepayment option								
- other								
2.2 Due to banks								
- current accounts								
- other loans								
2.3 Debt securities								
- with prepayment option								
- other								
2.4 Other liabilites								
- with prepayment option								
- other								
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ long positions								
+ short positions								
3.2 Without underlying security								
- Options								
+ long positions								
+ short positions								
- Other derivatives								
+ long positions								
+ short positions								
4. Other off-balance operations								
+ long positions								
+ short positions								

2. BANK PORTFOGLIO: INTERNAL MODELS AND OTHER SENSITIVITY ANALYSIS PROCEDURES.

Banca Simetica does not use internal models and/or other sensitivity analysis procedures.

2.3 Currency risk

• **Qualitative disclosure**

A. General aspects, operational processes and methods for measuring currency risk
Transactions in foreign currencies are only a marginal part of Banca Simetica's business.

Risk Management performs level two controls on a daily basis to verify compliance with the maximum limits for holding assets in foreign currencies other than the euro as defined in the Risk Control Manual

B. Currency risk hedging activities
Given the marginal nature of transactions in foreign currencies, the bank does not hedge its currency risk exposure.

• **Quantitative disclosure**

1. BREAKDOWN OF ASSETS, LIABILITIES AND DERIVATIVES BY CURRENCY OF DENOMINATION

	Currency					
Items	USD	GBP	JPY	CAD	CHF	Other
A Financial assets						
A.1 Debt securities						
A.2 Equities						
A.3 Due from banks						
A.4 Due from clients						
A.5 Other financial assets	301,211	182,837		40,758		311,247
B. Other assets						
C. Financial liabilities						
C.1 Due to banks						
C.2 Due to clients						
C.3 Debt securities						
C.4 Other financial liabilities						
D. Other liabilities						
E. Financial derivatives						
- Options						
+ long positions						
+ short positions						
- Other derivatives						
+ long positions						
+ short positions						
Total Assets	**301,211**	**182,837**		**40,758**		**311,247**
Total liabilities	-	-		-		-
Imbalance (+/-)	**301,211**	**182,837**		**40,758**		**311,247**

Amounts in euro at the exchange rate on 31.12.2013

2. INTERNAL MODELS AND OTHER SENSITIVITY ANALYSIS PROCEDURES

Banca Simetica does not use internal models and/or other sensitivity analysis procedures.

2.4 Derivatives

A. Financial derivatives

A.1 REGULATORY TRADING PORTFOLIO: AVERAGE AND END-OF-YEAR NOTIONAL VALUES

Underlying assets/Type of derivatives	Total 2013		Total 2012	
	Over the counter	Central counterparty	Over the counter	Central counterparty
1. Debt securities and interest rates				
a) Options				
b) Interest rate swap				
c) Forwards				
d) Futures				
e) Other				
2. Equity instruments and share indexes				
a) Options				3,060,100
b) Swaps				
c) Forwards				
d) Futures				9,572,770
e) Other				
3. Currencies and gold				
a) Options				
b) Forwards				
c) Futures				
d) Cross currency swaps				
e) Other				
4. Commodities				
5. Other underlying assets				
Total				**12,632,870**
Average values				47,827,844

A.3 FINANCIAL DERIVATIVES: GROSS POSITIVE FAIR VALUE - BREAKDOWN BY PRODUCT

Portfolios/Derivative types	Positive fair value					
	Total 2013			**Total 2012**		
	Over the counter	Regulated markets	Central counter-party	Over the counter	Regulated markets	Central counter-party
A. Regulatory trading portfolio						
a) Options					187,402	
b) Interest rate swaps						

c) Cross currency swaps						
d) Equity swaps						
e) Forwards						
f) Futures						
g) Other						
B. Bank portfolio - hedging						
a) Options						
b) Interest rate swaps						
c) Cross currency swaps						
d) Equity swaps						
e) Forwards						
f) Futures						
e) Other						
C. Bank portfolio - other derivatives						
a) Options						
b) Interest rate swaps						
c) Cross currency swaps						
d) Equity swaps						
e) Forward						
f) Futures						
e) Other						
Total					**187,402**	

A.4 FINANCIAL DERIVATIVES: GROSS NEGATIVE FAIR VALUE - BREAKDOWN BY PRODUCT

Portfolios/Derivative types	Negative fair value					
	Total 2013			Total 2012		
	Over the counter	Regulated markets	Central counter-party	Over the counter	Regulated markets	Central counter-party
A. Regulatory trading portfolio						
a) Options						150
b) Interest rate swaps						
c) Cross currency swaps						
d) Equity swaps						
e) Forward						
f) Futures						
g) Other						

B. Bank portfolio - hedging						
a) Options						
b) Interest rate swaps						
c) Cross currency swaps						
d) Equity swaps						
e) Forward						
f) Futures						
e) Other						
C. Bank portfolio - other derivatives						
a) Options						
b) Interest rate swaps						
c) Cross currency swaps						
d) Equity swaps						
e) Forward						
f) Futures						
e) Other						
Total						**150**

Section 3 – Liquidity risk

• **Qualitative disclosure**

A. General aspects, operational processes and methods for measuring liquidity risk

Banca Simetica recognises the importance of the liquidity risk, which is carefully monitored in accordance with the procedures governing "Management of own securities portfolios for arbitrage and own trading activities" and "Control of cash flows"; the latter involves all areas of the company, especially Proprietary Trading and Risk Management.

The Proprietary Trading department works in close contact with all other company sectors. Its key objective is to cover all requirements for liquid funds and manage all liquid funds in excess, especially in the short and very short-term.

Liquid funds absorbed by the Operations Room are monitored in real-time with a view to eliminating deficits or liquid funds in excess in the very short term, maintaining these within physiological levels.

The system generates regular estimates for absorption of liquid funds for currencies t+1 and t+2.

There is a maximum surplus/deficit limit for very short-term liquidity (for currencies). This is monitored on a daily basis by Risk Management.

The bank has adopted additional liquidity risk management instruments involving the use of a maturity ladder and maximum limits between inflows and outflows for the various maturity dates up to 90 days.

Maximum structural liquidity limits have also been introduced.

Risk Management is also responsible for identifying and, if necessary, dealing with any liquidity risk in connection with current accounts, third-party trading and portfolio management. This is also done on a daily basis.

1.TIME BREAKDOWN BY CONTRACTUAL RESIDUAL MATURITY OF FINANCIAL ASSETS AND LIABILITIES - CURRENCY: EUR

Items/Maturities	on demand	from 1 to 7 days	from 7 to 15 days	from 15 days to 1 month	from 1 to 3 months	from 3 to 6 months	from 6 to 12 months	from 1 to 5 years	over 5 years	unspecified
Balance sheet assets										
A.1 Government securities				78,949	1,650,680	3,307,882	2,476,924	356,833		
A.2 Other debt securities				249,575	207,473	561,711	306,703	921,943	51,644	
A.3 Units in investment funds										
A.4 Loans										
- banks	19,330,610									79,014
- clients	1,963									
Balance sheet liabilities										
B.1 Deposits and current accounts										
- banks										
- clients	8,137,486									
B.2 Debt securities										
B.3 Other liabilities										
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of principal										
- long positions										
- short positions										
C.2 Financial derivatives without exchange of principal										
- long positions	187,402									
- short positions										
C.3 Deposits and borrowings to be received										
- long positions										
- short positions										
C.4 Irrevocable commitments to disburse funds*										
- long positions	111,189,455									
- short positions	109,776,415									
C.5 Financial guarantees given										
C.6 Financial guarantees received										

C.7 Credit derivatives with exchange of principal										
- long positions										
- short positions										
C8. Credit derivatives without exchange of principal										
- long positions										
- short positions										

* See table "1. Guarantees given and commitments" on page 60.

1. TIME BREAKDOWN BY CONTRACTUAL RESIDUAL MATURITY OF FINANCIAL ASSETS AND LIABILITIES - CURRENCY: USD

Items/Maturities	on demand	from 1 to 7 days	from 7 to 15 days	from 15 days to 1 month	from 1 to 3 months	from 3 to 6 months	from 6 to 12 months	from 1 to 5 years	Over 5 years	unspecified
Balance sheet assets										
A.1 Government securities										
A.2 Other debt securities										
A.3 Units in investment funds										
A.4 Loans										
- banks	301,211									
- clients										
Balance sheet liabilities										
B.1 Deposits and current accounts										
- banks										
- clients										
B.2 Debt securities										
B.3 Other liabilities										
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of principal										
- long positions										
- short positions										
C.2 Financial derivatives without exchange of principal										
- long positions										
- short positions										
C.2 Financial derivatives without exchange of principal										
- long positions										
- short positions										
C.4 Irrevocable commitments to disburse funds										
- long positions										
- short positions										
C.5 Financial guarantees given										

1. TIME BREAKDOWN BY CONTRACTUAL RESIDUAL MATURITY OF FINANCIAL ASSETS AND LIABILITIES - CURRENCY: GBP

Items/Maturities	on demand	from 1 to 7 days	from 7 to 15 days	from 15 days to 1 month	from 1 to 3 months	from 3 to 6 months	from 6 to 12 months	from 1 to 5 years	Over 5 years	unspecified
Balance sheet assets										
A.1 Government securities										
A.2 Other debt securities										
A.3 Units in investment funds										
A.4 Loans										
- banks	182,837									
- clients										
Balance sheet liabilities										
B.1 Deposits and current accounts										
- banks										
- clients										
B.2 Debt securities										
B.3 Other liabilities										
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of principal										
- long positions										
- short positions										
C.2 Financial derivatives without exchange of principal										
- long positions										
- short positions										
C.3 Deposits and borrowings to be received										
- long positions										
- short positions										
C.4 Irrevocable commitments to disburse funds										
- long positions										
- short positions										
C.5 Financial guarantees given										

1. TIME BREAKDOWN BY CONTRACTUAL RESIDUAL MATURITY OF FINANCIAL ASSETS AND LIABILITIES - CURRENCY: CAD

Items/Maturities	on demand	from 1 to 7 days	from 7 to 15 days	from 15 days to 1 month	from 1 to 3 months	from 3 to 6 months	from 6 to 12 months	from 1 to 5 years	Over 5 years	unspecified
Balance sheet assets										
A.1 Government securities										
A.2 Other debt securities										
A.3 Units in investment funds										
A.4 Loans										
- banks	40,758									
- clients										
Balance sheet liabilities										
B.1 Deposits and current accounts										
- banks										
- clients										
B.2 Debt securities										
B.3 Other liabilities										
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of principal										
- long positions										
- short positions										
C.2 Financial derivatives without exchange of principal										
- long positions										
- short positions										
C.3 Deposits and borrowings to be received										
- long positions										
- short positions										
C.4 Irrevocable commitments to disburse funds										
- long positions										
- short positions										
C.5 Financial guarantees given										

1. TIME BREAKDOWN BY CONTRACTUAL RESIDUAL MATURITY OF FINANCIAL ASSETS AND LIABILITIES - CURRENCY: OTHER CURRENCIES

Items/Maturities	on demand	from 1 to 7 days	from 7 to 15 days	from 15 days to 1 month	from 1 to 3 months	from 3 to 6 months	from 6 to 12 months	from 1 to 5 years	Over 5 years	unspecified
Balance sheet assets										
A.1 Government securities										
A.2 Other debt securities										
A.3 Units in investment funds										
A.4 Loans										
- banks	311,247									
- clients										
Balance sheet liabilities										
B.1 Deposits and current accounts										
- banks										
- clients										
B.2 Debt securities										
B.3 Other liabilities										
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of principal										
- posizioni lunghe										
- posizioni corte										
C.2 Financial derivatives without exchange of principal										
- long positions										
- short positions										
C.3 Deposits and borrowings to be received										
- long positions										
- short positions										
C.4 Irrevocable commitments to disburse funds										
- long positions										
- short positions										
C.5 Financial guarantees given										

Section 4 – Operational risk

• **Qualitative disclosure**

A. General aspects, operational processes and methods for measuring operational risk

Operational risk is defined in Banca d'Italia Circular No. 263 of 27 December 2006 "New Regulations for the Prudential Supervision of Banks" as "the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events".
In order to limit this type of risk as far as possible, Banca Simetica has developed the appropriate procedures aimed at identifying, monitoring, limiting and evaluating the operational risk.

The Risk Mapping Manual contains an analysis of the various causes of loss associated with operational risk.
For each cause it specifies the measures and procedures adopted by Banca Simetica to reduce the possibility of such losses arising to a minimum.
By way of example, some causes of operational risk regard failed procedures, inadequacy of personnel, operating system malfunctions, possible external events which might result in losses for the company as well as risks associated with failure to comply with the law, clauses of contracts agreed upon with clients and obligations concerning supervision and disclosure of information to the authorities.

In 2012 the bank undertook an analytical mapping of all of the processes within its organisational structure in order to highlight any shortfalls in processes and/or control systems that could give rise to operational risks.
Banca Simetica's code of procedure, which is constantly reviewed in order to regulate the various management-related aspects in the best possible way, includes several rules concerning operational risk and compliance with legal and regulatory requirements (for instance, the Consolidated Finance Act, Consolidated Banking Law, regulations issued by Banca d'Italia and CONSOB, regulations governing the markets and clearing systems with which Banca Simetica operates, and regulations governing conflicts of interest, market abuse, personal transactions by anyone having access to privileged information, anti-money laundering laws, health and safety at work and privacy laws).

The Board of Directors has also approved an Organisational, Management and Control model in accordance with Legislative Decree No. 231/2001, a Code of Conduct (prepared in accordance with the Model Self-Regulatory Rules issued by the Italian Banking Association - ABI), and a Code of Ethics. These documents contain a series of rules of conduct (in addition to those concerning compliance with statutory, regulatory and contractual requirements and internal procedures) with which all those operating on behalf of the company are required to comply.
Risk Management monitors and manages the operational risk, with the support of Compliance on matters regarding legal risks.
The Control system approved by the Board of Directors also envisages specific controls to be carried out by the Internal Audit department.

• **Quantitative disclosure**

Pursuant to Banca d'Italia Circular No. 263 of 27 December 2006 "New Regulations for the Prudential Supervision of Banks", Banca Simetica is required to use the Basic Indicator Approach described in the new 2001 Basel Accord (Basel II) to calculate the capital for operational risk.
This method of calculation consists of applying a fixed 15% percentage to positive values of the intermediation margin for the previous three years to calculate the capital requirement to cover operational

risk.

This ratio is calculated using the following formula:

KBIA = [∑ (GI1...n x ☐)] / n

where

KBIA = the capital charge under the Basic Indicator Approach of “Basel II”

GI = annual gross income, where positive, over the previous three years

n = number of the previous three years for which gross income is positive

☐ = 15% (which is set in the “Basel II” agreement) relating the industry wide level of required capital to the industry wide level of the indicator.

Gross income is defined as income net of interest plus income not net of interest (gross of all allocations and operating costs but net of extraordinary or irregular items).

The following formula was used to calculate Banca Simetica’s level of capital for operational risk coverage for 2013:

KBIA, 31/12/2013 = [(10.490.954 + 5.726.083 + 5.021.989) x 15%] / 3 = 1.061.951 EUR

Risk Management constantly monitors any harmful events that occur in connection with operational risk and regularly reports to the Internal Audit department, the Managing Director and the Board of Directors.

Part F – Equity

Section 1 - Shareholders' equity

A. Qualitative disclosure

Given its business and growth strategies, Banca Simetica has adopted the necessary measures to ensure that it maintains an adequate level of capital.

Shareholders' equity comprises the share capital, the retained earnings generated in previous years, valuation reserves set up in accordance with international accounting principles and net profit for the year.

B. Quantitative disclosure

B.1 SHAREHOLDERS' EQUITY: BREAKDOWN

Items/Amounts	2013	2012
1. Capital	7,600,000	7,600,000
2. Issue premium	1,300,000	1,300,000
3. Reserves	17,745,528	17,250,304
- retained earnings		
a) legal	1,186,238	1,124,820
b) statutory	1,241,159	1,401,468
c) own shares		
d) other	15,318,131	14,724,016
- other		
4. Capital instruments		
5. (Own shares)		
6. Valuation reserves		
- Financial assets available for sale		
- Tangible assets		
- Intangible assets		
- Foreign investment hedges		
- Cash flow hedges		
- Exchange differences		
- Non-current assets and disposal groups		
- Actuarial gains (losses) relating to defined benefit plans	17,435	42,328
- Shares of valuation reserves relating to subsidiaries valued through equity		
- Special revaluation laws		
7. Profit (loss) for the year	684,719	1,186,041
Total	**27,347,682**	**27,378,673**

Section 2 - Shareholders' equity and regulatory ratios

2.1 Regulatory capital

2.1 Regulatory capital

1. Core capital

Pursuant to Title I, Chapter 2 of Banca d'Italia Circular 263 of 27 December 2006, the Regulatory Capital of Banca Simetica consists of Tier 1 capital only, comprising the share capital, reserves and income for the period as positive items and intangible assets as the negative item.

B. Quantitative disclosure

2.1 REGULATORY CAPITAL

	2013	2012
A. Core capital prior to the application of prudential filters	25,526,828	25,392,468
B. Core capital prudential filters:		
B1 - positive IAS/IFRS prudential filters (+)		
B2 - negative IAS/IFRS prudential filters (-)		
C. Core capital gross of amounts to be deducted (A+B)	25,526,828	25,392,468
D. Amounts to be deducted from core capital	-	-
E. Total core capital (TIER 1) (C-D)	25,526,828	25,392,468
F. Supplementary capital prior to the application of prudential filters	-	-
G. Supplementary capital prudential filters:	-	-
G1 - positive IAS/IFRS prudential filters (+)		
G2 - negative IAS/IFRS prudential filters (-)		
H. Supplementary capital gross of amounts to be deducted (F+G)	-	-
I. Amounts to be deducted from supplementary capital		
L. Total supplementary capital (TIER 2) (H-I)	-	-
M. Amounts to be deducted from the total of core and supplementary capital	-	-
N. Regulatory capital (E + L - M)	25,526,828	25,392,468
O. TIER 3 capital	-	-
P. Regulatory capital including TIER 3 (N + O)	25,526,828	25,392,468

2.2 Capital adequacy

A.Qualitative disclosure

Banca Simetica's regulatory capital provides more than adequate assurance of its soundness in relation to the risks to which it is exposed, even in the event of potential and particularly harmful stress events and on the basis of its forecast for growth.

B. Quantitative disclosure

B. QUANTITATIVE DISCLOSURE				
Categories/Amounts	Non-weighted items		Weighted items/require-ments	
	2013	**2012**	**2013**	**2012**
A. RISK ASSETS				
A.1 CREDIT AND COUNTERPARTY RISK				
1. Standardised approach	27,660,138	31,569,318	7,463,300	8,561,250
2. IRB approach				
2.1 Foundation				
2.2 Advanced				
3. Securitisations				
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 CREDIT AND COUNTERPARTY RISK			597,064	684,900
B.2 MARKET RISK				
1. Standardised approach			227,418	520,513
2. Internal models				
3. Concentration risk				
B.3 OPERATIONAL RISK				
1. Basic approach			1,061,951	1,310,522
2. Standardised approach				
3. Standardised approach				
B.4 OTHER PRUDENTIAL REQUIREMENTS				
B.5 TOTAL PRUDENTIAL REQUIREMENTS			1,886,433	2,515,935
C. RISK ASSETS AND CAPITAL RATIOS				
C.1 Weighted risk assets			23,580,410	31,449,188
C.2 Tier 1 capital/Weighted risk assets (Tier 1 capital ratio)			108.25%	80.74%
C.3 Regulatory capital TIER 3/Weighted risk assets (Total capital ratio)			108.25%	80.74%

Part H – Transactions with related parties

1. Remuneration of directors with strategic responsibilities

Fees paid to Directors and Statutory Auditors (inclusive of social security payments and taxes payable by the company) are shown in the table below (in € thousand).

	2013	2012
Directors	263,493	262,122
Statutory Auditors	35,527	35,235
TOTAL	**299,020**	**297,357**

2. Transactions with related parties

Related parties are defined with reference to article 2427, para 1, point 22 bis of the Italian Civil Code (which refers to the definition as per the international accounting standards adopted by the EU, in particular IAS 24), and Banca d'Italia Circular No. 262/2005 setting out the requirements and standards for preparing financial statements of banks.

Pursuant to the above regulations, since the bank neither constitutes nor belongs to a credit group, the related parties include the Directors and Statutory Auditors and their immediate family members, and the companies controlled by or connected to said related parties. Immediate family members include the related party's cohabiting partner and children, the children of the cohabiting partner and other people dependent upon the related party or upon the related party's cohabiting partner.

Relations and transactions with related parties do not constitute a critical factor; they regard the provision of investment services and are performed in accordance with requirements of procedural and substantial correctness.

The individual services supplied to related parties are subject to current market conditions, in line with standard practice for services supplied to clients and employees.

TYPE OF RELATED PARTY	ASSETS	LIABILITIES[1]	COSTS	REVENUES[2]	GUARANTEES GIVEN	GUARANTEES RECEIVED
Directors		371,083		46,324		
Statutory Auditors		17,503		1,023		
Directors with strategic responsibilities						
Other related parties		132,049		14,568		

[1] Cash balance at 31/12/2013

[2] Fees generated in 2013

Annex 1

Pursuant to art. 2427 point 16 bis of the Italian Civil Code and art. 149 duodecies of Consob Issuers Regulation, the fees for auditing the 2013 Financial Statements and for other services are shown in the table below.

Type of service	Service provider	Fees(1)
Type of service	Service provider	Fees(1)
Servizi di attestazione (2)	Deloitte & Touche S.p.A.	€ 500
Servizi di consulenza fiscale	-	
Altri servizi		
Total		**€ 44,964**

(1) Fees net of expenses and VAT.

(2) Signing of the Italian tax declaration forms for 2012

Annex 2

The share structure is as follows:
- 35.5 % Pier Luigi Barbera and family
- 35.5 % Giorgio Mello Rella and family
- 21 % Acciaierie Valbruna S.p.A.

Other shareholders: Simetica Holding S.r.l.(1), Gigliola Zanchetta(1), Mauro Bruniera, Gabriele Fabbro, Michele Orecchia, Massimo Siletti, Morena Camerotto(2).

The bank is not part of a group and is not subject to the control or coordination of any of the shareholders pursuant to art. 2497 of the Italian Civil Code.

(1) Part of the quota held by the family of Pier Luigi Barbera

(2) Part of the quota held by the family of Giorgio Mello Rella

BANCA SIMETICA s.p.a.
Registered office in Biella
Share capital € 7,600,000.00 fully paid-in
Number in the Biella Register of Companies and tax code 02071270025

* * *

Report of the Board of Statutory Auditors

to the Financial Statements for the year ended 31/12/2013

* * *

Dear Shareholders,

The financial statements for the year ended at 31/12/2013, the company's twelfth year of business, which include the balance sheet, the profit and loss account, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows, the notes to the financial statements and the Directors' Report, which have been submitted to you by the Board of Directors for approval, have been drawn up in accordance with international accounting standards (IAS/IFRS) as required by Circular No. 262 issued by Banca d'Italia on 22 December 2005 and amended on 18 November 2009 and subsequent amendments and additions.

The financial statements have been audited by Deloitte & Touche S.p.A. who, on 11 April 2014 certified their compliance with the IAS/IFRS and relative laws implementing said rules. The Independent Auditors have also confirmed that the financial statements give a true and fair view of the company's state of affairs and of the financial position, profit, changes in shareholders' equity and cash flows.

The Directors' Report has also been certified as reflecting the financial statements for the year ended 31 December 2013.

Said Independent Auditors were also charged, for the year in question, to perform the auditing activities pursuant to art. 2409 bis of the Italian Civil Code. Therefore, while approving the general approach of the financial statements and the general conformity of their format and structure, as mentioned above, we are not required to express our opinion on the specific review procedure. In that respect we have nothing particular to report.

To the best of our knowledge the Board of Directors made no exceptions to the provisions of art. 2423, para. 4 of the Italian Civil Code nor have they altered the valuation criteria compared to the previous year.

Il Collegio ha verificato l'osservanza delle norme di legge inerenti la predisposizione della relazione sulla gestione, ed a tale riguardo non ha osservazioni particolari da riferire.

We verified compliance with legal requirements concerning the preparation of the Directors' Report, and have nothing particular to report in that respect.

As regards our work during 2013, we state the following:

- we have verified compliance with the law, with the company's bylaws and observance of the principles of good administration;
- we were called and took part in meetings of the Board of Directors and of Shareholders; we verified that those meetings were held in accordance with all statutory and legal requirements and regulations;
- the directors provided us, also during Board Meetings, with all the information we requested

concerning general trends in management and the outlook for the future, and regarding the main activities; in particular, we received information about the complex macroeconomic context within which the company works and the risks associated with its business and found no critical aspects either with regard to proprietary trading operations or to services for clients. We can reasonably state that the actions decided upon by the Board of Directors were taken in accordance with current legislation and were not manifestly imprudent or capable of damaging the integrity of the company's assets. In actual fact such actions contributed to the achievement of the positive results for the year ended on 31 December 2013, confirming the trend of previous years;

- we examined the internal capital adequacy process (ICAAP);
- ha incontrato il soggetto incaricato del controllo legale, congiuntamente alle funzioni di controllo, scambiando informazioni con i medesimi; non sono emersi dati e/o informazioni rilevanti che debbano essere evidenziati nella presente relazione;
- we met and exchanged information with the independent auditors, together with the control functions. We did not find any significant data and/or information to be included in this report;
- ha acquisito conoscenze ed ha costantemente vigilato sull'adeguatezza dell'assetto organizzativo della società, anche tramite la raccolta di informazioni dai responsabili delle funzioni, ed anche a tale riguardo non ha osservazioni da formulare;
- we verified the work of those responsible for internal controls, risk management and compliance, and found nothing significant to report;
- we assessed and continuously monitored the adequacy of the company's organisational structure, also by gathering information from the respective department managers, and have nothing particular to report;
- we did not receive any complaints pursuant to art. 2408 of the Italian Civil Code;
- we certify that in fulfilling our mandate we did not discover any significant facts worthy of mention in this report;

That stated, and on the basis of the results of the work carried out by the Independent Auditors, we propose that the Meeting should approve the financial statements for the year ended at 31 December 2013 and the relative allocation of profits, as drawn up and submitted for approval by the Directors.

Biella, 14 April 2014

THE BOARD OF STATUTORY AUDITORS

Dr. Mario Rovetti

Dr. Enzo Mario Napolitano

Mr. Giovanni Spola

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**RELAZIONE DELLA SOCIETÀ DI REVISIONE
AI SENSI DEGLI ARTICOLI 14 E 16 DEL D.LGS. 27 GENNAIO 2010, N. 39**

**Agli Azionisti di
BANCA SIMETICA S.p.A.**

1. Abbiamo svolto la revisione contabile del bilancio d'esercizio, costituito dallo stato patrimoniale, dal conto economico, dal prospetto della redditività complessiva, dal prospetto delle variazioni del patrimonio netto, dal rendiconto finanziario e dalla relativa nota integrativa, di Banca Simetica S.p.A. chiuso al 31 dicembre 2013. La responsabilità della redazione del bilancio d'esercizio in conformità agli International Financial Reporting Standards adottati dall'Unione Europea, nonché ai provvedimenti emanati in attuazione dell'art. 9 del D. Lgs. 28 febbraio 2005, n. 38, compete agli Amministratori di Banca Simetica S.p.A.. È nostra la responsabilità del giudizio professionale espresso sul bilancio d'esercizio e basato sulla revisione contabile.

2. Il nostro esame è stato condotto secondo i principi e i criteri per la revisione contabile raccomandati dalla CONSOB. In conformità ai predetti principi e criteri, la revisione è stata pianificata e svolta al fine di acquisire ogni elemento necessario per accertare se il bilancio d'esercizio sia viziato da errori significativi e se risulti, nel suo complesso, attendibile. Il procedimento di revisione comprende l'esame, sulla base di verifiche a campione, degli elementi probativi a supporto dei saldi e delle informazioni contenuti nel bilancio d'esercizio, nonché la valutazione dell'adeguatezza e della correttezza dei criteri contabili utilizzati e della ragionevolezza delle stime effettuate dagli Amministratori. Riteniamo che il lavoro svolto fornisca una ragionevole base per l'espressione del nostro giudizio professionale.

   Per il giudizio relativo al bilancio dell'esercizio precedente, i cui dati sono presentati ai fini comparativi, si fa riferimento alla relazione da noi emessa in data 8 aprile 2013.

3. A nostro giudizio, il bilancio d'esercizio di Banca Simetica S.p.A. al 31 dicembre 2013 è conforme agli International Financial Reporting Standards adottati dall'Unione Europea, nonché ai provvedimenti emanati in attuazione dell'art. 9 del D. Lgs. 28 febbraio 2005, n. 38; esso pertanto è redatto con chiarezza e rappresenta in modo veritiero e corretto la situazione patrimoniale e finanziaria, il risultato economico ed i flussi di cassa di Banca Simetica S.p.A. per l'esercizio chiuso a tale data.

4. La responsabilità della redazione della relazione sulla gestione in conformità a quanto previsto dalle norme di legge e dai regolamenti compete agli Amministratori di Banca Simetica S.p.A.. È di nostra competenza l'espressione del giudizio sulla coerenza della relazione sulla gestione con il bilancio, come richiesto dalla legge. A tal fine, abbiamo svolto le procedure indicate dal principio di revisione n. 001 emanato dal Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili e raccomandato dalla CONSOB. A nostro giudizio la relazione sulla gestione è coerente con il bilancio d'esercizio di Banca Simetica S.p.A. al 31 dicembre 2013.

DELOITTE & TOUCHE S.p.A.

Paolo Gibello Ribatto
Socio

Milano, 11 aprile 2014

BANCA SIMETICA S.p.A.

Registered Bank, registration No. 5713 – ABI Code 3398.5
Member of the Fondo Nazionale di Garanzia
(National Guarantee Fund)
and of the Fondo Interbancario di Tutela dei Depositi
(Interbank Deposit protection Fund)
Headoffice: Via C. Crosa, 3/c – 13900 BIELLA.
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