Banca Simetica

Financial Statements 2015

"Keep your eyes on the stars,

and your feet on the ground"

14th YEAR

BANCA SIMETICA S.p.A.

Share Capital and Reserves at 31/12/2015 € 31.830.187
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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Website: www.bancasimetica.it – e-mail: info@bancasimetica.it

Company boards

Board of Directors

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

Pier Luigi Barbera
Chairman

Appointed Chairman on 28 April 2015, 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
Chief Executive Officer

Appointed CEO on 28 April 2015, he is at the head of the Bank's internal structure; he oversees the management of the company within the scope of the powers granted to him and in accordance with the general guidelines defined by the Board of Directors. The CEO is responsible for exercising the powers granted to him and for overseeing the execution of the resolutions passed by the Board of Directors.

Mauro Bruniera
Executive Director

With powers, granted on 28 April 2015, 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 28 April 2015:

- 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.

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

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, 20, 21 and 22 of the BYLAWS(1) :

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 stakeholders, in the company's decision making process must be encouraged insofar as and whenever possible;
- 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. 20) Bilancio ed utili

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 determined by the Meeting and in any case not less than 10% (ten per cent), for social purposes or allocated to a specific provision, in accordance with the purposes set forth in art. 3 above, to:
    - non-profit-making organisations;
    - public bodies;
    - associations, committees, foundations, cooperative societies, other private entities, incorporated or not, provided they are not-for-profit organisation.

  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. 21) 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 not be re-elected for more than two consecutive terms.
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. 22) 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.

[1] Version submitted to the Extraordinary Shareholders' Meeting of 28 April 2016.

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 2015 are contained in the Social Report.

Directors' Report

Dear Shareholders,

I am pleased and proud to inform you that 2015, our fourteenth year of business, was not only extremely positive, but that we generated total value added of € 11 million for our stakeholders, the highest in our history.
All this further strengthens the standing of our Bank despite the challenges currently facing the finance and banking sectors.
From a general perspective, it was another difficult year for the European economy and for that of Italy in particular. the latter only started to show some signs of improvement in the second half of the year, as borne out by weak GDP growth and the continual decrease in the rate of inflation.
It was a year of turmoil, marked by geopolitical crises, a further drop in oil prices and in emerging market currencies.
All this made bond markets particularly volatile, and staff at our Operations Centre worked with their usual professionalism to attain excellent results while continuing to keep risks under control.
I wish to thank our internal business and control functions for their extremely professional support to the business units and to management, and for their analyses and constructive proposals.
Once again, clients of Banca Simetica lodged no claims whatsoever.
Total assets under management stabilised and at the end of the year amounted to € 162.65 million.
Despite the overall decline in interest rates as a consequence of the ECB's expansionary monetary policy, gross income from asset management stood at 2.48% (weighted average). This excellent result underpins our first-rate professional reputation.
In line with our commitment to allocate 10% of profits to social development, as set forth in the bylaws, the bank 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 2015 which you are invited to approve, reflect a net income of € 3,611,868, after depreciation and amortisation for € 407,544 and income tax for € 1,673,127.

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	*31/12/2015*	*31/12/2014*	*CHANGE*
CASH AND RECEIVABLES	36,879,478	31,570,614	5,308,864
FINANCIAL ASSETS HELD FOR TRADING	12,728,300	14,997,996	-2,269,696
INTANGIBLE AND TANGIBLE ASSETS	2,638,325	2,973,115	-334,790
OTHER ASSETS	10,501,097	4,486,737	6,014,360
TOTAL ASSETS	**62,747,200**	**54,028,462**	**8,718,738**

LIABILITIES

AMOUNTS IN EUR	*31/12/2015*	*31/12/2014*	*CHANGE*
DUE TO BANKS	2,206,028	0	2,206,028
DUE TO CLIENTS	17,038,633	18,371,590	-1,332,957
SEVERANCE INDEMNITY FUND	696,926	578,580	118,346
OTHER LIABILITIES	10,975,426	6,272,664	4,702,762
SHAREHOLDERS' EQUITY	31,830,187	28,805,628	3,024,559
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**62,747,200**	**54,028,462**	**8,718,738**

PROFIT AND LOSS ACCOUNT

AMOUNTS IN EUR	*31/12/2015*	*31/12/2014*	*CHANGE*
INTEREST MARGIN	389,990	752,449	-362,459
NET FEES AND COMMISSIONS	902,188	934,131	-31,943
EARNING MARGIN	10,576,440	7,607,569	2,968,871
OPERATING COSTS	-5,291,445	-4,388,815	-902,630
INCOME TAX	-1,673,127	-1,078,266	-594,861
GROSS PROFIT FOR THE YEAR	**3,611,868**	**2,140,488**	**1,471,380**

Operational highlights

FINANCIAL INDICATORS

	2015	*2014*	*CHANGE %*
TOTAL ASSETS	62,747,200	54,028,462	16.14
TOTAL FUNDS USED AND INVESTED (CLIENTS AND BANKS)	36,870,392	31,558,300	16.83
TOTAL ASSETS UNDER MANAGEMENT	162,648,075	170,074,626	-4.37
SHAREHOLDERS' EQUITY	31,830,187	28,805,628	10.50
INTEREST MARGIN	389,990	752,449	-48.17
EARNING MARGIN	10,576,440	7,607,569	39.03
ADMINISTRATIVE EXPENSES AND PERSONNEL COSTS	-5,003,605	-4,115,497	21.58
GROSS PROFIT FOR THE YEAR	5,692,416	3,631,706	56.74
NET RESULT	**3,611,868**	**2,140,488**	**68.74**

Data expressed in units of EUR

EFFICIENCY INDEXES

	2015	*2014*
ROE(1)	11.91%	7.62%
ROA(2)	5.76%	3.96%
ADMINISTRATIVE EXPENSES/EARNING MARGIN	47.31%	54.1%

(1) Net income / Average shareholders' equity

(2) Net income / Total assets

The general situation

In the first quarter of 2015 the announcement by the European Central Bank of an expanded asset purchase programme, in order to address the risks of a too prolonged period of low inflation, had significant impacts on financial and currency markets: share prices rose, yields on European government bonds fell to an all-time low and the euro depreciated.

The ECB's decision, followed by a constant improvement in European activity, credit and inflation indicators, triggered a sudden change of direction in bond markets: the most significant movements were in the German Bund, with yields (especially on longer term maturities) rising from 0.049% in mid-April to almost 0.8% at the beginning of May and 1.05% in June.
The United States, the UK and Japan were not immune to the turbulence in European government bond interest rates, which also affected corporate debt, the high yield segment and emerging bonds.

Meanwhile, uncertainty was fuelled by the protracted negotiations between Greece and international creditors over the renewal of the aid scheme, causing losses on European stock markets and widening the spread between interest rates on peripheral countries' bonds and those issued by Germany.
These negotiations ended with an agreement on 13 July, gaining a few weeks of respite for share and bond prices.

However, a series of events in August led to a period of renewed overall macroeconomic uncertainty.
The move by China's Central Bank to devalue the yuan by 4.6% against the dollar, following on from a sharp decline in the country's market indices and disappointing economic indicators, sent shockwaves through global markets, triggering a surge in capital outflows from the emerging markets and further losses on stock exchanges (in August alone the US S&P500 share index fell by 6%, the Japanese stock exchange tumbled 8% and the EuroSTOXX50 by 9%).
Emerging market currencies slumped and there were large fluctuations in oil and commodity prices.

Growth in the euro area continued in the second half of the year, sustained by consumer spending; the latter was buoyed by favourable financial conditions resulting from the ECB's expansionary measures, the drop in oil prices and the progress made in fiscal consolidation and structural reforms, especially with reference to the labour market.
During the same period, growth in the US started to lose momentum, while the Japanese economy continued to expand at a relatively modest rate.
In China, data for the second half were in line with the gradual slowdown in economic growth.
As far as the other emerging countries are concerned, the decline in oil and commodity prices led to differences in growth between importers and exporters of these products.
One of the countries that has been hit the hardest is Russia, which has also been affected by restrictions on funding from abroad. The situation is equally critical in Brazil, where internal imbalances and supply-side constraints have generated increases in inflation, public debt and the current account deficit.

GROWTH IN REAL GDP in 2015[1]	*1Q*	*2Q*	*3Q*	*4Q*
Italy	0.4%	0.3%	0.2%	0.1%
Germany	0.4%	0.4%	0.3%	0.3%
Euro area	0.6%	0.4%	0.3%	0.3%
UK	0.4%	0.6%	0.4%	0.5%
US	0.2%	1%	0.5%	0.3%
Japan	1.1%	-0.4%	0.3%	-0.3%
China	1.3%	1.8%	1.8%	1.6%
India	2%	1.7%	1.9%	
Russia	-1.2%	-1.3%	-0.6%	
Brazil	-0.8%	-2.1%	-1.7%	-1.4%

(1) quarter-over-quarter percentage change

Source: Bloomberg

Towards the end of the year, pending further measures by the ECB to avert the risk of a downturn in light of a worsening outlook for the world economy and, above all, trends in prices, yields on government bonds of all EMU countries decreased once again, as share prices in the euro area rose.

At the meeting on 3 December 2015, confirming the need for further monetary stimulus measures, the ECB decided to extend its asset purchase programme (APP) until the end of March 2017 and decrease the interest rate on the deposit facility by another 10 basis points, to -0.30 per cent.

Bucking the trend of the world's main central banks, in December the Federal Reserve raised the federal fund rate by 0.10 per cent, following a significant improvement in the labour market.

The first two months of 2016 were characterised by a general slump in equity markets, pulled down mainly by Chinese stock markets.
As the six-month ban on share sales by major Chinese shareholders came to an end, this movement reflected concerns over the Chinese economy, especially the complex issue of private sector indebtedness.
All this has contributed to generating sharp outflows from Chinese markets and put strong downward pressure on the yuan.
A further drop in oil prices was another cause for concern, since this has caused difficulties for oil exporting countries, as well as for US shale oil producers (already faced with a troublesome debt burden).
Added to this are mounting concerns over the European banking sector.
The Italian banking sector is particularly exposed to the turmoil in financial markets, mainly because of the growing stock of impaired loans of several credit institutions (especially those with the lowest capital levels).

EQUITY MARKET TRENDS	*2014*	*2015*	*First 2 months of 2016*
FTSE MIB (Italy)	0.23%	12.66%	-17.72%
EUROSTOXX50 (EU)	1.20%	3.85%	-9.85%
S&P500 (USA)	11.39%	-0.73%	-5.47%
Nikkei 225 (Japan)	7.12%	9.07%	-15.80%
SCI 300 (China)	51.66%	5.58%	-22.88%
Sensex (India)	29.89%	-5.03%	-11.93%
Micex (Russia)	-7.15%	26,12%	4.47%
Bovespa (Brazil)	-2.91%	-13,31%	-1.28%

Source: Bloomberg

TRENDS IN COMMODITY PRICES	*2014*	*2015*	*First 2 months of 2016*
WTI Crude Oil	-45.87%	-30.47%	-8.88%
Copper	-16.81%	-24.4%	-0.30%
Gold	-1.44%	-10.41%	16.73%

Source: Bloomberg

STRENGTH OF THE EURO AGAINST OTHER CURRENCIES	*2014*	*2015*	*First 2 months of 2016*
Euro/Dollar	-11.97%	-10.22%	0.10%
Euro/Pound Sterling	-6.47%	-5.09%	6.01%
Euro/Yen	-0.08%	-9.81%	-6.21%
Euro/Chinese Yuan	-9.55%	-6.00%	0.43%
Euro/Indian Rupee	-9.92%	-5.88%	3.29%
Euro/Russian Rouble	62.27%	7.28%	3.12%
Euro/Brazilian Real	-0.89%	33.71%	1.58%

Source: Bloomberg

As well as sparking a sharp correction of stock markets around the world, this climate of uncertainty also contributed to a new drop in yields on sovereign debts perceived as safest, to the disadvantage of government bonds issued by countries with the lowest ratings.
Increasing global uncertainty has also led to a widening of yield spreads in the corporate bond market, especially for high-yield, low-grade bonds.

INTEREST RATES	*Mar. '15*	*June '15*	*Sept. '15*	*Dec. '15*	*Feb. '16*
12-month BOT	0.08%	0.06%	0.03%	0.00%	0.02%
5-year BTP	0.55%	1.14%	0.81%	0.60%	0.39%
10-year BTP	1.29%	2.2%	1.92%	1.6%	1.41%
10-year BUND	0.22%	0.86%	0.61%	0.70%	0.11%
10-year T-NOTE	2.04%	2.36%	2.17%	2.24%	1.74%
ITA-GER spread in basis points	107	134	131	153	130

Source: Banca d'Italia, Deutsche Bundesbank, FED

According to Banca d'Italia's January forecast, Italy's GDP will expand by around 1.5 percent in 2016 and 2017, driven by an upswing in domestic demand and in that from other euro area countries, sustained by monetary policies and an easing of lending terms.

However, Italy's Central Bank draws attention to the risk of a slowdown in the global economy as outlined above: specifically, it points to the possibility of a marked and long-lasting slowdown in growth in the emerging economies, which will affect commodity prices and demand, and could mean a heightened risk of deflation.

Profit for the period

Net profit at 31 December 2015, for € 3,611,868, increased compared with that posted at 31 December 2015 (€ 2,140,488).

This excellent result reflects the significant and continuous increase in revenues from arbitrage and market making activities that benefit from the use of an efficient business model, as well as favourable market conditions.
The company also has an effective cost management system in place.

Client services

As at 31 December 2015 clients' total equity amounted to € 162.65 million.

Aggregate assets under management decreased slightly to € 137.86 million. Returns on lines managed remained in positive territory, with a weighted average of 2.48%.

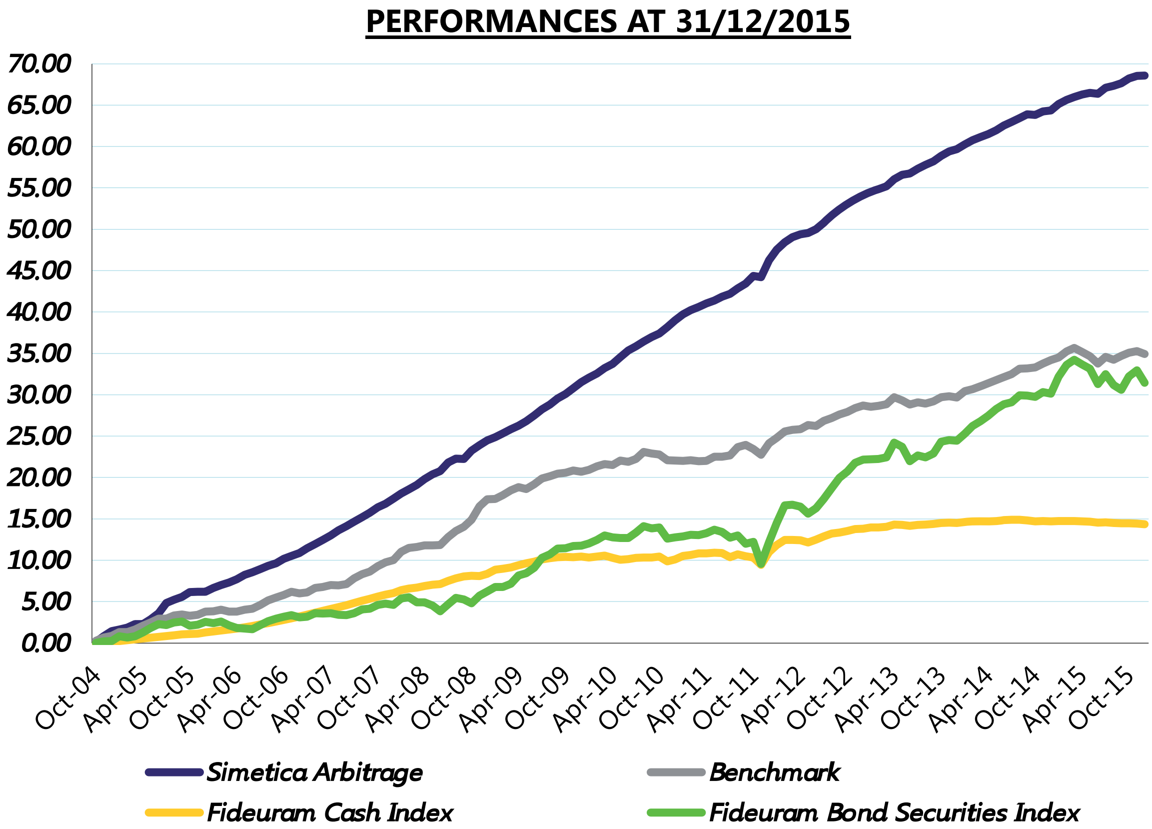
Assets under management amounted to € 24.8 million.

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

Analysis of performance at 31/12/2015 (1)

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

Simetica Arbitrage (2)



LINEA SIMETICA ARBITRAGGIO

Performance in last 12 months	2.58%
Performance in last 12 months Fideuram Cash Index	-0.30%
Performance in last 12 months Fideuram Security Index	1.02%
Benchmark performance in last 12 months	0.55%
Performance from 01/10/2004	68.58%
Performance from 01/10/2004 Fideuram Cash Index	14.36%
Performance from 01/10/2004 Fideuram Security index	31.45%
Benchmark performance from 01/10/2004	34.93%

BREAKDOWN OF BENCHMARK PERFORMANCE ARBITRAGE

Description	*Weight*
JP Morgan EMU 3 Month	75
JP Morgan EMU	25

(2) The data shown refer to the line that accounts for around 94% of the assets managed. Data referring to the other lines managed are provided in the Social Report attached hereto and/or on the Bank's website.

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.
Management fees amounted to € 568,133 in 2015 (compared to € 588,704 in 2014), reflecting the stability of assets managed.

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 31/12/2015 shareholders' equity amounted to € 31,830,187.

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.

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

The Chief Executive Officer 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 system of internal controls. 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 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 Board of Directors has also approved a Code of Ethics. This document contains 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. These rules are designed to ensure that the company operates in accordance with universally accepted rules of professional conduct and ethics.

The company has also 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.

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.

The system of internal controls

The system of internal controls is structured in accordance with current legislation, with specific reference to Part One, Title IV, Chapter 3 of Banca d'Italia Circular No. 285 of 17 December 2013 "Supervisory Regulations for Banks".

The main aspects of the system of internal controls insofar as the corporate bodies are concerned are outlined briefly below:

- the body responsible for strategic management plays a central role in defining the strategic guidelines and the relative risk appetite (with the approval of the Risk Appetite Framework - RAF), as well as in approving key business processes, monitoring the adequacy of the organisational structure and business performance;
- the body with the function of managing strategy implementation is entrusted with the RAF and risk management policies, as well with the tasks concerning the definition of key company processes, the organisational structure and the actual system of internal controls;
- the control body has responsibility for overseeing the completeness, adequacy, functionality and reliability

of the system of internal controls and the RAF.

The Bank has the following permanent and independent control functions, appointed by the Board to perform strategic supervision under the guidance of the control body:

- Risk Management;
- Compliance;
- Anti-Money Laundering;
- Internal Audit.

These functions operate within a system of internal controls structured 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, Compliance and Anti-money laundering functions. The Risk Management function assists with the definition and implementation of the RAF and of the relevant risk management policies and processes (issuing its opinion on the consistency of any significant transactions with the RAF). It is responsible for the development, validation and maintenance of the risk measurement and control systems. It is also charged with checking and monitoring the actual levels of risk assumed by the Bank.

   The Compliance function (which is outsourced), is responsible for the ongoing identification of the applicable regulations and appropriate risk prevention procedures. It also verifies the efficacy of planned organisational changes in order to prevent the risk of non-compliance. Its tasks are graduated according to the presence of specialist areas concerning specific regulations (e.g. tax laws, occupational health and safety, privacy, etc.).
   The Anti-Money Laundering function (which is also outsourced), has the task of identifying the applicable laws, collaborating to define the appropriate procedures, preparing a training programme and defining the information flows to the corporate bodies.

3. **Level three controls**
   The duties of this function, with regard to level three controls, are to verify the correct performance of operations and evolution of risks. It also evaluates the completeness, adequacy, functionality and reliability of the organisational structure and of the other components of the system of internal controls. It makes recommendations to the company bodies on the basis of its findings and verifies compliance of the initiatives undertaken.

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.

The regulatory guidelines are those set forth in the prudential supervisory standards issued by Banca d'Italia implementing European agreements. From the management perspective, reference is made to the specific "Risk control procedure manual" which defines the limits approved by the competent company bodies and the respective control mechanisms.

The system of internal operating limits is structured on three levels of importance for each area of activity:

- level I limits represent an initial critical threshold for the various kinds of risk;
- level II limits, if exceeded, could potentially give rise to a higher risk of loss;
- level III limits are those defined by the Board according to the Risk Appetite Framework.

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. This Disclosure document 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

Risks are measured and the relative capital requirement is calculated according to the regulations for prudential supervision that implement EU law containing the reforms of the agreements of the Basel Committee ("Basel III").
The Own Funds of Banca Simetica consist entirely of common equity tier 1 (CET 1) capital, 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 its Own Funds derive from its own means.
The bank's individual solvency (total capital ratio) is well above the 8% limit required by law and stood at 95.99% at 31/12/2015.
This ratio is also well above the 15.3% limit that takes into account the additional requirements determined in light of the regular prudential review of Banca Simetica.
These high ratios are due to the fact that Banca Simetica performs proprietary trading activities through arbitrage (a low risk operation by definition) and market making, has not yet commenced lending activities and its high net worth.

Business continuity

The Directors have carried out a detailed examination of the events that could cast significant doubt on the ability of the Bank to continue operating as a going concern, also in relation to the guidance provided by the Supervisory Authorities in the joint document issued on 6 February 2009.
During their analysis they paid particular attention to financial and management indicators which, if not given due consideration, could undermine the stability and continuity of business. Since the Bank does not fall within any of the aforesaid indicators, also thanks to its capital strength and capacity to generate income, these financial statements have been prepared on a going concern basis.

The information system

In accordance with the provisions introduced by the 15th update of Banca d'Italia Circular No. 263/2006 and subsequently included in Banca d'Italia Circular No. 285 "Supervisory Regulations for Banks" in the 11th update issued on 21 July 2015, Banca Simetica has put in place organisational and procedural controls covering: the governance and organisation of the information system, analysis and control of cyber risk, requirements to guarantee security of ITC and data management systems, as well as the procedures for ensuring the continuity of operations.

The roles and tasks in connection with the management and control of the information system have been defined, with reference to the various hierarchical levels (Board Members, CEO, Board of Statutory Auditors, control functions and ICT area).

A number of important documents have also been approved:
- Information system architecture reference model;
- Cyber security policy;
- Data governance standard;
- Change management procedure.

The Board has approved a complete review of the Business Continuity Plan which, among other things, contains the description of critical technical and IT processes, preventive internal controls to ensure the continuity of operations, emergency procedures , and the definition of the audit plan.

Human Resources

A more detailed analysis of our human resources is provided in the specific section of the Social Report.
As at 31/12/2015 the number of employees stood at 26 (two 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 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 2015 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, arbitrage and market making 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.

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 2016

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

Outlook

In the first part of 2015 business operations in general and arbitrage and market making activities in particular have exceeded the budget approved by the Board of Directors. On the basis of these facts the outlook for the rest of the year 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 2015. We propose allocating the net profit for the year, amounting to € 3,611,868 as follows:

€	180,593	to the legal reserve
€	221,276	to the statutory social solidarity fund*
€	2,639,999	to the 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 € 139,911.

Biella, 24 March 2016

The Board of Directors
Chairman
Pier Luigi Barbera

Balance Sheet

ASSETS

		2015	2014
10.	Cash and liquid assets	11,018	14,246
20.	Financial assets held for trading	12,728,300	14,997,996
60.	Due from banks	36,868,460	31,556,368
70.	Due from clients	1,932	1,932
110.	Tangible assets	2,633,292	2,967,393
120.	Intangible assets	5,033	5,722
130.	Tax assets	1,130,424	429,141
	a) current	1,079,935	385,010
	b) prepaid	50,489	44,131
	b1) of which pursuant to Law No. 214/2011	0	0
150.	Other assets	9,368,741	4,055,664
	Total assets	**62,747,200**	**54,028,462**

LIABILITIES AND SHAREHOLDERS' EQUITY

		2015	2014
10.	Due to banks	2,206,028	
20.	Due to clients	17,038,633	18,371,590
80.	Tax liabilities	1,673,825	1,079,056
	a) current	1,673,825	1,079,056
	b) deferred		
100.	Other liabilities	9,301,601	5,192,210
110.	Severance indemnity fund	696,926	578,580
120.	Provisions for risks and charges		1,398
	a) pension funds and similar obligations		
	b) other provisions		1,398
130.	Valuation reserves	(112,415)	(95,106)
	of which: related to a disposal group		
160.	Reserves	19,430,734	17,860,246
170.	Issue premium	1,300,000	1,300,000
180.	Capital	7,600,000	7,600,000
200.	Profit (Loss) for the year (+/-)	3,611,868	2,140,488
	Total liabilities and shareholders' equity	**62,747,200**	**54,028,462**

Profit and Loss Account

Items		*2015*	*2014*
10.	Interest receivable and similar income	459,477	773,008
20.	Interest payable and similar expenses	(69,487)	(20,559)
30.	Interest margin	389,990	752,449
40.	Income from fees and commissions	1,501,253	1,488,185
50.	Costs of fees and commissions	(599,065)	(554,054)
60.	Net fees and commissions	902,188	934,131
80.	Net profit on trading	9,284,262	5,920,989
120.	Earning margin	10,576,440	7,607,569
140.	Net result of financial management	10,576,440	7,607,569
150.	Administrative expenses:	(5,003,605)	(4,115,497)
	a) personnel costs	(2,837,144)	(1,995,706)
	b) other administrative expenses	(2,166,461)	(2,119,791)
160.	Net provisions to reserves for risks and charges	0	(1,398)
170.	Net adjustments/re-adjustments of value of tangible assets	(403,396)	(407,822)
180.	Net adjustments/re-adjustments of value of intangible assets	(4,148)	(3,973)
190.	Other operating expense/income	119,581	139,634
200.	Operating costs	(5,291,568)	(4,389,056)
240.	Gains (Losses) on sale of investments	123	241
250.	Profit (loss) on current operations before tax	5,284,995	3,218,754
260.	Income tax for the year on current operations	(1,673,127)	(1,078,266)
270.	Profit (loss) on current operations net of tax	3,611,868	2,140,488
290.	**Net profit (loss) for the year**	**3,611,868**	**2,140,488**

Statement of comprehensive income

Items		*2015*	*2014*
10.	Net profit (loss) for the year	3,611,868	2,140,488
	Other income components net of tax not reclassified through profit or loss		
40.	Defined benefit plans	(17,309)	(112,541)
140	**Comprehensive income (Item 10+130)**	**3,594,559**	**2,027,947**

Statement of changes in shareholders' equity 2015

Change in the year

	Balance at 31.12.2014	Change in opening balance	Balance at 1.1.2015	*Allocation of previous year's profit*		Changes in reserves	*Operations on shareholders' equity*						Comprehensive income for 2015	**Shareholders' equity at 31.12.2015**
				Riserve	*Dividends and other allocations*		*Issue of new shares*	*Purchase of own shares*	*Extraordinary distribution of dividends*	*Change in capital instruments*	*Derivatives on own shares*	*Stock options*		
Capital:														
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:	17,860,246		17,860,246	1,570,488										**19,430,734**
a) retained earnings	17,860,246		17,860,246	1,570,488										**19,430,734**
b) other														
Valuation reserves	(95,106)		(95,106)										(17,309)	**(112,415)**
Capital instruments														
Own shares														
Profit (Loss) for the year	2,140,488		2,140,488	(1,570,488)	(570,000)								3,611,868	**3,611,868**
Shareholders' equity	28,805,628		28,805,628		(570,000)								3,594,559	**31,830,187**

Statement of changes in shareholders' equity 2014

	Balance at 31.12.2013	Change in opening balance	Balance at 1.1.2014	Allocation of previous year's profit		Change in the year								
							Operations on shareholders' equity							
				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 2014*	**Shareholders' equity at 31.12.2014**
Capital:														
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:	17,745,528		17,745,528	114,719										**17,860,246**
a) retained earnings	17,745,528		17,745,528	114,719										**17,860,246**
b) other														
Valuation reserves	17,435		17,435										(112,541)	**(95,106)**
Capital instruments														
Own shares														
Profit (Loss) for the year	684,719		684,719	(114,719)	(570,000)								2,140,488	**2,140,488**
Shareholders' equity	27,347,682		27,347,682		(570,000)								2,027,947	**28,805,628**

Financial statements at 31/12/2015

Cash flow statement - direct method

A. OPERATIONAL ACTIVITIES	*2015*	*2014*
1. Management	**4,559,012**	**2,522,767**
- interest earned (+)	328,766	533,096
- interest paid (-)	(69,487)	(20,559)
- dividends and similar income (+)	0	0
- net fees and commissions (+/-)	914,946	937,463
- personnel costs (-)	(2,122,715)	(1,873,042)
- other costs (-)	(2,222,514)	(2,035,818)
- other revenues (+)	9,403,841	6,060,683
- tax and duties (-)	(1,673,825)	(1,079,056)
2. Cash flow generated/absorbed by financial assets	**(3,613,953)**	**(423,354)**
- financial assets held for trading	2,400,407	(4,587,767)
- due from clients		31
- other assets	(6,014,360)	4,164,382
3. Cash flow generated/absorbed by financial liabilities	**2,805,136**	**8,190,554**
- due to clients	(1,333,317)	10,234,104
- financial liabilities held for trading		
- other liabilities	4,138,453	(2,043,550)
Net cash flow generated/absorbed by operational activities	**3,750,195**	**10,289,967**
B. INVESTMENTS		
1. Cash flow generated by		**147**
- sale of tangible assets		147
2. Cash flow absorbed by	**(77,359)**	**(60,164)**
- purchase of tangible assets	77,359	60,164
Net cash flow generated/absorbed by investments	**(77,359)**	**(60,017)**
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 DURING THE YEAR	**3,102,836**	**9,659,950**

RECONCILIATION

Items in the balance sheet	*Amount*	
	2015	*2014*
Cash and liquid assets at 01/01/2015	31,570,614	21,910,664
Total net liquid assets generated/absorbed in the year	3,102,836	9,659,950
Cash and liquid assets at 31/12/2015	**34,673,450**	**31,570,614**

Notes to the Financial Statements

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 2015 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**

Basis of preparation
These financial statements have been prepared using the same accounting policies and methods as those as at 31 December 2014, to which reference should be made for further details. They also include the following information which refers to IAS/IFRS and relevant SIC/IFRIC interpretations approved by the European Commission up to the date of these accounts, compliance with which is compulsory as of 1 January 2014.
The introduction of the new policies, amendments and interpretations, which are outlined below, did not have any significant and/or important effect on these financial statements.

- 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. The policy applies retrospectively for periods beginning on or after 1 January 2013.
- 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.

- Amendments to IAS 32 "Offsetting financial assets and financial liabilities" clarify the application of the criteria for offsetting financial assets and liabilities in financial statements (i.e. when the entity currently has a legally enforceable right to set-off the recognised amounts and intends to settle the asset and liability on a net basis or realise the asset and settle the liability simultaneously). The amendments must be applied retrospectively as from 1 January 2014.
- Amendments to IAS 39 "Financial instruments: Recognition and measurement - Novation of derivatives and continuation of hedge accounting". The changes introduce certain exceptions to the requirements for hedge accounting in IAS 39 when a derivative that has been designated as a hedging instrument is novated from one counterparty to a central counterparty (CCP) as a consequence of new laws or regulations. The amendments must be applied retrospectively as from 1 January 2014.
- The "Annual Improvements to IFRSs: 2010-2012 Cycle" document was published on 12 December 2013, setting out a number of amendments to the process. The main changes concern the following:
  - IFRS 13 Fair Value Measurement – Short-term receivables and payables. The Basis for Conclusions has been amended to clarify that under IFRS 13, and the subsequent amendments to IAS 39 and IFRS 9, entities may still measure short-term receivables and payables without discounting, when the effect of not discounting is immaterial;
  - IFRS 13 Fair Value Measurement – Scope of portfolio exception. This amendment clarifies that the portfolio exception applies to all contracts within the scope of IAS 39, regardless of whether they meet the definitions of financial assets or financial liabilities as defined by IAS 32.

  The amendments are applicable for financial periods beginning on or after 1 January 2015.

These financial statements have been drawn up according to the instructions issued by Banca d'Italia in Circular No. 262 of 22 December 2005 "Financial statements of banks: preparation criteria and format" as amended on 15 December 2015.

The 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 euros.

- **Section 3**

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.

- **Section 4**

Other aspects
Nothing to 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 instruments classified as "Financial assets and liabilities held for trading" are recognised at the settlement date, at cost intended as the fair value of the instrument, excluding any transaction charges or income directly attributable to the instruments.

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

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 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
Transactions in foreign currency are recognised initially in the functional currency, adopting the exchange rate prevailing on the date of the transaction.

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.

Criteria for measuring the fair value of financial instruments

In December 2012 the European Commission published Regulation (EU) No. 1255/2012 endorsing the new IFRS 13 "Fair Value Measurement" accounting standard, which took effect as from January 1, 2013.
IFRS 13 defines fair value as: "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date". For financial instruments this definition of fair value replaces the previous version in IAS 39 Financial instruments: recognition and measurement.
Therefore, according to the new fair value definition in IFRS 13, the fair value of financial liabilities is the value that would be paid for the transfer of that liability (exit price), rather than the amounts necessary to settle it (as per the definition provided in IAS 39).
This leads to a strengthening of the issue concerning the recognition of the fair value adjustments of financial liabilities - other than derivatives - attributable to own credit adjustment (OCA), compared to the provisions established in IAS 39. With regard to the fair value measurement of OTC derivatives in the balance sheet assets, IFRS 13 confirmed the rule that requires the adjustment to be applied for counterparty risk (Credit Valuation Adjustment - CVA). With regard to financial liabilities consisting of OTC derivatives, IFRS 13 introduces the Debit Valuation Adjustment (DVA), which is a fair value adjustment designed to reflect an entity's own default risk on these instruments, an issue not explicitly addressed by IAS 39.

The fair value of investments listed on active markets is determined by reference to the market price (the bid price or, if that is not available, the average price) on the closing date of the period in question. The fair value of financial instruments listed on active markets is determined on the basis of prices in the active reference market (i.e. the market with the highest trading volume) or obtained from international providers on the closing date of the period in question. 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. For financial instruments listed on more than one market, the price on the most advantageous market to which the company has access must be considered.

For financial instruments that are not listed, fair value is determined using valuation models to determine the price at which the instrument would be traded freely between two parties under normal business conditions. The following fair value valuation techniques are used:

- recent market transactions;
- reference to the price of another instrument that is substantially the same as the one being valued;
- quantitative methods (option pricing models; discounted cash flow analysis;
- pricing models commonly used by market participants that have been demonstrated to provide reliable estimates of prices obtained in actual market transactions).

The fair value of non-listed bonds is calculated by discounting expected cash flows - using interest rate structures that take into consideration the issuer's sector of business and rating, where available.
The fair value of units in common investment funds not listed on active markets is determined on the basis of the published net asset value, adjusted where necessary in view of possible changes in value between the date of request for repayment and the actual repayment date.
Equity securities not traded on an active market, for which the fair value cannot be reliably determined on the basis of the most commonly-used methods (especially discounted cash flow analysis) are valued at cost and adjusted to take into account any significant value reductions.
For financial entries (assets and liabilities) other than FVO derivative contracts, securities and financial instruments, with a residual duration of not more than 18 months, the fair value is assumed to be reasonably close to their carrying value.

The fair value of financial instruments, measured according to the criteria set forth above, is classified as follows pursuant to IFRS 13 and depending on the characteristics and significance of the inputs used to calculate such value.

A.4 FAIR VALUE disclosure

Qualitative disclosure

When quoted prices in active markets are not available, the determination of their fair value is based on generally accepted and used valuation models.
Financial assets are the only items valued at fair value on a recurring basis. When quoted prices in active markets are not available, the following methods are used to measure the fair value of financial instruments.

The fair value of level 2 financial instruments is determined by reference to observable inputs from providers.

There were no significant changes in the valuation models used compared with the previous year.

A.4.1 Fair value levels 2 and 3: valuation techniques and inputs used

When assets and liabilities measured at fair value on a recurring basis are not quoted on active markets, their fair value is determined with reference to generally accepted and used valuation models.
There were no significant changes in the valuation models used compared with the previous year.

A.4.2 Valuation processes and sensitivity

Since the bank does not hold any financial instruments in level 3 of the fair value hierarchy it does not carry out tests to determine potential changes in fair value, according to type of instrument, attributable to plausible unobservable changes to inputs.

A.4.3 Fair value hierarchy

Based on that established by IFRS 13, the fair value hierarchy must be applied to all financial instruments that are measured at fair value in the balance sheet. The fair value hierarchy gives the highest priority to quoted prices on active markets and the lowest priority to unobservable inputs, which are more discretionary. Thus, the fair value of instruments listed on active markets is determined by reference to prices on financial markets, whereas the fair value of other financial instruments is determined through the use of valuation models designed to estimate the fair value (exit price). The fair value hierarchy used in these notes is structured as follows:

- "Level 1": the fair value of financial instruments is determined on the basis of observable prices on active (unadjusted) markets available at the reporting date;
- "Level 2"; the fair value of financial instruments is determined on the basis of inputs that are either directly or indirectly observable in active markets for the asset or liability, and may also include the use of valuation models;
- "Level 3"; the fair value of financial instruments is determined on the basis of inputs that are not observable for the asset or liability, and may also include the use of valuation models.

A quoted price in an active market is the most reliable measurement of fair value and, if available, this input must be used to determine such value without any further adjustment. When no quoted prices in active markets are available, financial instruments must be classified as level 2 or 3.
Their fair value is classified as level 2 or level 3 depending on the degree of observability of the valuation model inputs.

Level 2 inputs include:

- prices of similar assets or liabilities available on active markets;

- prices of identical assets or liabilities available on non-active markets;
- inputs other than observable quoted prices for the asset or liability (e.g. interest rates and yield curves observable at commonly quoted intervals, implicit volatility and credit spreads);
- observable market data.

For fair value measurements categorised within level 3, IFRS 13 also requires a description of the sensitivity of the fair value measurement to changes in one or more of the unobservable inputs used in the fair value measurement.

A.4.4 Other information

The bank does not manage groups of financial assets or liabilities on the basis of its net exposure to market risks or credit risk.
As at 31 December 2015 there is no information to report pursuant to IFRS 13 paragraph 93(i).
Reference should be made to the sections concerning the various accounting categories in part "A.1 General" and specifically "Criteria for measuring the fair value of financial instruments" in part A.2. "Main items in the balance sheet - Other information".

Quantitative disclosure

A.4.5 Fair value hierarchy

A.4.5.1 ASSETS AND LIABILITIES AT FAIR VALUE ON A RECURRING BASIS: BREAKDOWN BY LEVEL OF FAIR VALUE

Financial assets/liabilities at fair value	*2015*			*2014*		
	Level 1	*Level 2*	*Level 3*	*Level 1*	*Level 2*	*Level 3*
1. Financial assets held for trading	12,728,300			14,608,566	389,430	
2. Financial assets at fair value						
3. Financial assets available for sale						
4. Hedging derivatives						
5. Tangible assets						
6. Intangible assets						
Total	**12,728,300**		**2,638,325**	**14,608,566**	**389,430**	**2,973,115**
1. Financial liabilities held for trading						
2. Financial liabilities at fair value						
3. Hedging derivatives						
Total						

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

Assets/Liabilities not measured at fair value or measured at fair value on a non-recurring basis	*2015*				*2014*			
	BV	*L1*	*L2*	*L3*	*BV*	*L1*	*L2*	*L3*
1. Financial assets held to maturity								
2. Due from banks	36,868,460			36,868,460	31,556,368			31,556,368
3. Due from clients	1,932			1,932	1,932			1,932
4. Tangible assets held for investment								
5. Non-current assets and disposal groups								
Total	**36,870,392**			**36,870,392**	**31,558,300**			**31,558,300**
1. Due to banks	2,206,028			2,206,028				
2. Due to clients	17,038,633			17,038,633	18,371,590			18,371,590
3. Securities in issue								
4. Liabilities associated with a disposal group								
Total	**19,244,661**			**19,244,661**	**18,371,590**			**18,371,590**

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 CASH EQUIVALENTS: BREAKDOWN

	2015	*2014*
a) Cash	4,243	9,551
b) Free deposits with Central Banks	6,775	4,695
Total	**11,018**	**14,246**

Section 2 – Financial assets held for trading – Item 20

2.1 FINANCIAL ASSETS HELD FOR TRADING: PRODUCT BREAKDOWN

Items/Amounts	*2015*			*2014*		
	Level 1	*Level 2*	*Level 3*	*Level 1*	*Level 2*	*Level 3*
A Financial assets						
1. Debt securities	12,728,300			14,608,566	389,430	
1.1 Structured securities						
1.2 Other debt securities	12,728,300			14,608,566	389,430	
2. Equity instruments						
3. Units in investment funds						
4. Loans						
4.1 Repos						
4.2 Other						
Total A	**12,728,300**			**14,608,566**	**389,430**	
B Derivatives						
1. Financial derivatives						
1.1 trading						
1.2 fair value option						
1.3 other						
2. Credit derivatives						
2.1 trading						
2.2 fair value option						
2.3 other						
Total B						
Total (A+B)	**12,728,300**			**14,608,566**	**389,430**	

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	*2015*	*2014*
A. Financial assets		
1. Debt securities	12,728,300	14,997,996
a) Governments and Central Banks	10,711,060	10,965,771
b) Other public-sector entities		
c) Banks	1,873,817	3,122,255
d) Other issuers	143,423	909,970
2. Equity instruments		
a) Banks		
b) Other issuers		
- insurance undertakings		
- financial undertakings		
- non-financial undertakings		
- other		
3. Units in investment funds		
4. Loans		
a) Governments and Central Banks		
b) Other public-sector entities		
c) Banks		
d) Other parties		
Total A	**12,728,300**	**14,997,996**
B. Derivatives		
a) Banks		
b) Clients		
Total B		
Total (A+B)	**12,728,300**	**14,997,996**

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

Section 6 – Due from banks – Item 60

6.1 DUE FROM BANKS: PRODUCT BREAKDOWN

Type of transactions/ Amounts	*2015*				*2014*			
	BV	*FV L1*	*FV L2*	*FV L3*	*BV*	*FV L1*	*FV L2*	*FV L3*
A. Loans to Central Banks								
1. Time deposits								
2. Compulsory reserves								
3. Repos								
4. Other								
B. Loans to banks	36,868,460			36,868,460	31,556,368			31,556,368
1. Loans								
1.1 Current accounts and demand deposits	36,768,827			36,768,827	31,394,443			31,394,443
1.2. Time deposits	99,633			99,633	161,925			161,925
1.3. Other loans:								
- Reverse repurchase agreement assets								
- Finance leases								
- Other								
2. Debt securities								
2.1 Structured securities								
2.2 Other debt securities								
Total	**36,868,460**			**36,868,460**	**31,556,368**			**31,556,368**

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.1.2 "Time deposits".
Sub-item "B.1.1 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 financial instruments listed on regulated markets.

Section 7 – Due from clients – Item 70

7.1 DUE FROM CLIENTS: PRODUCT BREAKDOWN

Type of transactions/ Amounts	*2015*						*2014*					
	Book value			*Fair value*			*Book value*			*Fair value*		
	Performing	*Impaired*					*Performing*	*Impaired*				
		Purchased	*Other*	*L1*	*L2*	*L3*		*Purchased*	*Other*	*L1*	L2	L3
Loans												
1. Current accounts												
2. Reverse repurchase agreement assets												
3. Mortgages												
4. Credit cards, personal loans and salary-backed loans												
5. Financial leases												
6. Factoring												
7. Other loans	1,932					1,932	1,932					1,932
Debt securities												
8. Structured securities												
9. Other debt securities												
Total	**1,932**					**1,932**	**1,932**					**1,932**

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

7.2. DUE FROM CUSTOMERS: BREAKDOWN BY BORROWER/ISSUER

Type of transactions/Amounts	*2015*			*2014*		
	Performing	*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:	1,932			1,932		
a) Governments						
b) Other public-sector entities						
c) Other parties	1,932			1,932		
- non-financial undertakings						
- financial undertakings						
- insurance undertakings						
- other	1,932			1,932		
Total	**1,932**			**1,932**		

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 FOR OPERATIONAL USE: BREAKDOWN OF ASSETS VALUED AT COST

Assets/Amounts	*2015*	*2014*
1 Assets owned	2,633,292	2,967,393
a) land	42,000	42,000
b) buildings	1,947,430	2,011,634
c) furniture and fittings	181,027	231,362
d) electronic systems	462,835	682,397
e) other		
2 Leased		
a) land		
b) buildings		
c) furniture and fittings		
d) electronic systems		
e) other		
Total	**2,633,292**	**2,967,393**

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*	*Furniture*	*Electronic systems*	*Other*	***Total***
A. Gross opening balance	**42,000**	**2,140,126**	**375,912**	**1,567,789**		**4,125,827**
A.1 Total net reductions in value		128,492	144,550	885,392		
A.2 Net opening balance	**42,000**	**2,011,634**	**231,362**	**682,397**		**2,967,393**
B. Increases:				**69,295**		**69,295**
B.1 Purchases				69,295		69,295
B.2 Capitalised expenditure on improvements						
B.3 Write-backs						
B.4 Increases in fair value						
a) shareholders' equity						
b) profit and loss						
B.5 Positive exchange differences						
B.6 Transfer from properties held for investment						
B.7 Other changes						
C. Reductions:		**64,204**	**50,335**	**288,857**		**403,396**
C.1 Disposals						
C.2 Depreciation		64,204	50,335	288,857		403,396
C.3 Impairment losses recognised in:						
a) shareholders' equity						
b) profit and loss						
C.4 Reductions of fair value						
a) shareholders' equity						
b) profit and loss						
C.5 Negative exchange differences						
C.6 Transfers to:						
a) tangible assets held for investment						
b) assets held for sale						
C.7 Other changes						
D. Net closing balance	**42,000**	**1,947,430**	**181,027**	**462,835**		**2,633,292**
D.1 Total net reduction in value		192,696	194,885	1,171,549		
D.2 Gross closing balance	**42,000**	**2,140,126**	**375,912**	**1,634,384**		**4,192,422**
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	2015		2014	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill				
A.2 Other intangible assets	**5,033**		**5,722**	
A.2.1 Assets carried at cost:	5,033		5,722	
a) internally generated				
b) other	5,033		5,722	
A.2.2 Assets carried at fair value:				
a) internally generated				
b) other				
Total	**5,033**		**5,722**	

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				5,722		**5,722**
A.1 Total net reductions in value						
A.2 Net opening balance				5,722		**5,722**
B. Increases				3,459		**3,459**
B.1 Purchases				3,459		**3,459**
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				4,148		**4,148**
C.1 Disposals						
C.2 Value re-adjustments						
- Depreciation				4,148		**4,148**
- 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			5,033		**5,033**
D.1 Total net value re-adjustments					
E Gross closing balance			5,033		**5,033**
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 € 50,489, mainly reflecting prepaid taxes on actuarial losses relating to defined benefit plans.

13.3 CHANGES IN PREPAID TAXES (PER CONTRA IN PROFIT AND LOSS)

	2015	2014
1. Opening balance	**2,083**	**2,946**
2. Increases	**3,489**	**2,791**
2.1 Prepaid taxes recognised in the year		
a) relating to previous years		
b) due to changes in accounting criteria		
c) write-backs	3,489	2,791
d) other		
2.2 New taxes or increases in applicable tax rates		
2.3 Other increases		
3. Reductions	**2,791**	**3,654**
3.1 Prepaid taxes cancelled in the year		
a) reversals	2,791	3,654
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	**2,781**	**2,083**

13.4. CHANGE IN DEFERRED TAXES (PER CONTRA IN PROFIT AND LOSS)

	2015	2014
1. Opening balance		**1,653**
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		**1,653**
3.1 Deferred taxes cancelled in the year		1,653
a) reversals		
b) due to changes in accounting criteria		
c) other		
3.2 Reductions in applicable tax rates		
3.3 Other reductions		
4. Closing balance		

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)

	2015	*2014*
1. Opening balance	42,048	5,018
2. Increases	46,792	41,132
2.1 Prepaid taxes recognised in the year		
a) relating to previous years		
b) due to changes in accounting criteria	46,792	41,132
c) other		
2.2 New taxes or increases in applicable tax rates		
2.3 Other increases		
3. Reductions	41,132	4,102
3.1 Prepaid taxes cancelled in the year		
a) reversals	41,132	4,102
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	**47,708**	**42,048**

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	*2015*	*2014*
Prepaid IRES	817,616	256,825
Prepaid IRAP	262,306	128,109
Withholding tax	13	76
Total	**1,079,935**	**385,010**

Current tax liabilities

Description	*2015*	*2014*
Provision for IRES	1,349,366	817,692
Provision for IRAP	324,459	261,364
Total	**1,673,825**	**1,079,056**

Section 15 – Other assets – Item 150

15.1 Other assets: breakdown

Description	*2015*	*2014*
Prepayments and accrued income	48,089	61,349
Advance payments to suppliers	85	2,583
Other minor items	3,660	17,478
Transactions in securities to be credited *	8,852,391	3,535,670
Advanced tax payment on savings managed	105,560	114,831
Other receivables from the tax authorities	55,219	44,176
Advance payment of VAT	40,683	40,683
Advance payment of stamp duty	263,054	238,894
Total	**9,368,741**	**4,055,664**

* These are regular way transactions the original settlement value of which expired on 31/12/2015 and which were settled at their original price after 31/12/2015.

Part B - Information on the balance sheet - liabilities

Section 1 – Due to banks – Item 10

1.1. DUE TO BANKS: PRODUCT BREAKDOWN

Type of transactions/Amounts	*2015*	*2014*
1. Due to central banks		
2. Due to banks		
2.1 Current accounts and demand deposits	1,287,170	
2.2 Time deposits		
2.3 Loans		
2.3.1 Reverse sale agreements		
2.3.2 Other	918,858	
2.4 Liabilities in respect of commitments to repurchase treasury shares		
2.5 Other liabilities		
Total	**2,206,028**	
Fair value – level 1		
Fair value – level 2		
Fair value – level 3	**2,206,028**	
Total fair value	**2,206,028**	

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

Section 2 – Due to clients – Item 20

2.1. DUE TO CLIENTS: PRODUCT BREAKDOWN

Type of transactions/Amounts	*2015*	*2014*
1. Current accounts and demand deposits	17,038,633	18,371,590
2. Time deposits		
3. Loans		
3.1 Reverse sale agreements		
3.2 Other		
4. Liabilities in respect of commitments to repurchase treasury shares		
5. Other liabilities		
Total	**17,038,633**	**18,371,590**
Fair value – level 1		
Fair value – level 2		
Fair value – level 3	**17,038,633**	**18,371,590**
Fair value	**17,038,633**	**18,371,590**

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

Section 8 – Tax liabilities – Item 80

See section 13 of Assets.

Section 10 – Other liabilities – Item 100

10.1. OTHER LIABILITIES: BREAKDOWN

	2015	*2014*
Due to tax authorities	947,864	1,000,206
Social security	197,489	160,531
Accrued liabilities	870,427	256,931
Due to suppliers	200,888	239,518
Transactions in securities to be settled *	6,957,203	3,530,927
Other minor items	127,730	4,097
Total	**9,301,601**	**5,192,210**

* See note of table 15.1

Section 11 - Severance indemnity fund - Item 110

11.1 SEVERANCE INDEMNITY FUND: CHANGES FOR THE YEAR

	2015	*2014*
A. Opening balance	**578,580**	**358,828**
B. Increases		
B.1 Provision for the year	96,377	75,553
B.2 Other changes	22,968	149,572
C. Reductions		
C.1 Disbursements made		5,296
C.2 Other changes	999	77
D. Closing balance	**696,926**	**578,580**
Total	**696,926**	**578,580**

11.2 Other information

Actuarial valuations were performed as of 31 December 2015 by an external actuary specifically appointed for the purpose, who used analytical data supplied by the employment advisor.
The following demographic, 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 INPS disability tables.
- 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 5.00% per annum;
- The assumed rate of requests for advance payment was 3.00% per year.

The rate of requests for advance payment and turnover were based on the past experience of the company and of the actuary across a significant number of companies of the same kind.

Economic and financial assumptions

- the annual discount rate used to determine the current value of the defined benefit obligation was obtained, in accordance with para 83 of IAS 19, on the basis of the Iboxx index for over-ten-year bonds of corporate issuers with an AA rating at the valuation date. The yield curve adopted expresses a duration comparable with that of the group of workers to whom the valuation applies;

- the inflation curve was modified as shown in the table, in account of the current economic situation and volatility of the majority of economic indicators. This assumption was based on the "Update of the Economic and Financial Document 2015 - September 2015 Section II-Table 1" issued by the Ministry of Economy and Finance" and on "Mid-long term trends for the pension, health and long term care systems - Report No. 15" published by the Department of General Accounts;

- termination benefits were assumed to increase at an annual rate equal to 75% of the rate of inflation plus 1.5 percentage points, pursuant to art. 2120 of the Italian Civil Code.

- the annual increase in salaries was determined, using the method applicable exclusively to undertakings with fewer than 50 employees in 2006, based on data provided by company managers.

Sensitivity analysis of the main valuation parameters using data as at 31 December 2015

Inflation rate + 0.25%	721.087,43
Inflation rate + -0.25%	686.779,75
Discount rate + 0.25%	682.952,65
Discount rate + -0.25%	725.335,06
Turnover rate + 1%	689.523,11
Turnover rate + -1%	720.053,75

Service Costs 2015	93.405,80
Duration of plan	17,4

Expected disbursements in the 1st year	55.477
Expected disbursements in the 2nd year	51.954
Expected disbursements in the 3rd year	55.869
Expected disbursements in the 4th year	59.202
Expected disbursements in the 5th year	62.282

Section 12 – Provision for risks and charges – Item 120

12.1 PROVISION FOR RISKS AND CHARGES: BREAKDOWN

Items/Amounts	*2015*	*2014*
1.Provision for pensions		
2. Other provisions for risks and charges		1,398
2.1 disputes		
2.2 personnel costs		
2.3 other		1,398
Total		**1,398**

12.2 PROVISION FOR RISKS AND CHARGES: CHANGES FOR THE YEAR

	Provision for pensions	*Other provisions*	***Total***
A. Opening balance		1,398	**1,398**
B. Increases			
B.1 Provision for the year			
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		1,398	**1,398**
C.1 Use over the period		1,398	1,398
C.2 Variations due to changes in the discount rate			
C.3 Other changes			
D. Closing balance			

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	*2015*	*2014*
Legal	1,327,498	1,220,474
Statutory	1,324,651	1,242,389
Other	16,778,585	15,397,383
Valuation reserves	-112,415	-95,106
Total	**19,318,319**	**17,765,140**

Pursuant to art. 2427, para. 7-bis of the Italian Civil Code:
The legal reserve of €1,327,498, is available for use to cover losses.
The statutory reserve, for € 1,324,651, is unavailable and will be used for socially useful purposes.
The other reserves item, for € 16,778,585, is available and distributable for use to increase capital, cover losses or distribution to shareholders.

No reserves have ever been used to cover losses.

Pursuant to art. 2427, para. 22-septies of the Italian Civil Code, the proposal for the allocation of profit is as follows:

Net profit for the year	**3,611,868**
To the legal reserve	180,593
To the statutory social solidarity fund	221,276
Distributable net profit	**3,209,999**
Dividend of € 75 on 7,600 eligible shares	570,000
To the extraordinary reserve	2,639,999

Other information

1. GUARANTEES GIVEN AND COMMITMENTS

Transactions	*2015*	*2014*
1) Financial guarantees given to		
a) Banks	48,536	48,364
b) Clients		
2) Commercial guarantees given to		
a) Banks		
b) Clients		
3) Irrevocable commitments to disburse funds		
a) Banks		
i) for specified use*	8,714,379	3,176,593
ii) for unspecified use		
b) Clients		
i) for specified use*	29,480,606	25,903,050
ii) for unspecified use		
4) Underlying obligations for credit derivatives: sales of protection		
5) Assets used to guarantee others’ obligations		
6) Other commitments		
Total	**38,243,521**	**29,128,007**

Item 1a) refers to the commitment towards the Interbank Deposit Protection Fund for extraordinary contributions and is stated for information only, since no events that would give rise to the conditions for repayment of extraordinary contributions are forecast.
*regular way purchase and sale of securities, against sales for € 37,261,001

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	1,305,749,049
2. not regulated	3,318,000
b) Sales	
1. regulated	1,235,965,494
2. not regulated	2,698,333
2. Portfolio management	
a) individual	122,244,392
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	
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	23,388,084
d) own securities deposited with third parties	12,728,300
4. Other transactions	31,865,840

* Item 4 refers to the sum of purchases (€ 13,825,702) and sales (€ 18,040,138) 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 EARNED AND SIMILAR INCOME: BREAKDOWN

Items/Types	Debt securities	Loans	Other transactions	2015	2014
1 Financial assets held for trading	439,001			439,001	695,011
2 Financial assets available for sale					
3 Financial assets held to maturity					
4 Due from banks		20,476		20,476	77,997
5 Due from clients					
6 Financial assets at fair value					
7 Hedging derivatives					
8 Other assets					
Total	**439,001**	**20,476**		**459,477**	**773,008**

1.3 Interest and similar income: other information

1.3.1 Interest income on financial assets denominated in foreign currencies

At 31 December 2015 interest income on financial assets in foreign currencies amounted to € 13,052.

1.4 INTEREST EXPENSE AND SIMILAR CHARGES: BREAKDOWN

Items/Types	Liabilities	Securities	Other transactions	2015	2014
1. Due to central banks					
2. Due to banks	52,120			52,120	19,295
3. Due to clients					
4. Securities in issue					
5. Financial liabilities held for trading	17,367			17,367	1,264
6. Financial liabilities at fair value					
7. Other liabilities and funds					
8. Hedging derivatives					
Total	**69,487**			**69,487**	**20,559**

1.6 Interest expense and similar charges: other information

1.1.6.1 Interest expense on liabilities in foreign currencies

At 31 December 2015 interest expense on financial liabilities in foreign currencies amounted to € 22,793.

Section 2 - Fees and commissions - Items 40 and 50

2.1 COMMISSIONS RECEIVABLE: BREAKDOWN

Services/Amounts	*2015*	*2014*
a) guarantees given		
b) credit derivatives		
c) management, brokerage and advisory services:		
1. financial instrument trading	925,795	869,123
2. currency trading		
3. portfolio management		
3.1 individual	568,133	588,704
3.2. collective		
4. custody and administration of securities		
5. deposit bank		
6. placement of securities		
7. collection and transmission of orders	6,676	15,715
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 individual		
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	649	14,643
Total	**1,501,253**	**1,488,185**

2.2 COMMISSIONS RECEIVABLE: PRODUCT AND SERVICE DISTRIBUTION CHANNELS

Channels/Amounts	*2015*	*2014*
a) through own branches:		
1. portfolio management	518,859	539,941
2. placement of securities		
3. third-party products and services		
b) off-site:		
1. portfolio management	49,274	48,763
2. placement of securities		
3. third-party products and services		
c) other distribution channels:		
1. portfolio management		
2. placement of securities		
3. third-party products and services		

2.3 COSTS OF FEES: BREAKDOWN

Services/Amounts	*2015*	*2014*
a) guarantees received		
b) credit derivatives		
c) management and brokerage:		
1. financial instrument trading	14,616	7,864
2. currency trading		
3 portfolio management		
3.1 own		
3.2 third-party portfolios		
4. custody and administration of securities	508,958	474,875
5. placement of financial instruments		
6. off-site distribution of financial instruments, products and services	65,573	62,387
d) collection and payment services		
e) other services	9,918	8,928
Total	**599,065**	**554,054**

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 € 399,707;
- fees and commissions for clearing € 97,235;
- fees and commissions for custody € 12,016.

Section 4 - Net profits on trading - Item 80

4.1. NET PROFIT ON TRADING: BREAKDOWN

Transaction/Income 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	2,826	12,667,479	77,002	3,218,260	9,375,043
1.1. Debt securities	2,826	12,667,479	77,002	3,218,260	9,375,043
1.2 Equity instruments					
1.3 Units in investment funds					
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					51,736
4. Derivatives		367,430		509,947	-142,517
4.1 Financial derivatives:					
- on debt securities and interest rates		332,290		501,990	-169,700
- on equity securities and share indexes		35,140		7,957	27,183
- on currency and gold					
- Other					
4.2 Credit derivatives					
Total	**2,826**	**13,034,909**	**77,002**	**3,728,207**	**9,284,262**

Section 9 – Administrative expenses – Item 150

9.1. PERSONNEL EXPENSES: BREAKDOWN

Expenses/Amounts	*2015*	*2014*
1) Employees		
a) salaries and wages	1,982,910	1,265,516
b) social security contributions	348,080	306,764
c) employee severance indemnity		
d) national insurance contributions		
e) allocations to provisions for severance indemnity	96,377	75,553
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	35,166	36,627
2) Other staff		
3) Directors and statutory auditors	374,611	311,246
4) Retired employees		
5) Recoveries for employees seconded to other companies		
6) Refunds of costs for third-party employees seconded to the company		
Total	**2,837,144**	**1,995,706**

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

Service Cost	81.717 euro
Interest Cost	14.660 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	8
c) other employees	18
Other personnel	

9.5 OTHER ADMINISTRATIVE EXPENSES: BREAKDOWN

Detail	*2015*	*2014*
ICT expenses	568,081	541,739
Trading activities	343,613	337,459
Advisory and professional services	108,767	106,781
Auditing fees	60,095	59,703
Fees for licences and outsourced IT services	423,875	411,299
Compulsory contributions and market membership fees	173,294	166,864
Telephone and electricity	85,936	84,898
Virtual stamp duty	265,946	276,899
Sundries	136,854	134,149
Total	**2,166,461**	**2,119,791**

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

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

11.1. ADJUSTMENTS/RE-ADJUSTMENTS TO NET VALUE OF TANGIBLE ASSETS: BREAKDOWN

Asset/Income item	*Depreciation (a)*	*Impairment losses (b)*	*Write-backs (c)*	*Net result (a + b - c)*
A. Tangible assets				
A.1 Owned				
- used in the business	403,396			403,396
- held for investment				
A.2 Leased				
- used in the business				
- held for investment				
Total	**403,396**			**403,396**

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/Income item	*Amortisation (a)*	*Impairment losses (b)*	*Write-backs*	*Net result (a + b - c)*
A. Intangible assets	(c)			
A.1 Owned				
- Internally generated				
- Other	4,148			4,148
A.2 Leased				
Total	**4,148**			**4,148**

Section 13 – Other operating expense/income – Item 190

13.1 Other operating expense: breakdown

Other operating expense amounted to € 146,923 in 2015. Other operating expense mainly referred to donations made during the year for € 139,911.

13.2 Other operating income: breakdown

Other operating income amounted to € 266,504 in 2015.
The main component of other operating income was the stamp duty refund for a total of € 265,946

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

17.1 GAINS (LOSSES) FROM SALE OF INVESTMENTS: BREAKDOWN

Income item/Amount	*2015*	*2014*
A. Property		
- Gains on sale		
- Losses on sale		
B. Other assets		
- Gains on sale	123	241
- Losses on sale		
Net result	**123**	**241**

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

18.1 INCOME TAXES FOR THE YEAR ON CURRENT OPERATIONS: BREAKDOWN

Income item/Amount		2015	2014
1.	Current taxes (-)	(1,673,825)	(1,079,056)
2.	Changes relating to prior years (+/-)		
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 (+/-)	698	(863)
5.	Change in deferred taxes (+/-)		1,653
6.	Tax for the year (-) (-1+/-2+3+3(b)+/-4+/-5)	(1,673,127)	(1,078,266)

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	2015
Pre-tax profit (loss)	5,284,995
IRES at theoretical rate of 27.50%	1,453,374
Tax on increases	59,852
Tax on reductions	-163,859
IRES at current actual rate of 25.53%	1,349,366

IRAP	2015
Pre-tax profit (loss)	5,284,995
IRAP at theoretical rate of 5.57%	294,374
Tax on non-taxable income	-14,844
Tax on non-deductible expenses	44,929
IRAP at current actual rate of 6.14 %	324,459

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 € 475.

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	5,284,995	(1,673,127)	3,611,868
	Other income components not reclassified through profit or loss			
20	Tangible assets			
30	Intangible assets			
40	Defined benefit plans	112,415	(129,724)	(17,309)
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) reclassification through profit or loss			
	c) other changes			
80	Exchange differences:			
	a) changes in fair value			
	b) reclassification through profit or loss			
	c) other changes			
90	Cash flow hedge:			
	a) changes in fair value			
	b) reclassification through profit or loss			
	c) other changes			
100	Financial assets available for sale:			
	a) changes in fair value			
	b) reclassification through profit or loss			
	- impairment losses			
	- gains/losses on disposal			
	c) other changes			
110	Non-current assets and disposal groups:			
	a) changes in fair value			
	b) reclassification through profit or loss			
	c) other changes			
120	Portion of valuation reserves of equity investments valued through equity:			
	a) changes in fair value			
	b) reclassification through profit or loss			
	- impairment losses			
	- gains/losses on disposal			
	c) other changes			
130	Total other income components	112,415	(129,724)	(17,309)
140	**Comprehensive income (Item 10+130)**	**5,397,410**	**(1,802,851)**	**3,594,559**

Part E – Risks and related risk management policies

In accordance with the provisions of art. 434 "Means of disclosures" of Regulation (EU) No. 575/2013 (CRR), the disclosures concerning the bank's capital adequacy and risk exposure, drawn up in compliance with Part 8 of the aforesaid CRR, are published on its corporate website www.bancasimetica.it.

Foreword

The Board of Directors is responsible for defining the Bank's risk appetite establishing the qualitative and quantitative limits for acceptable levels of risk, in line with the strategic business plan.

The risks inherent in the specific activities of Banca Simetica are:
- market risk;
- pre-settlement and settlement risk;
- liquidity risk;
- concentration risk;
- operational risk;
- legal risk;
- reputational risk;
- strategic risk.

Banca Simetica is not exposed to credit risk (apart from the risk associated with surplus cash deposits with bank counterparties), or to the risk of maturity mismatching and excessive leverage.

The Bank pursues a prudent business approach aimed at maintaining risk exposure within acceptable parameters, in line with a number of guiding principles which are at the heart of its risk management policies, namely:
- working to achieve net returns of between 3 and 5%, maintaining a business mix with a low risk profile;
- adopting a prudent approach towards new activities and a logic of "knowledge-based business", which has always characterised its method of operation;
- fostering a culture of risk and the involvement of everyone at the company in matters concerning risks;
- a remuneration policy that does not encourage the taking of excessive risks;
- independence and authority of the System of Internal Controls;
- efficiency, integrity and stability of information systems;
- maintaining an extremely prudent approach as far as liquidity risk is concerned;
- maintaining a conservative approach towards operational risk management;
- maintaining a "zero risk" approach to legal risk.

The body responsible for strategic supervision also has the task of defining and approving the general guidelines of the ICAAP, ensuring its consistency with the Risk Appetite Framework (RAF) and for making sure that it is immediately revised to reflect any significant changes to strategies, the organisational structure or business context.

The CEO is in charge of the Bank's risk management system. He may make the relevant decisions according to the strategies and guidelines approved by the Board of Directors within the scope of the qualitative and quantitative limits defined within the RAF.
The CEO implements the ICAAP and verifies its compliance with the strategic guidelines and RAF.

Risks are monitored and managed in accordance with the Risk Mapping Manual and Risk Control Manual.
The Risk Mapping Manual contains the map of the risks associated with each of the Bank's processes, with an assessment of the "gross risk", in terms of probability and severity, and "net risk", based on the standard of existing controls. It also contains a summary of the measurement techniques for the different types of regulatory and supervisory risks.
The Risk control procedure manual defines the operational limits approved by the Board and the respective control mechanisms, procedures for assessing compliance with the applicable regulatory provisions and procedures for reporting to Senior Management and the Bank's governing bodies.

The risk management and control system is structured on three levels:

- Level one controls, performed by the heads of each corporate function to which each specific risk indicator applies;
- Level two controls, performed by the Risk Management function (which oversees the operation of the risk management system and verifies compliance therewith) and by Compliance (which verifies compliance with the applicable laws) and Anti-Money Laundering;
- Level three controls, performed by the Internal Audit function, which evaluates the adequacy and efficacy of the control systems, processes, procedures and mechanisms.

The system of internal controls of Banca Simetica comprises the following control functions:

- Risk Management;
- Compliance;
- Anti-Money Laundering;
- Internal Audit

The Risk Management function defines, manages and monitors the risks to which the Bank is exposed, in order to determine and control the risk level that can be tolerated.

The Compliance function, which is outsourced, is responsible for the ongoing identification of the applicable regulations and appropriate risk prevention procedures. It also verifies the efficacy of planned organisational changes in order to prevent the risk of non-compliance.
Its tasks are graduated according to the presence of specialist areas concerning specific regulations (e.g. tax laws, occupational health and safety, privacy, etc.).
This function follows a risk-based approach, focusing on areas that are potential sources of greater risk for the Bank, either for regulatory reasons (new laws, amendments, complexity) or business reasons.
For the rules most relevant to the risk of non-compliance, this function is directly responsible for managing the risk of non-conformity.

The main tasks of the Anti-Money Laundering function, which is also outsourced, are to:

- identify the applicable laws and evaluate their impact on internal processes and procedures;
- collaborate to define the procedures and system of internal controls;
- verify the suitability of the procedures and system of internal controls;
- verify the reliability of the information system that sends data to the company's integrated computer database;
- transmit aggregate data about records in the integrated computer database to the Financial Information Unit of Banca d'Italia, on a monthly basis;
- prepare an adequate and continuous training programme for employees and co-workers;
- define the information flows to the corporate bodies and senior management;
- provide advisory services and assistance to the corporate bodies and senior management.

The Compliance and Anti-Money Laundering functions, managed by the same organisation, summarise their findings in reports to the Board, copies of which are also sent to the Statutory Auditors.

The Internal Audit function performs third level controls. These include inspections to verify the correctness of operational procedures and trends in risks and assessments to verify the completeness, adequacy, functionality and reliability of the organisational structure and other components of the system of internal controls. It informs the corporate bodies of any needs for improvement, with particular reference to the RAF, the risk management process and the methods used for measuring and controlling these.
It draws up reports for the company bodies in which it illustrates its findings and makes recommendations.

The managers of each function within the System of Internal Controls each prepare an annual report on their specific activities. These reports are sent to the company bodies and then also to the banking and trading market authorities.

The various control functions interact with one another by sending and receiving information.

The types of risks to which Banca Simetica is exposed, their main features and the techniques used to mitigate and hedge these are outlined below.

Market risk is defined as the risk of loss arising from changes in market prices of financial instruments traded by the Proprietary Trading department, which uses arbitrage and market making strategies.

Pre-settlement and settlement risks are related to the cost of replacing transactions undertaken with defaulting counterparties

Liquidity risk regards the possibility of areas of business using more liquid funds than the Bank has at its disposal, resulting in a shortage of liquidity.

Concentration risk is the risk posed to the Bank by its excessive exposure to a single issuer, counterparty, customer or even sector.

Banca Simetica's exposure to credit and counterparty risks, which typically refer to Pillar I capital requirements for commercial banking entities, only regards cash deposits with bank counterparties held for the purposes of its core business. In accordance with the Risk Appetite Framework and in line with the strategic business plan for 2014-2016, the Bank does not intend to assume credit or counterparty risks (apart from those inherent in the management of liquid fund deposits) or maturity transformation or interest rate risks.

Operational risks arise as a result of failed internal processes, human error, inadequate operating systems, or external events, including legal risk.

Reputational risk is associated with the way third parties perceive the Bank.
It is related to the other types of risk, especially operational, legal and strategic risks.
Professional competence, credibility, reputation, transparency, correctness and compliance with generally recognised moral and ethical principles by company representatives and employees alike are all factors that affect this type of risk.

Strategic risk regards the risk of a decrease in returns on equity associated with changes in medium and long-term business activities.

Section 1 – Credit risk

• Qualitative disclosure

1. General

Banca Simetica is not currently engaged in lending activities and 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. Since the amounts concerned are payable at sight and thus have a maturity of less than seven days, they are excluded from the application of the so-called bail-in provisions introduced by Italian Legislative Decree No. 180 that came into effect on 16 November, 2015. Art. 49(1)(e) of this decree provides that:

"Bail-in applies to all liabilities, with the exception of the following:

a-d) (omitted)

e) liabilities with an original maturity of less than seven days owed to banks and SIM investment firms that are not part of the same group as the institution under resolution.

2. Credit risk management

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

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

• **Quantitative disclosure**

A. Credit quality

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

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

Portfolio/quality	*Bad loans*	*Probable default*	*Impaired past-due exposures*	*Not impaired past-due exposures*	*Other not impaired exposures*	**Total**
1. Financial assets available for sale						
2. Financial assets held to maturity						
3. Loans and receivables with banks					36,868,460	**36,868,460**
4. Loans and receivables with clients					1,932	**1,932**
5. Financial assets at fair value						
6. Disposal groups						
Total 2015					**36,870,392**	**36,870,392**
Total 2014					**31,558,300**	**31,558,300**

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

Portfolio/quality	Non-performing assets			Not impaired assets			Total (net exposure)
	Gross exposure	Specific re-adjustments	Net exposure	Gross exposure	Portfolio re-adjustments	Net exposure	
1. Financial assets available for sale							
2. Financial assets held to maturity							
3. Loans and receivables with banks				36,868,460		36,868,460	**36,868,460**
4. Loans and receivables with clients				1,932		1,932	**1,932**
5. Financial assets at fair value							
6. Disposal groups							
Total 2015				**36,870,392**		**36,870,392**	**36,870,392**
Total 2014				**31,558,300**		**31,558,300**	**31,558,300**

Portfolio/quality	Assets with poor credit quality		Other assets
	Cumulative losses	Net exposure	Net exposure
1. Financial assets held for trading			12,728,300
2. Hedging derivatives			
Total 2015			**12,728,300**
Total 2014			**14,997,996**

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

Exposure types/amounts	Gross exposure					Specific write-downs	Portfolio adjustments	Net exposure
	Non-performing assets				Not impaired assets			
	Up to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year				
A. BALANCE SHEET EXPOSURE								
a) Bad loans								
of which: exposures covered by concessions								
b) Probable default								
of which: exposures covered by concessions								
c) Impaired past-due exposures								
of which: exposures covered by concessions								
d) Not impaired past due exposures								
of which: exposures covered by concessions								
e) Other not impaired exposures					36,868,460			36,868,460
of which: exposures covered by concessions								
TOTAL A					**36,868,460**			**36,868,460**
B. OFF-BALANCE SHEET EXPOSURE								
a) Impaired								
b) Other								
TOTAL B								
TOTAL A+B					**36,868,460**			**36,868,460**

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

Exposure types/amounts	*Gross exposure*					*Specific write-downs*	*Portfolio adjustments*	*Net exposure*
	Non-performing assets				*Not impaired assets*			
	Up to 3 months	*From 3 to 6 months*	*From 6 to 12 months*	*More than 1 year*				
A. BALANCE SHEET EXPOSURE								
a) Bad loans								
of which: exposures covered by concessions								
b) Probable default								
of which: exposures covered by concessions								
c) Impaired past-due exposures								
of which: exposures covered by concessions								
d) Not impaired past due exposures								
of which: exposures covered by concessions								
e) Other not impaired exposures					1,932			1,932
of which: exposures covered by concessions								
TOTAL A					**1,932**			**1,932**
B. OFF-BALANCE SHEET EXPOSURE								
a) Impaired								
b) Other								
TOTAL B								
TOTAL A+B					**1,932**			**1,932**

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	3,798	10,884,771	674,613	1,060,075			36,975,435[1]	**49,598,692**
B. Derivatives								
B.1 Financial derivatives								
B.2 Credit derivatives								
C. Guarantees given								
D. Commitments to disburse funds								
E. Other								
Total	**3,798**	**10,884,771**	**674,613**	**1,060,075**			**36,975,435**	**49,598,692**

[1] of which € 36,809,613 referring to amounts due from banks payable at sight in connection with funds held in correspondence accounts. Since the amounts concerned are payable at sight and thus have a maturity of less than seven days, they are excluded from the application of the so-called bail-in provisions introduced by Italian Legislative Decree No. 180 of 16 November, 2015.

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

Ratings table		
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 and concentration of exposure

B.1 DISTRIBUTION OF BALANCE SHEET AND OFF-BALANCE SHEET EXPOSURE TO CLIENTS BY SECTOR (BOOK VALUE)

Exposure/ Counterparty	*Governments*			*Other public entities*			*Financial undertakings*			*Insurance undertakings*			*Non-financial undertakings*			*Other parties*		
	Net exposure	*Specific write-downs*	*Portfolio adjustments*	*Net exp.*	*Specific write-downs*	*Portfolio adjustments*	*Net exposure*	*Specific write-downs*	*Portfolio adjustments*	*Net exposure*	*Specific write-downs*	*Portfolio adjustments*	*Net exposure*	*Specific write-downs*	*Portfolio adjustments*	*Net exposure*	*Specific write-downs*	*Portfolio adjustments*
A. Balance sheet exposures																		
A.1 Non-performing loans																		
- of which: exposures covered by concessions																		
A.2 Probable default																		
- of which: exposures covered by concessions																		
A.3 Impaired past-due exposures																		
- of which: exposures covered by concessions																		
A.4 Not impaired exposures																1,932		
- of which: exposures covered by concessions																		
Total A																**1,932**		
B. Off-balance sheet exposures																		
B.1 Bad loans																		
B.2 Probable default																		
B.3 Other impaired assets																		
B.4 Not impaired exposures																		
Total B																		
Total (A+B) 2015																**1,932**		
Total (A+B) 2014																**1,932**		

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

Exposure/Geographical area	*Italy*		*Other European countries*		*America*		*Asia*		*Rest of the world*	
	Net exposure	*Total re-adjustments*	*Net exposure*	*Total re-adjustments*	*Net exposure*	*Total re-adjustments*	*Net exposure*	*Total re-adjustments*	*Net exposure*	*Total re-adjustments*
A. Balance sheet exposures										
A.1 Non-performing loans										
A.2 Probable default										
A.3 Impaired past-due exposures										
A.4 Not impaired exposures	1,932									
Total A	**1,932**									
B. Off-balance sheet exposures										
B.1 Bad loans										
B.2 Probable default										
B.3 Impaired past-due exposures										
B.4 Not impaired exposures										
Total B										
Total (A+B) 2015	**1,932**									
Total (A+B) 2014	**1,932**									

B. Distribution and concentration of exposure

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 exposure	Total re-adjustments	Net exposure	Total re-adjustments	Net exposure	Total re-adjustments	Net exposure	Total re-adjustments	Net exposure	Total re-adjustments
A. Balance sheet exposures										
A.1 Non-performing loans										
A.2 Probable default										
A.3 Impaired past-due exposures										
A.4 Not impaired exposures	36,868,460									
Total A	**36,868,460**									
B. Off-balance sheet exposures										
B.1 Bad loans										
B.2 Probable default										
B.3 Impaired past-due exposures										
B.4 Not impaired exposures										
Total B										
Total (A+B) 2015	**36,868,460**									
Total (A+B) 2014	**31,556,368**									

B.4 MAJOR RISKS

As at 31 December 2015 the bank had 3 exposures with Istituto Centrale delle Banche Popolari Italiane (Central Institute of Italian Cooperative Banks), Banca Monte dei Paschi di Siena and Intesa Sanpaolo amounting to the equivalent of more than 10% of its own funds.
The amounts held with the respective banks stood at € 27,748,253, € 4,281,093 (with weighted values of € 0) and € 4,698,245 (with weighted value of € 160.370). These positions, chiefly consisting of demand deposits, do not constitute a significant risk in accordance with the laws in force.

Sezione 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 and market making strategies to trade standardised financial instruments. This helps to reduce interest rate and price risks to a minimum.
More specifically, traders perform purchase and sale transactions on the basis of the specific "Portfolio management " procedures in order 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 procedure 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 and CEO.
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 CEO 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 on the basis of specific requirements associated with the bank's activities.
The results of these controls are set out in reports and submitted to the CEO, 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 BALANCE SHEET 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		4,301,524	4,017,350	4,081,826	177,946	38,378	111,276	
- 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								
- Other derivatives								
+ long positions								
+ short positions								

Amounts in euros at the exchange rate on 31.12.2015

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.

- **Quantitative disclosure**

1. BANK PORTFOLIO: BREAKDOWN BY RESIDUAL TERM (REPRICING DATE) OF FINANCIAL ASSETS AND LIABILITIES
CURRENCY OF DENOMINATION: EURO

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								
- with prepayment option								
- other								
1.2 Loans to banks	34,871,946							99,633
1.3 Loans to clients	1,932							
- current accounts								
- other loans								
- with prepayment option								
- other								
2. Balance sheet liabilities								
2.1. Due to clients								
- current accounts	17,038,633							
- other amounts due								
- with prepayment option								
- other								
2.2. Due to banks								
- current accounts								
- other amounts due								
2.3. Debt securities								
- with prepayment option								
- other								
2.4. Other liabilities								
- with prepayment option								
- other								
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							
- Other derivatives							
+ long positions							
+ short positions							
4. Other off-balance sheet operations							
+ long positions							
+ short positions							

1. BANK PORTFOLIO: BREAKDOWN BY RESIDUAL TERM (REPRICING DATE) OF FINANCIAL ASSETS AND LIABILITIES
CURRENCY OF DENOMINATION: US DOLLAR

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								
- with prepayment option								
- other								
1.2 Loans to banks	1,285,484							
1.3 Loans to clients								
- current accounts								
- other loans								
- with prepayment option								
- other								
2. Balance sheet liabilities								
2.1. Due to clients								
- current accounts								
- other amounts due								
- with prepayment option								
- other								
2.2. Due to banks								
- current accounts	918,858							
- other amounts due								
2.3. Debt securities								
- with prepayment option								
- other								

2.4. Other liabilities							
- with prepayment option							
- other							
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							
- Other derivatives							
+ long positions							
+ short positions							
4. Other off-balance sheet operations							
+ long positions							
+ short positions							

1.BANK PORTFOLIO: BREAKDOWN BY RESIDUAL TERM (REPRICING DATE) OF FINANCIAL ASSETS AND LIABILITIES
CURRENCY OF DENOMINATION: POUND STERLING

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								
- with prepayment option								
- other								
1.2 Loans to banks								
1.3 Loans to clients								
- current accounts								
- other loans								
- with prepayment option								
- other								
2. Balance sheet liabilities								

2.1. Due to clients								
- current accounts								
- other amounts due								
- with prepayment option								
- other								
2.2. Due to banks								
- current accounts	1,228,323							
- other amounts due								
2.3. Debt securities								
- with prepayment option								
- other								
2.4. Other liabilities								
- with prepayment option								
- other								
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								
- Other derivatives								
+ long positions								
+ short positions								
4. Other off-balance sheet operations								
+ long positions								
+ short positions								

1. BANK PORTFOLIO: BREAKDOWN BY RESIDUAL TERM (REPRICING DATE) OF FINANCIAL ASSETS AND LIABILITIES
CURRENCY OF DENOMINATION: CANADIAN DOLLAR

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								
- with prepayment option								
- other								
1.2 Loans to banks	62,375							
1.3 Loans to clients								
- current accounts								
- other loans								
- with prepayment option								
- other								
2. Balance sheet liabilities								
2.1. Due to clients								
- current accounts								
- other amounts due								
- with prepayment option								
- other								
2.2. Due to banks								
- current accounts								
- other amounts due								
2.3. Debt securities								
- with prepayment option								
- other								
2.4. Other liabilities								
- with prepayment option								
- other								
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								
- Other derivatives								
+ long positions								
+ short positions								
4. Other off-balance sheet operations								
+ long positions								
+ short positions								

1. BANK PORTFOLIO: BREAKDOWN BY RESIDUAL TERM (REPRICING DATE) OF FINANCIAL ASSETS AND LIABILITIES
CURRENCY DENOMINATED IN SWISS FRANC

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								
- with prepayment option								
- other								
1.2 Loans to banks	2,683							
1.3 Loans to clients								
- current accounts								
- other loans								
- with prepayment option								
- other								
2. Balance sheet liabilities								
2.1. Due to clients								
- current accounts								
- other amounts due								
- with prepayment option								
- other								
2.2. Due to banks								
- current accounts								
- other amounts due								
2.3. Debt securities								
- with prepayment option								
- other								
2.4. Other liabilities								
- with prepayment option								
- other								
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								
- Other derivatives								
+ long positions								
+ short positions								
4. Other off-balance sheet operations								
+ long positions								
+ short positions								

1. BANK PORTFOLIO: BREAKDOWN BY RESIDUAL TERM (REPRICING DATE) OF FINANCIAL ASSETS AND LIABILITIES
CURRENCY OF DENOMINATION: OTHER

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								
- with prepayment option								
- other								
1.2 Loans to banks	546,339							
1.3 Loans to clients								
- current accounts								
- other loans								
- with prepayment option								
- other								
2. Balance sheet liabilities								
2.1. Due to clients								
- current accounts								
- other amounts due								
- with prepayment option								
- other								
2.2. Due to banks								
- current accounts	58,847							

- other amounts due							
2.3. Debt securities							
- with prepayment option							
- other							
2.4. Other liabilities							
- with prepayment option							
- other							
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							
- Other derivatives							
+ long positions							
+ short positions							
4. Other off-balance sheet operations							
+ long positions							
+ short positions							

2.3 Currency risk

• Qualitative disclosure

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

Banca Simetica undertakes transactions in foreign currencies in connection with trading of bonds denominated in currencies other than the euro.

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 procedure manual.

B. Currency risk hedging activities

The bank does not hedge its currency risk exposure but controls this by maintaining the levels of risk within the established limits.

• Quantitative disclosure

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

Items	*Currency*					
	USD	*GBP*	*JPY*	*CAD*	*CHF*	*Other*
A Financial assets						
A.1 Debt securities						
A.2 Equities						
A.3 Due from banks	1,285,484			62,375	2,683	546,339
A.4 Due from clients						
A.5 Other financial assets						
B. Other assets						
C. Financial liabilities						
C.1 Due to banks	918,858	1,228,323				58,847
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	**1,285,484**			**62,375**	**2,683**	**546,339**
Total liabilities	**918,858**	**1,228,323**				**58,847**
Imbalance (+/-)	**366,626**	**-1,228,323**		**62,375**	**2,683**	**487,492**

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 liquid assets"; 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 currency t+1.
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. BREAKDOWN BY RESIDUAL TERM OF FINANCIAL ASSETS AND LIABILITIES CURRENCY OF DENOMINATION: EURO

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			167,015		2,520,478	4,017,350	3,977,438	21,241	7,538	
A.2 Other debt securities				1,457,112	156,918		104,388	156,705	142,117	
A.3 Units in investment funds										
A.4 Loans										
- banks	34,871,946									99,633
- clients	1,932									
Balance sheet liabilities										
B.1 Deposits and current accounts										
- banks										
- clients	17,038,633									
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	38,194,985									
- short positions	37,261,001									
C.5 Financial guarantees given										
C.6 Financial guarantees received										
C.7 Credit derivatives with exchange of principal										
- long positions										
- short positions										
C.8 Credit derivatives without exchange of capital										
- long positions										
- short positions										

See table "1. Guarantees given and commitments" in the "Other information" section.

1. BREAKDOWN BY RESIDUAL TERM OF MATURITY OF FINANCIAL ASSETS AND LIABILITIES - CURRENCY OF DENOMINATION: US DOLLAR

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	1,285,484									
- clients										
Balance sheet liabilities										
B.1 Deposits and current accounts										
- banks	918,858									
- 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										
C.6 Financial guarantees received										
C.7 Credit derivatives with exchange of principal										
- long positions										
- short positions										
C.8 Credit derivatives without exchange of capital										
- long positions										
- short positions										

1. BREAKDOWN BY RESIDUAL TERM OF MATURITY OF FINANCIAL ASSETS AND LIABILITIES - CURRENCY OF DENOMINATION: POUND STERLING

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										
- clients										
Balance sheet liabilities										
B.1 Deposits and current accounts										
- banks	1,228,323									
- 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										
C.6 Financial guarantees received										
C.7 Credit derivatives with exchange of principal										
- long positions										
- short positions										
C.8 Credit derivatives without exchange of capital										
- long positions										
- short positions										

1. BREAKDOWN BY RESIDUAL TERM OF MATURITY OF FINANCIAL ASSETS AND LIABILITIES - CURRENCY OF DENOMINATION: CANADIAN DOLLAR

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	62,375									
- 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										
C.6 Financial guarantees received										
C.7 Credit derivatives with exchange of principal										
- long positions										
- short positions										
C.8 Credit derivatives without exchange of capital										
- long positions										
- short positions										

1. BREAKDOWN BY RESIDUAL TERM OF MATURITY OF FINANCIAL ASSETS AND LIABILITIES - CURRENCY OF DENOMINATION: SWISS FRANC

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	2,683									
- 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										
C.6 Financial guarantees received										
C.7 Credit derivatives with exchange of principal										
- long positions										
- short positions										
C.8 Credit derivatives without exchange of capital										
- long positions										
- short positions										

1. BREAKDOWN BY RESIDUAL TERM OF MATURITY OF FINANCIAL ASSETS AND LIABILITIES - CURRENCY OF DENOMINATION: OTHER

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	546,339									
- clients										
Balance sheet liabilities										
B.1 Deposits and current accounts										
- banks	58,847									
- 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										
C.6 Financial guarantees received										
C.7 Credit derivatives with exchange of principal										
- long positions										
- short positions										
C.8 Credit derivatives without exchange of capital										
- long positions										
- short positions										

Section 4 – Operational risk

• Qualitative disclosure

A. General aspects, operational processes and methods for measuring operational risk
Operational risk is defined in Regulation (EU) 575/2013 (CRR) as "the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events, including legal risk".
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. This mapping procedure has evolved and been improved over the years. In 2014 the bank reviewed all the processes that could in any way affect its exposure to legal risks and in 2015 it conducted a complete review of its exposure to cyber risk.
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 Italian 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 Title III "Own funds requirements for operational risk", Part 3 "Capital requirements" of Regulation (EU) 575/2013 (CRR) Banca Simetica is required to use the Basic Indicator Approach to calculate the capital for operational risk.
This method of calculation consists of applying a fixed 15% percentage to positive values of the relevant indicator 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 = relevant indicator 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

The relevant indicator is defined as the sum of interest receivable and similar income, interest payable and similar charges, income from shares and other variable/fixed-yield securities, commissions/fees receivable, commissions/fees payable, net profit or net loss on financial operations and other operating income. All extraordinary items (if present) are excluded from the above indicator.

The following formula was used to calculate Banca Simetica's level of capital for operational risk coverage for 2015:

KBIA, 31/12/2015 = [(5.021.989 + 7.607.569 + 10.576.440) x 15%] / 3 = EUR 1,160,300.

Risk Management constantly monitors any harmful events that occur in connection with operational risk and regularly reports to the Internal Audit department, the CEO 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	*2015*	*2014*
1. Capital	7,600,000	7,600,000
2. Issue premium	1,300,000	1,300,000
3. Reserves	19,430,734	17,860,246
- retained earnings		
a) legal	1,327,498	1,220,474
b) statutory	1,324,651	1,242,389
c) own shares		
d) other	16,778,585	15,397,383
- 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	-112,415	-95,106
- Shares of valuation reserves relating to subsidiaries		
valued through equity		
- Special revaluation laws		
7. Profit (Loss) for the year	3,611,868	2,140,488
Total	**31,830,187**	**28,805,628**

There was a € 17,309 reduction in the valuation reserve relating to defined benefit plans, as shown in the table referred to above.

Section 2 - Own funds and regulatory ratios

2.1 Own funds

A. Qualitative disclosure

1. Total Common Equity Tier 1 (CET1)

Pursuant to the provisions of Part 2 "Own Funds" of Regulation (EU) 575/2013 (CRR) the regulatory capital of Banca Simetica consists entirely of common equity tier 1 (CET 1) capital, comprising the share capital, retained earnings and income for the period as positive items and intangible assets as the only negative item.

2. Capitale aggiuntivo di classe 1 (Additional Tier 1 - AT1)

The additional tier 1 items consist of additional tier 1 capital instruments and any related share premium accounts. The following items must be deducted from AT 1 capital: all holdings of own additional Tier 1 instruments, including indirect and synthetic holdings and any relevant repurchase agreements, and all holdings including indirect and synthetic holdings of additional tier 1 capital, instruments issued by another financial sector entity in which the bank has or has not a significant investment. The "grandfathering" provisions must also be considered in quantifying the aforesaid items.

3 .Tier 2 capital (T2)

Tier 2 items consist of subordinated liabilities where the conditions laid down in the contract permit their classification as T2 capital instruments, including any share premium accounts.

The following must be deducted from Tier 2 items: all holdings of own subordinated liabilities, including indirect and synthetic holdings and any relevant repurchase agreements, and all holdings including indirect and synthetic holdings of T2 instruments issued by another financial sector entity in which the bank has or has not a significant investment. The "grandfathering" provisions must also be considered in quantifying the aforesaid items.

B.Quantitative disclosure

	2015	2014
A. Common Equity Tier 1 (CET1) prior to the application of prudential filters	**26,888,635**	**25,417,029**
of which CET1 instruments subject to grandfathering provisions		
B. CET1 (+/-) prudential filters		
C. CET1 gross of items to be deducted and grandfathering provisions (A +/- B)	**26,888,635**	**25,417,029**
D. Items to be deducted from CET1		
E. Grandfathering provisions - Impact on CET1 (+/-)		**95,106**
F. Total Common Equity Tier 1 (CET1) (C D +/-E)	**26,888,635**	**25,512,135**
G. Additional Tier 1 (AT1) capital gross of items to be deducted and effects of grandfathering		
of which AT1 instruments subject to grandfathering provisions		
H. Items to be deducted from AT1		
I. Grandfathering provisions - Impact on AT1 (+/-)		
L. Total Additional Tier 1 Capital (AT1) (G - H +/- I)		
M. Tier 2 (T2) capital gross of items to be deducted and effects of grandfathering		
of which T2 instruments subject to grandfathering provisions		
N. Items to be deducted from T2		
O. Grandfathering provisions - Impact on T2 (+/-)		
P. Total Tier 2 (T2) capital (M - N +/- O)		
Q. Total own funds (F + L + P)	**26,888,635**	**25,512,135**

NB: Aggregate "A. Common Equity Tier 1 prior to the application of prudential filters" does not include the profit for the year in line with the new regulatory framework of Regulation (EU) 575/2013 (CRR) applicable as from 1 January 2014.
Aggregate "E. Grandfathering provisions - Impact on CET1 (+/-)" in the column for 2014 includes the IAS19 valuation reserve (actuarial benefit plans) in connection with the possibility envisaged under art. 473 of Regulation (EU) 575/2013 (CRR) to neutralise the negative effect of this reserve. In 2015 the bank did not use this option.

2.2 Capital adequacy

A. Qualitative disclosure

Banca Simetica's Own Funds provide 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

Categories/Amounts	*Non-weighted items*		*Weighted items/ requirements*	
	2015	*2014*	*2015*	*2014*
A. RISK ASSETS				
A.1 CREDIT AND COUNTERPARTY RISK				
1. Standardised approach	43,088,760	35,816,039	10,534,328	9,737,909
2. IRB approach				
2.1 Foundation				
2.2 Advanced				
3. Securitisations				
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 CREDIT AND COUNTERPARTY RISK			**842,746**	**779,033**
B.2 CREDIT AND COUNTERPARTY VALUATION ADJUSTMENT RISK				
B.3 SETTLEMENT RISK			**17,064**	**8,456**
B.4 MARKET RISK				
1. Standardised approach			220,897	307,279
2. Internal models				
3. Concentration risk				
B.5 OPERATIONAL RISK				
1. Basic approach			1,160,300	917,782
2. Standardised approach				
3. Advanced approach				
B.6 OTHER ITEMS FOR CALCULATION				
B.7 TOTAL PRUDENTIAL REQUIREMENTS			2,241,007	2,012,550
C. RISK ASSETS AND CAPITAL RATIOS				
C.1 Weighted risk assets			28,012,588	25,156,875
C.2 Tier 1 capital/Weighted risk assets (CET 1 capital ratio)			95.99%	101.41%
C.3 Tier 1 capital/Weighted risk assets (Total capital ratio)			95.99%	101.41%
C.3 TOTAL own funds/Weighted risk assets (Total capital ratio)			95.99%	101.41%

Parte 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.

	2015	*2014*
Directors	330,203	266,838
Statutory Auditors	44,408	44,408
TOTAL	**374,611**	**311,246**

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 "Financial statements of banks: preparation criteria and format". Pursuant to the above regulations, since the bank neither constitutes nor belongs to a credit group, the related parties of Banca Simetica include: - the parties that control the bank and shareholders able to exercise a considerable influence;

- "directors with strategic responsibilities" (these include members of the Board of Directors and of the Audit bodies);
- immediate family members of the parties listed above (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		717,622		45,950		
Statutory Auditors		34,390		5,927		
Directors with						
strategic responsibilities		243,138		14,310		
Other related parties						

[1] Cash balance at 31/12/2015

[2] Fees generated in 2015

Annex 1

Pursuant to art. 2427 point 16-bis of the Italian Civil Code, the breakdown of the fees for auditing the 2015 Financial Statements and for other services is shown in the table below.

Type of service	*Service provider*	*Fees*[1]
Revisione contabile	Deloitte & Touche S.p.A.	€ 42.973
Servizi di attestazione (2)	Deloitte & Touche S.p.A.	€ 500
Servizi di consulenza fiscale	-	
Altri servizi		
Totale		**€ 43.473**

(1) Fees net of expenses and VAT.

(2) Signing of the Italian tax declaration forms for 2015

Annex 2

The share structure is as follows:

- 35.5 % Barbera family
- 35.5 % Mello Rella family
- 21 % Acciaierie Valbruna S.p.A.
- 8% other shareholders

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.

Annex 3

Country-by-country reporting (Banca d'Italia Circular No. 285 - Part One, Title III, Chapter 2)
The information required under art. 89 of CRD IV can be consulted on the bank's website, using the link: http://www.bancasimetica.it/bilanci.php

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 31/12/2015

* * *

Dear Shareholders,

The financial statements for the year ended at 31/12/2015, the company's fourteenth 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 15 December 2015.

The directors' report has also been certified as reflecting the financial statements for the year ended 31/12/2015.

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.

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

We also verified the consistency of the information contained in the financial statements with the facts and information that we acquired during the course of our work, and have nothing particular to report.

As regards our work during 2015, 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 31/12/2015, confirming the trend of previous years. We can also state that there are no

circumstances such as to undermine continuity of business;
- we examined the internal capital adequacy process (ICAAP);
- 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;
- 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 assessed and monitored the adequacy of the administrative and accounting systems, and the reliability of the latter in correctly representing management events, by obtaining information from the department managers, and have nothing particular to report;
- we monitored the activities of the Ethics Committee, established under art. 20 of the company's bylaws. Our opinion on the company's social report is stated in a separate 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;
- lastly, during the course of the year ended at 31 December 2015 we also acted as the Supervisory Body pursuant to Italian Legislative Decree No. 231/2001.

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 2015 and the relative allocation of profits, as drawn up and submitted for approval by the Directors.

Biella, 11 April 2016

THE BOARD OF STATUTORY AUDITORS

Dr. Mario Rovetti

Dr. Enzo Mario Napolitano

Mr. Giovanni Spola

Deloitte.

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

Agli Azionisti di
BANCA SIMETICA S.p.A.

Relazione sul bilancio d'esercizio

Abbiamo svolto la revisione contabile del bilancio d'esercizio di Banca Simetica S.p.A., costituito dallo stato patrimoniale al 31 dicembre 2015, dal conto economico, dal prospetto della redditività complessiva, dal prospetto delle variazioni del patrimonio netto, dal rendiconto finanziario per l'esercizio chiuso a tale data e dalla nota integrativa.

Responsabilità degli Amministratori per il bilancio d'esercizio

Gli Amministratori sono responsabili per la redazione del bilancio d'esercizio che fornisca una rappresentazione veritiera e corretta in conformità agli International Financial Reporting Standards adottati dall'Unione Europea nonché ai provvedimenti emanati in attuazione dell'art. 9 del D. Lgs. n.° 38/05.

Responsabilità della società di revisione

È nostra la responsabilità di esprimere un giudizio sul bilancio d'esercizio sulla base della revisione contabile. Abbiamo svolto la revisione contabile in conformità ai principi di revisione internazionali (ISA Italia) elaborati ai sensi dell'art. 11, comma 3, del D. Lgs. n. 39/10. Tali principi richiedono il rispetto di principi etici, nonché la pianificazione e lo svolgimento della revisione contabile al fine di acquisire una ragionevole sicurezza che il bilancio d'esercizio non contenga errori significativi.

La revisione contabile comporta lo svolgimento di procedure volte ad acquisire elementi probativi a supporto degli importi e delle informazioni contenuti nel bilancio d'esercizio. Le procedure scelte dipendono dal giudizio professionale del revisore, inclusa la valutazione dei rischi di errori significativi nel bilancio d'esercizio dovuti a frodi o a comportamenti o eventi non intenzionali. Nell'effettuare tali valutazioni del rischio, il revisore considera il controllo interno relativo alla redazione del bilancio d'esercizio dell'impresa che fornisca una rappresentazione veritiera e corretta al fine di definire procedure di revisione appropriate alle circostanze, e non per esprimere un giudizio sull'efficacia del controllo interno dell'impresa. La revisione contabile comprende altresì la valutazione dell'appropriatezza dei principi contabili adottati, della ragionevolezza delle stime contabili effettuate dagli Amministratori, nonché la valutazione della presentazione del bilancio d'esercizio nel suo complesso.

Riteniamo di aver acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio.

Giudizio

A nostro giudizio, il bilancio d'esercizio fornisce una rappresentazione veritiera e corretta della situazione patrimoniale e finanziaria di Banca Simetica S.p.A. al 31 dicembre 2015, del risultato economico e dei flussi di cassa per l'esercizio chiuso a tale data in conformità agli International Financial Reporting Standards adottati dall'Unione Europea nonché ai provvedimenti emanati in attuazione dell'art. 9 del D. Lgs. n. 38/05.

Relazione su altre disposizioni di legge e regolamentari

Giudizio sulla coerenza della relazione sulla gestione con il bilancio d'esercizio

Abbiamo svolto le procedure indicate nel principio di revisione (SA Italia) n. 720B al fine di esprimere, come richiesto dalle norme di legge, un giudizio sulla coerenza della relazione sulla gestione, la cui responsabilità compete agli Amministratori di Banca Simetica S.p.A., con il bilancio d'esercizio di Banca Simetica S.p.A. al 31 dicembre 2015. A nostro giudizio la relazione sulla gestione è coerente con il bilancio d'esercizio di Banca Simetica S.p.A. al 31 dicembre 2015.

DELOITTE & TOUCHE S.p.A.

Paolo Gibello Ribatto
Socio

Milano, 11 aprile 2016

Registered Bank, registration No. 5713 - ABI code No. 3398.5
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