Banca Simetica

Financial statements 2012

ELEVENTH YEAR

BANCA SIMETICA S.p.A.
Share Capital and Reserves at 31/12/2012 € 27,378,673
Biella Register of Companies No. 02071270025 –
R.E.A. (Economic Administrative Index) No. 179386 at the Biella Chamber of Commerce for Industry, Agriculture and Handicrafts
Tax code/VAT No. 02071270025
Registered Bank, registration No. 5713 – ABI code No. 3398.5

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

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Company boards

Board of Directors

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

Pier Luigi BARBERA

Chairman

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

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

Giorgio MELLO RELLA

Managing Director

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

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

Mauro BRUNIERA

Executive Director

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

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

Andrea PERINI

Independent Director

Appointed on 26 April 2012:

- acquires information about how the company is managed and organised from its managers, the internal audit and other control functions;
- takes part in the appointment and dismissal of the heads of the internal control and risk management functions.

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

Board of Statutory Auditors

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

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

Independent Auditors

Deloitte & Touche S.p.A.

Distinguishing factors

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

Art. 3) Ethical objectives

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

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

The company has been set up to administer 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 to take an interest in how their money is allocated and used and encouraging borrowers to develop their autonomy and entrepreneurship by implementing responsible planning strategies.

Art. 19) Financial statements and profits

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

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

Art. 20) Ethics Committee

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

Art. 21) Social or sustainability report

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

The three pillars of Banca Simetica

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

- High ideals
- High professional standards
- Irreproachable conduct

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

- continuing to be inspired by the main principles of Ethical Finance;
- working with a 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, with an unfailing commitment to strong ethical values;
- 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 2012 are contained in the Social Report.

Directors' Report

Dear Shareholders,

2012, our eleventh year of operation, was another positive year for us.
A year in which we were able to draw on our professional experience and team spirit to tackle the severe international financial and economic crisis, which affected Italy particularly badly.
Once again I feel it is important to underline that although financial markets around the world have been hit by one of the worst crises in modern history, which has had extremely serious repercussions in Italy, our bank is completely free of toxic assets. We have never had any reservations as to the value of proprietary or third-party securities or in monitoring profit and loss performance and operating limits in real-time.
I wish to thank our internal and external auditors and supervisory boards, which continued to offer their professional support to the business departments and to management, carrying out analyses and proposing well-thought out solutions.
Once again, clients of Banca Simetica lodged no claims whatsoever.
At the end of the year total assets under management exceeded € 170 million.
Gross income from asset management reached more than 5.3% (weighted average). This was an excellent result which further boosted our first-rate professional reputation.
On 27 December we completed our relocation to the bank's new legal and operational headquarters in Via C. Crosa 3/c in Biella.
In line with our commitment to allocate 10% of profits to social development, as set forth in the bylaws, the company sponsored 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 2012 which you are invited to approve, reflect a net income of € 1,228,369, after depreciation and amortisation for € 72,234 and income tax for € 525,440.

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			
VALUES IN €	31/12/2012	31/12/2011	CHANGE
CASH AND RECEIVABLES FROM BANKS	26,821,425	42,275,926	-15,454,501
FINANCIAL ASSETS HELD FOR TRADING	21,793,856	18,628,608	3,165,248
INTANGIBLE AND TANGIBLE ASSETS	3,625,694	2,525,075	1,100,619
OTHER ASSETS	2,257,325	2,053,386	203,939
TOTAL ASSETS	**54,498,300**	**65,482,995**	**-10,984,695**

LIABILITIES			
VALUES IN €	31/12/2012	31/12/2011	CHANGE
DUE TO CLIENTS	23,012,186	26,940,459	-3,928,273
FINANCIAL LIABILITIES HELD FOR TRADING	150	7,366,663	-7,366,513
SEVERANCE INDEMNITY FUND	456,362	422,309	34,053
OTHER LIABILITIES	3,650,929	3,967,780	-316,851
SHAREHOLDERS' EQUITY	27,378,673	26,785,784	592,889
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**54,498,300**	**65,482,995**	**-10,984,695**

PROFIT AND LOSS ACCOUNT			
VALUES IN €	31/12/2012	31/12/2011	CHANGE
INTEREST MARGIN	266,688	614,065	-347,377
NET FEES AND COMMISSIONS	1,064,704	969,366	95,338
EARNING MARGIN	5,726,083	10,490,954	-4,764,871
OPERATING COSTS	-3,972,274	-4,711,827	739,553
INCOME TAX	-525,440	-2,009,888	1,484,448
PROFIT FOR THE YEAR	**1,228,369**	**3,769,239**	**-2,540,870**

Operational highlights

FINANCIAL INDICATORS	2012	2011	Change %
TOTAL ASSETS	54,498,300	68,863,515	-16.77
TOTAL FUNDS USED AND INVESTED (CLIENTS AND BANKS)	24,321,715	22,292,014	9.19
TOTAL ASSETS UNDER MANAGEMENT	170,288,751	149,664,567	13.78
SHAREHOLDERS' EQUITY	27,378,673	26,785,784	2.21
INTEREST MARGIN	266,688	614,065	-56.57
EARNING MARGIN	5,726,083	10,490,954	-45.42
ADMINISTRATIVE EXPENSES AND PERSONNEL COSTS	-3,985,010	-4,634,800	-14.01
GROSS PROFIT FOR THE YEAR	1,826,043	5,856,800	-68.82
NET RESULT	**1,228,369**	**3,769,239**	**-67.41**

Data expressed in units of €

EFFICIENCY INDEXES	2012	2011
ROE	4.59	15.98
ADMINISTRATIVE EXPENSES/EARNING MARGIN	69.59	44.18

The economic scenario

The financial tensions in hit European markets in the second half of 2011 eased at the beginning of 2012 thanks to the European Central Bank's three-year fixed-rate refinancing operations (LTRO).
In April, difficulties facing Spanish banks and concerns over the political situation in Greece fuelled speculation about the possible reversibility of the euro, pushing up spreads on government bonds issued by peripheral countries.
In an effort to stabilise the economy, the European Council of 28-29 June defined a number of so-called "anti-spread" measures consisting in the purchase of government bonds using the Efsf (later replaced by the ESM) "bail-out funds" to protect member states that comply with EU regulations.
On 20 July the Eurogroup meeting of eurozone finance ministers agreed to grant financial assistance using the "bail-out" funds to recapitalise and restructure Spanish banks.
Despite these important decisions, financial instability persisted until 26 July when, during a speech in London, the ECB's chairman Mario Draghi reassured international investors of the central bank's determination to defend the euro.
After Mr. Draghi's announcement, and the scheme launched by the ECB to transact in secondary markets for sovereign bonds of member states in difficulty (OMT), risk premiums on the countries most exposed to the debt crisis started to decrease.
Yields on bonds issued by banks and corporations followed a similar trend, accompanied by a marked recovery of share prices.
As the risk of contagion weakened, having characterised the most dramatic moments of the sovereign debt crisis, so too did the volatility of returns on equities.
The situation eased further when the Greek government took steps to repurchase its own bonds (this was one of the conditions Greece had to meet to qualify for a new aid package) and by the agreement of the European Council of finance ministers to set up a single bank supervisory body.

INTEREST RATES	Dec 2012	Sept 2012	Jun 2012	Mar 2012	Dec 2011
12-month BOTs	1.46%	1.69%	3.97%	1.40%	5.95%
5-year BTPs	3.35%	4.03%	5.55%	3.96%	6.29%
10-year BTPs	4.54%	5.25%	5.90%	5.05%	6.81%
10-year BUNDs	1.38%	1.54%	1.73%	1.99%	1.99%
ITA/GER spread	316	371	417	306	482

Source: Banca d'Italia, Deutsche Bundesbank and FED

BOND MARKET PERFORMANCE	2012	2011
BTP 10-year total return index (MTSIg 7-10yrs)	25.60%	-7.62%
BUND 10-year total return index (MTSDg 7-10yrs)	6.83%	12.97%

Source: EuroMTS

EQUITY MARKET PERFORMANCE	2012	2011
FTSE MIB	7.84%	-25.20%
DAX	29.06%	-14.69%
DJ EuroStoxx 50	13.79%	-17.05%
DJ Industrial	13.41%	5.53%
Nikkei 225	22.94%	-17.34%
Shanghai Composite	3.17%	-21.68%

Source: Bloomberg

Despite rising bond and stock prices, the European economy continued to be weak.
While the adoption of harsh political reforms and austerity measures improved the debt-to-GDP ratio, these also contributed to weakening economic growth in the peripheral countries with inevitable repercussions on those previously deemed more secure.
The economies of the other main regions of the world also slowed, due to uncertainty over spending policies in the United States and a a number of emerging countries reported a slackening of economic performance.

GROWTH IN REAL GDP (1)	2012	2011
Italy	-2.40%	0.40%
Germany	0.70%	3.00%
Euro Area	-0.60%	1.40%
US	2.60%	1.70%
Japan	0.40%	-0.70%
China	7.40%	9.20%

(1) year-on-year percentage change

Source: Bloomberg

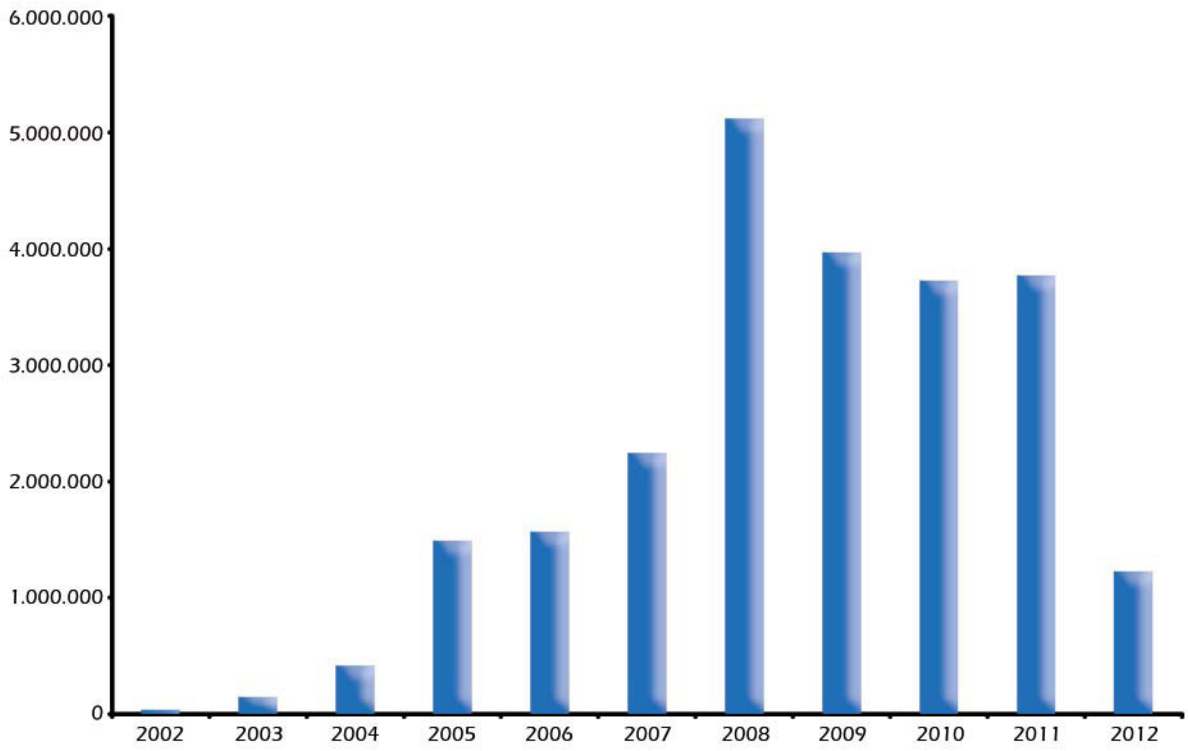
The measures implemented to stabilise the situation in Europe, along with the monetary policies adopted by the main central banks have, for the time being, prevented a systemic crisis.
However, there are still serious risks for the future: uncertainty about when and how European countries in difficulty can apply for aid and the pace of fiscal consolidation in the United States have important repercussions on economic growth.

With specific reference to Italy, while consumption and investments declined, demand for exports, especially by markets outside the EU, continued to make a positive contribution to the economy.
The recession has resulted in increased recourse to the Italian redundancy fund and a rise in unemployment, especially among young people.
Inflation, which stayed at more than 3 percent until the first quarter of 2012, gradually fell towards the end of the year (2.3 percent in December) reflecting the easing of pressure from oil prices and of the impact of new indirect taxes introduced in the autumn of 2011.
According to Bank of Italy estimates, GDP will continue to contract in 2013 (-1.0 percent), reflecting the worsening international scenario and persistently weak performance in recent months.
Renewed growth, albeit moderate and with a broad margin of uncertainty, will only be possible if borrowing terms become more favourable and there is renewed demand within the euro area.

Profit for the period

Net profit at 31 December 2012, for € 1,228,369, fell compared with the previous year.
The reduction in profit, particularly evident in the Proprietary Trading business, was mainly due to the arrival of new competitors in some of the Bank's markets and lower market-making spreads.
Short-term market rates also fell, which affected interest income on bonds in the portfolio.

Net Profit 2002 - 2012

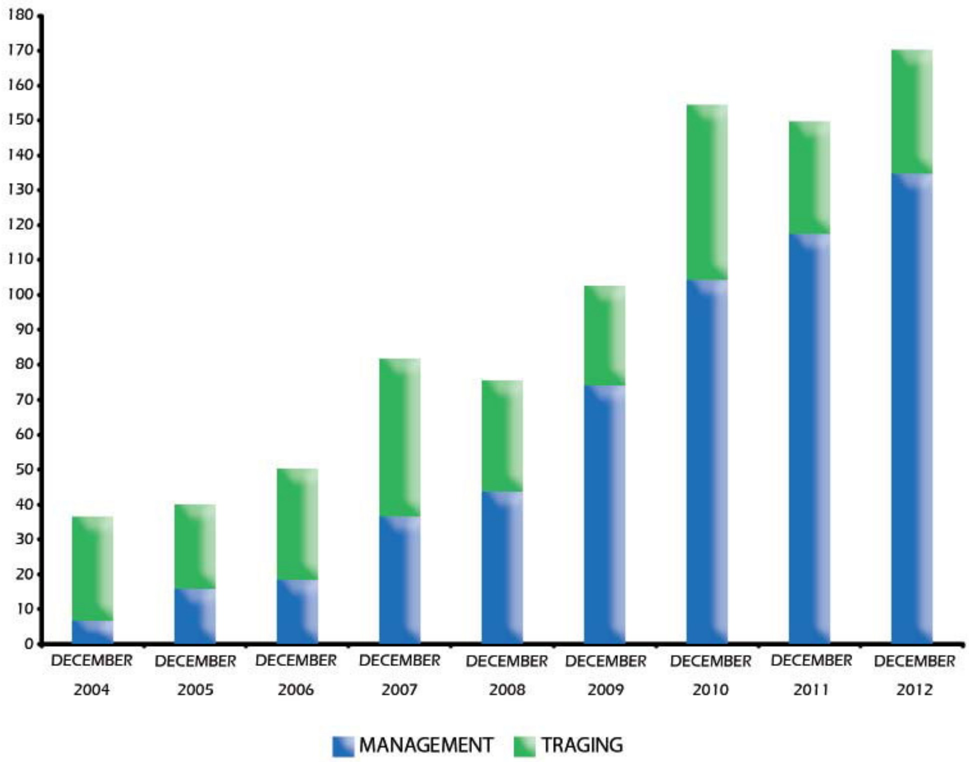


Datia in €

Client services

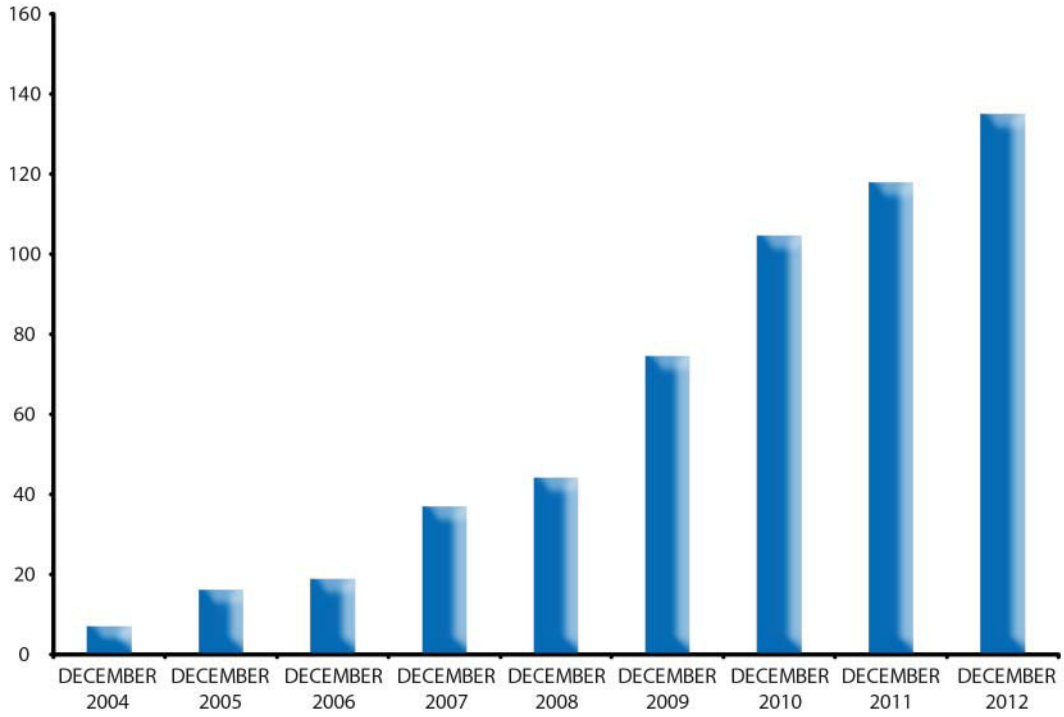
As at 31 December 2012 clients' total equity amounted to € 170.3 million, 13.8% more than at 31 December 2011.
Aggregate assets under management continued to increase, this year by € 17.2 million, (+14.6% compared with the end of 2011) to € 134.7 million. This result reflects good returns on the lines managed and net funds of € 13.07 million.
Assets under administration also increased compared with 31 December 2011 (+ € 3.4 million, up 10.6%), to € 35.6 million.
A detailed analysis of client characteristics is provided in the specific section of the Social Report.

Clients' total equity 2004 - 2012



Data in € milllions

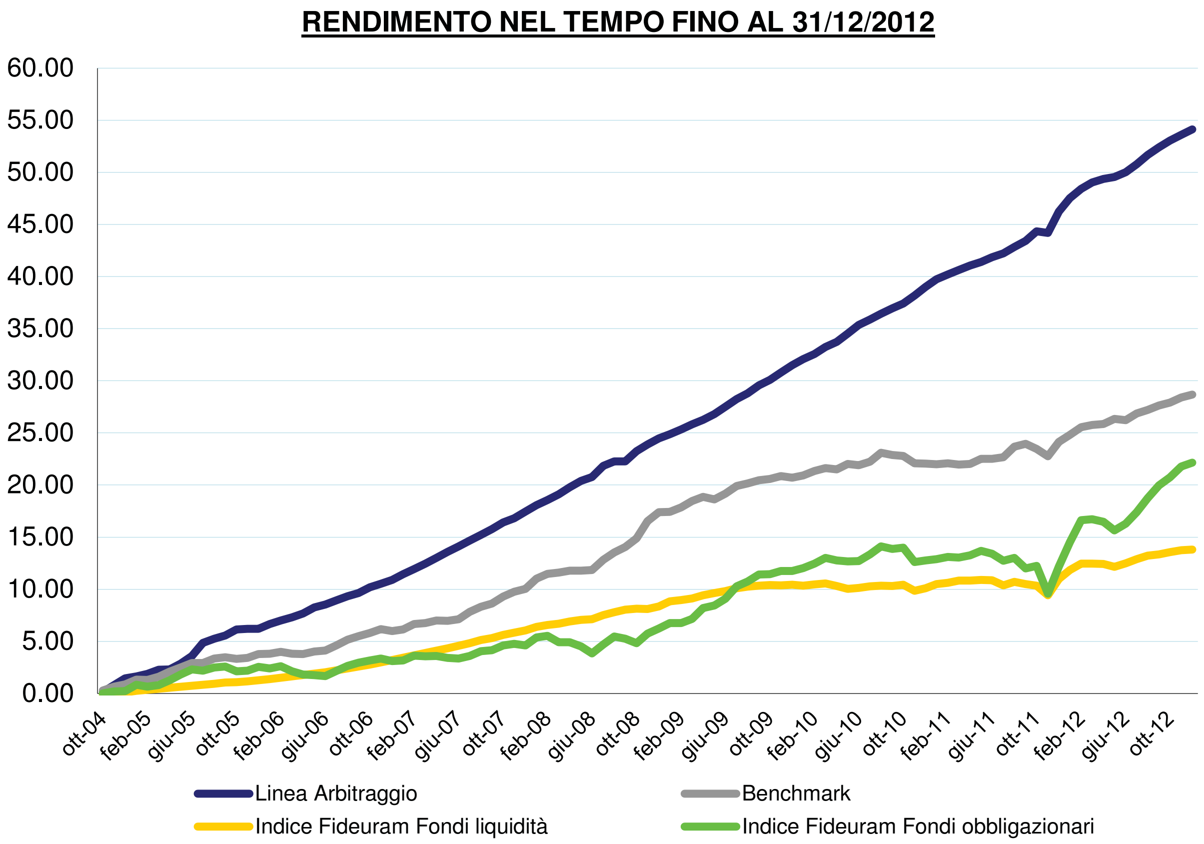
Assets managed 2004 - 2012



Dati espressi in milioni di euro

Analysis of performance as at 31/12/2012 (1)

Simetica Arbitrage



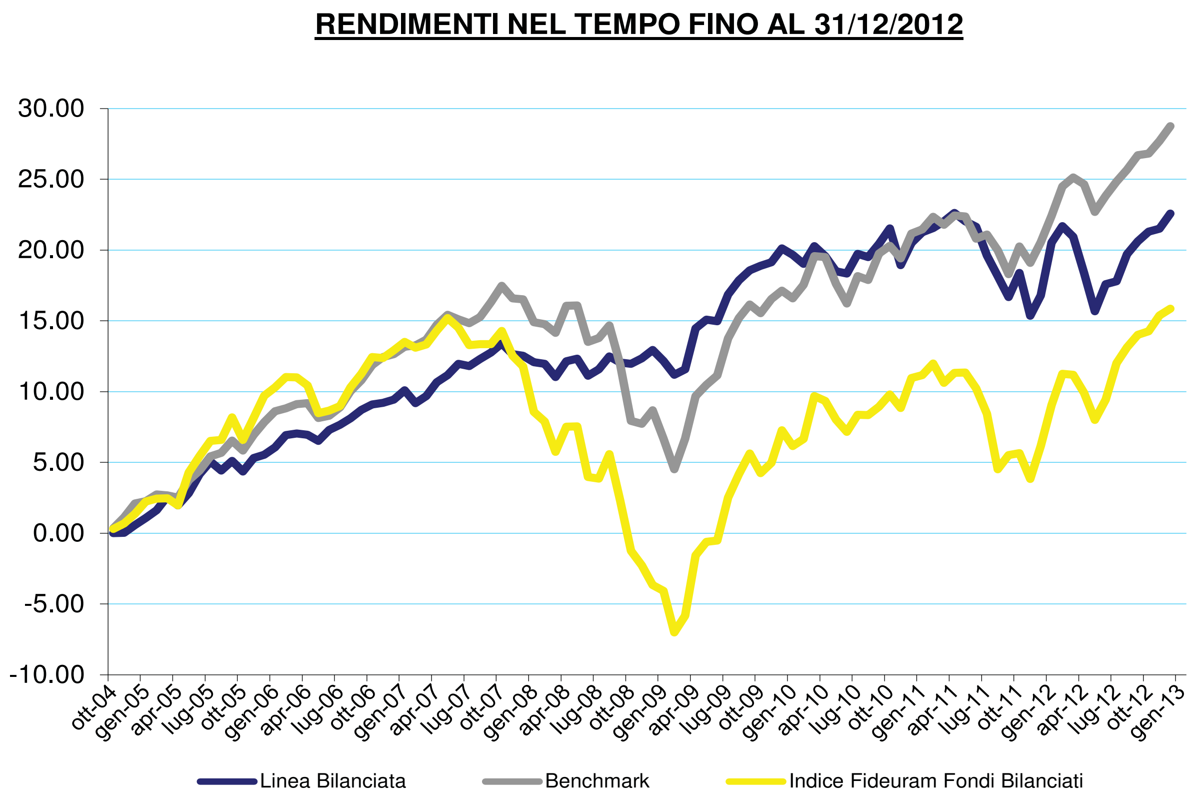
SIMETICA ARBITRAGE	
Performance in last 12 months	5.40%
Performance in last 12 months Fideuram Cash	2.53%
Performance in last 12 months Fideuram Security Index	8.87%
Benchmark performance in last 12 months	3.67%
Performance from 01.10.2004	54.11%
Performance from 01.10.2004 Fideuram Cash Index	13.80%
Performance from 01/10/2004 Fideuram Security index	22.15%
Benchmark performance from 01.10.2004	28.68%

Performance is net of fees and gross of tax

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

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

Simetica Balanced



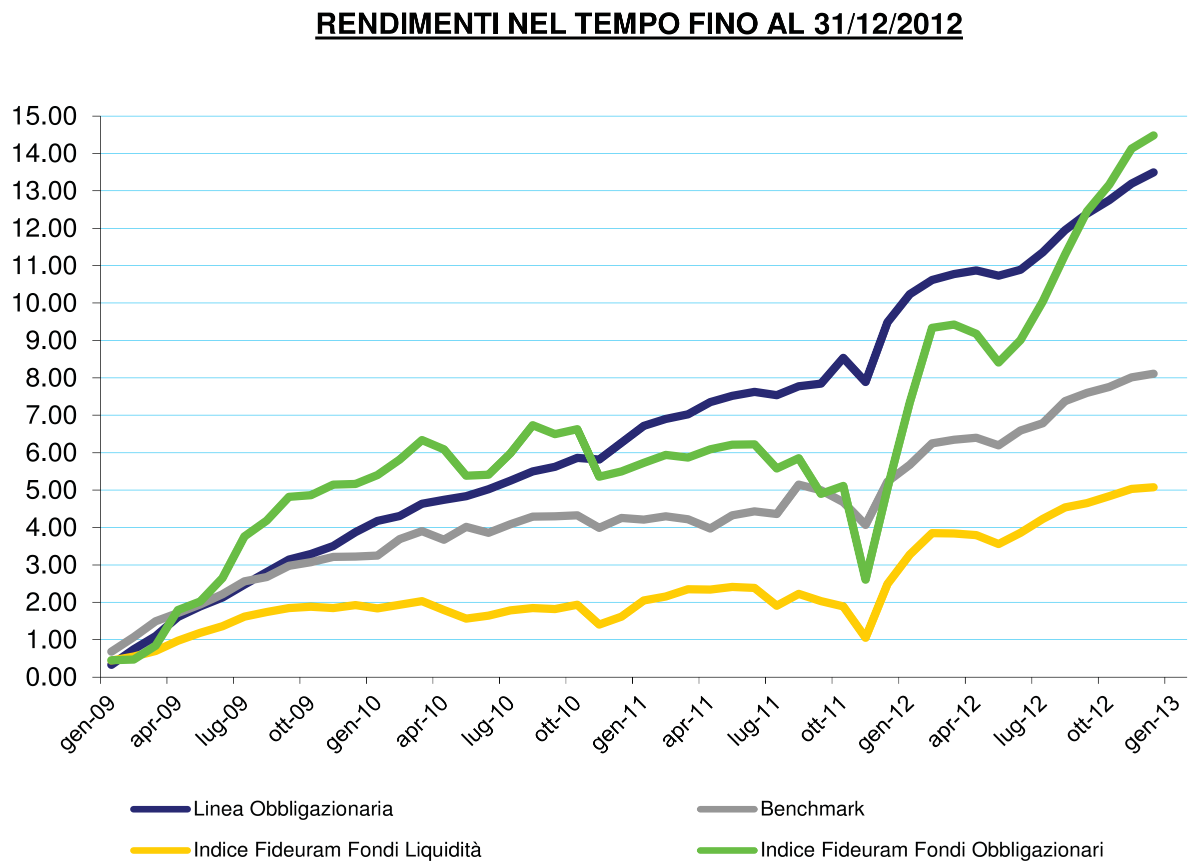
SIMETICA BALANCED	
Performance in last 12 months	5.06%
Performance in last 12 months Fideuram Balanced Index	9.14%
Benchmark performance in last 12 months	6.81%
Performance from 01.10.2004	22.58%
Performance from 01.10.2004 Fideuram Balanced Index	15.86%
Benchmark performance from 01.10.2004	28.74%

Performance is net of fees and gross of tax

BREAKDOWN OF BENCHMARK PERFORMANCE: BALANCED

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

Simetica Bond Securities



SIMETICA BOND SECURITIES	
Performance in last 12 months	3.67%
Performance in last 12 months Fideuram Cash Index	2.52%
Benchmark performance in last 12 months	2.76%
Performance from 01.01.2009	13.49%
Performance from 01.01.2009 Fideuram Cash Index	5.07%
Benchmark performance from 01.01.2009	8.11%

Performance is net of fees and gross of tax

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

Management fees and commissions

The application of low management fees in relation to the assets under management reflects our specific commitment to safeguarding the actual performance of clients' investments, especially when short-term interest rates are so low.
We believe that building an honest, open relationship with our clients is the best way of earning their trust over the longer term. That is why we do not apply any additional charges, such as per-line fees, account or security deposit charges, etc.
The increase in management fees, which amounted to € 508,240 (compared to € 445,128 in 2011) reflects the rise in net funds; satisfactory results in terms of performance for clients also generated commissions on performance for € 109,432.

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 € 1,000.
Details of the share structure are set out in Annex 2.
At 31/12/2012 shareholders' equity amounted to € 27,378,673.

Corporate Governance

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

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

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

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

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

- acquires information about how the company is managed and organised from its managers, the internal audit and other control functions;
- takes part in the appointment and removal of the heads of the internal control and risk management functions.

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

Internal codes

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

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

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

The 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.

Control environment

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

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

Internal controls

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

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

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

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

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

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

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

Risk management

The risks to which Banca Simetica is potentially exposed have been grouped and classified in the "Risk mapping manual"; these include market risk, counterparty risk, settlement risk and liquidity risk in addition to operational, reputational and strategic risks.
The manual also contains a summary of the measurement techniques for the different types of regulatory and supervisory risks that are identified.

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

The Risk Management function monitors and manages the different types of risk as established by Pillar 1 of Basel II (market risk, credit risk and operational risk) and is assisted by the Compliance function on matters regarding legal risks (which fall within the scope of operational risk).

In addition to the risks under Pillar 1 of Basel II, the Risk Management function also monitors and manages counterparty and liquidity risk.
See part E of the notes and the Disclosure document prepared in accordance with pillar 3 of Basel II for a more detailed description of each type of risk and the relative procedures in place for monitoring and controlling these. The Disclosure document also sets out the main results obtained with regard to the internal procedures for calculating capital adequacy (ICAAP). Its purpose is to provide transparent information to the public about the risks to which the Bank is exposed, the procedures it adopts to control and manage these and its financial stability.

Capital requirements to cover risks

Risks are measured and the relative capital requirement is calculated according to the methods defined by the New Regulations for the Prudential Supervision of Banks (Circular No. 263 of 27 December 2006).
The regulatory capital of Banca Simetica consists of tier 1 capital only, comprising the share capital, retained earnings (except the statutory reserve) and income for the period (net of dividends paid and amounts allocated to the statutory reserve) as positive items and intangible assets as the negative items.
Banca Simetica does not hold innovative capital instruments and the prime quality constituents of the regulatory capital derive from the company's own means.
The bank's individual solvency (tier ratio) is well above the 8% limit required by Banca d'Italia, and stood at 80.74% on 31 December 2012, with regulatory capital of € 25,392,468.
This ratio is high due to the fact that Banca Simetica performs proprietary trading activities through arbitrage (a low risk operation by definition) and has not yet commenced lending activities.

Human resources

A detailed analysis of our human resources is provided in the specific section of the Social Report.
As at 31 December 2012 the number of employees stood at 25 (one part-time).
All new recruits receive a period of supervised on-the-job training.
Employees' contracts refer to the National Collective Bargaining Agreement for Bank Employees. The company has also adopted and applied all the provisions of Italian Legislative Decree No. 81 of 9 April 2008 implementing Italian law No. 123 of 3 August 2007 concerning health and safety at work.

R&D

In 2012 Banca Simetica continued to undertake important actions aimed at fostering development and strengthening its position as a fully integrated and specialist operator in the trade and arbitrage sector.
This, together with the continuous and systematic reviewing of our internal production processes and upgrading to ensure compliance with recent changes in the law, were important factors in enabling us to achieve the results reported in the current financial statements.

Other information

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

Social report

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

Significant events in early 2013

On 27 December 2012 operations to relocate all of the bank's offices to the new legal and operational headquarters in Via C. Crosa 3/c in Biella were completed.
The office in Via P. Micca, 8 closed and that in Via N. Sauro, 10 will close by the end of 1H2013. All the necessary notifications have been made.

Outlook

In the first part of 2013 business operations in general and arbitrage and trading activities in particular were in line with the budget approved by the Board of Directors.
Good results have been achieved in terms of deposits in the portfolio management business for the first quarter (€ 7 million). Assets managed exceeded € 141.7 million at 19 March 2012.
On the basis of these facts the outlook for 2013 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 2012. We propose allocating the net profit for the year, amounting to € 1,228,369 as follows:

€	61.418	legal reserve
€	2.837	statutory social solidarity fund*
€	594.114	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, donations made for € 120,000.
The statutory social solidarity fund was used for the amount of € 65,480 during the year.

Biella, 28 March 2013

The Board of Directors
Chairman
Pier Luigi Barbera

Balance Sheet

	ASSETS	2012	2011
10.	Cash and liquid assets	2,506,551	20,005,924
20.	Financial assets held for trading	21,793,856	18,628,608
60.	Due from banks	24,314,874	22,270,002
70.	Due from clients	6,841	5,645
110.	Tangible assets	3,610,957	2,507,125
120.	Intangible assets	14,737	17,950
130.	**Tax assets**	637,216	1,917,972
	a) current	634,087	1,914,690
	b) prepaid	3,129	3,282
	- of which transformable into tax credits (Law No. 214/2011)	0	0
150.	Other assets	1,613,268	3,493,922
	Total assets	**54,498,300**	**65,482,995**

	LIABILITIES AND SHAREHOLDERS' EQUITY	2012	2011
20.	Due to clients	23,012,186	26,940,459
40.	Financial liabilities held for trading	150	7,366,663
80.	Tax liabilities	586,616	2,016,027
	a) current	584,764	2,013,163
	b) deferred	1,852	2,864
100.	Other liabilities	3,064,313	1,951,753
110.	Severance indemnity fund	456,362	422,309
160.	Reserves	17,250,304	14,116,545
170.	Issue premium	1,300,000	1,300,000
180.	Capital	7,600,000	7,600,000
200.	Profit (Loss) for the year (+/-)	1,228,369	3,769,239
	Total liabilities and shareholders' equity	**54,498,300**	**65,482,995**

Profit and Loss Account

ITEMS		2012	2011
10.	Interest and similar income	270,615	618,972
20.	Interest and similar expenses	(3,927)	(4,907)
30.	Interest margin	266,688	614,065
40.	Income from fees and commissions	1,500,944	1,615,461
50.	Costs of fees and commissions	(436,240)	(646,095)
60.	Net fees and commissions	1,064,704	969,366
70.	Dividends and similar income	47,484	83,816
80.	Net profits on trading	4,347,207	8,823,707
120.	Earning margin	5,726,083	10,490,954
140.	Net operating result	5,726,083	10,490,954
150.	Administrative expenses:	(3,985,010)	(4,634,800)
	a) personnel costs	(1,731,528)	(2,197,933)
	b) other administrative expenses	(2,253,482)	(2,436,867)
170.	Adjustments/re-adjustments to net value of tangible assets	(66,795)	(73,124)
180.	Adjustments/re-adjustments to net value of intangible assets	(5,439)	(4,549)
190.	Other net operating expense/income	84,970	646
200.	Operating costs	(3,972,274)	(4,711,827)
250.	Profit (loss) on current operations before tax	1,753,809	5,779,127
260.	Income tax on current operations for the year	(525,440)	(2,009,888)
270.	Profit (loss) on current operations net of tax	1,228,369	3,769,239
290.	**Net profit (loss) for the year**	**1,228,369**	**3,769,239**

Statement of comprehensive income

ITEMS		2012	2011
10.	Net profit (loss) for the year	1,228,369	3,769,239
120.	**Comprehensive income (Item 10+110)**	**1,228,369**	**3,769,239**

Statement of Changes in Shareholders' Equity 2012

				CHANGE IN THE YEAR										
				Allocation of previous year's profit			Operations on shareholders' equity							
	Balance at 31.12.2011	Change in opening balance	Balance at 31.12.2011	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 2012	Shareholders' equity at 31.12.2012
Capital	7,600,000		7,600,000											7,600,000
a) ordinary shares	7,600,000		7,600,000											7,600,000
b) other shares														
Issue premium	1,300,000		1,300,000											1,300,000
Reserves:	14,116,545		14,116,545	3,199,239		(65,480)								17,250,304
a) retained shares	14,116,545		14,116,545	3,199,239		(65,480)								17,250,304
b) other shares														
Valuation reserves														
Capital instruments														
Own shares														
Profit (Loss) for the year	3,769,239		3,769,239	(3,199,239)	(570,000)								1,228,369	1,228,369
Shareholders' equity	26,785,784		26,785,784	-	(570,000)	(65,480)							1,228,369	27,378,673

Statement of Changes in Shareholders' Equity 2011

				CHANGE IN THE YEAR										
				Allocation of previous year's profit			Operations on shareholders' equity							
	Balance at 31.12.2010	Change in opening balance	Balance at 1.1.2011	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	Shareholders' equity at 31.12.2011	Shareholders' equity at 31.12.2011
Capital:	7,600,000		7,600,000											7,600,000
a) ordinary shares	7,600,000		7,600,000											7,600,000
b) other														
Issue premium	1,300,000		1,300,000											1,300,000
Reserves:	10,957,810		10,957,810	3,158,735										14,116,545
a) retained earnings	10,957,810		10,957,810	3,158,735										14,116,545
b) other														
Valuation reserves														
Capital instruments														
Own shares														
Profit (Loss) for the year	3,728,735		3,728,735	(3,158,735)	(570,000)								3,769,239	3,769,239
Shareholders' equity	23,586,545		23,586,545	-	(570,000)								3,769,239	26,785,784

Statement of Cash Flows – direct method

	2012	2011
A. OPERATIONAL ACTIVITIES		
1. Management	**1,153,995**	**3,900,025**
- interest earned (+)	138,122	610,360
- interest paid (-)	(3,927)	(4,907)
- dividends and similar income(+)	47,484	83,816
- net fees and commissions (+/-)	1,053,374	935,488
- personnel costs (-)	(1,774,193)	(2,086,148)
- other costs (-)	(2,213,492)	(2,453,122)
- other revenues (+)	4,432,067	8,824,426
- tax and duties (-)	(525,440)	(2,009,888)
- costs/revenues on disposal groups net of tax (+/-)		
2. Cash flow generated/absorbed by financial assets	**(3,236,694)**	**183,995**
- financial assets held for trading	(3,032,755)	619,241
- financial assets at fair value		
- financial assets available for sale		
- due from clients	(1,196)	(590)
- due from banks: on demand		
- due from banks: other receivables		
- other assets	(202,743)	(434,656)
3. Cash flow generated/absorbed by financial liabilities	**(11,266,703)**	**17,396,528**
- due to banks: on demand		
- due to banks: other payables		
- due to clients	(3,928,273)	14,397,938
- securities in issue		
- financial liabilities held for trading	(7,366,513)	2,874,808
- financial liabilities at fair value		
- other liabilities	28,083	123,782
Net cash flow generated/absorbed by operational activities	**(13,394,402)**	**21,480,548**
B. INVESTMENTS		
1. Cash flow generated by	**2,623**	
- sale of equity investments		
- dividends on equity investments		
- sale/repayment of financial assets held to maturity		
- sale of tangible assets	2,623	
- sale of intangible assets		
- sale of lines of business		
2. Cash flow absorbed by	**(1,537,722)**	**(927,425)**
- purchase of equity investments		
- purchase of financial assets held to maturity		
- purchase of tangible assets	1,535,496	909,784
- purchase of intangible assets	2,226	17,641
- purchase of lines of business		

	2012	2011
Net cash flow generated/absorbed by investments	**(1,535,099)**	**(927,425)**
C. FUNDING		
- issue/purchase of own shares		
- issue/purchase of capital instruments		
- distribution of dividends and other allocations	(570,000)	(570,000)
Net cash flow generated/absorbed by funding	**(570,000)**	**(570,000)**
Net cash flow generated/absorbed in the year	(15,470,868)	19,983,123

KEY: (+) generated; (-) absorbed

RECONCILIATION

	2012	2011
Cash and liquid assets at 1/01/2012	42,292,293	22,292,803
Total net liquid assets generated/absorbed in the year	(15,470,868)	19,983,123
Cash and liquid assets: effect of exchange rate variations		
Cash and liquid assets at 31/12/2012	26,821,425	42,275,926

Notes to the Financial Statements

Part A – Accounting policies

Part B – Information on the balance sheet

Part C – Information on the profit and loss account

Part D – Comprehensive income

Part E – Risks and related risk management policies

Part F – Equity

Part H – Transactions with related parties

Notes to the Financial Statements

Part A – Accounting policies

A.1 General information

- **Section 1**

Statement of compliance with international accounting standards
The financial statements of BANCA SIMETICA S.p.A. for the year ended 31 December 2012 have been drawn up in compliance with the IAS/IFRS developed by the IASB, and the relative interpretations of the IFRIC, adopted by the European Commission under Regulation (EC) No. 1606/2002.

- **Section 2**

Preparation criteria
These financial statements have been prepared in accordance with a number of amendments to IAS/IFRS and interpretations applicable for the first time as from 1 January 2012. These are listed below:

- On 7 October 2010 the IASB published a number of amendments to IFRS 7 – Financial instruments: Disclosures. The purpose of the amendments was to improve the quality of disclosures about financial instruments (derecognition). In particular, they aim to promote transparency of disclosures about risk exposure when financial assets are transferred but the transferring entity maintains some form of continuing involvement in the asset. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The adoption of this new requirement did not affect the information provided in these financial statements.
- On 20 December 2010 the IASB issued a minor amendment to IAS 12 – Income taxes whereby entities must measure deferred tax on investment properties measured at fair value according to how the book value of the asset will be recovered (through its continued use or sale). The amendment introduces a relative presumption that the carrying value of investment property measured at fair value according to IAS 40 is fully recognised on a sale basis and that deferred tax, in jurisdictions with different tax rates, reflects the rate applicable to the sale. The adoption of this amendment did not affect the calculation of deferred tax as at 31 December 2012.

These financial statements have been drawn up according to the instructions issued by Banca d'Italia in circular No. 262 of 22 December 2005, as amended on 18 November 2009, "Financial statements of banks: preparation criteria and format".
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 and the 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 financial statements, explanatory notes and Directors' Report are in euro.

- **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.

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
Receivables are measured at amortised cost using the effective interest rate method.
The amortised cost of a financial asset or liability is the amount at which the financial asset or liability was measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation on any difference between the initial amount and the maturity amount, and minus any write-down (for impairment or non-collection).
The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability (or group of financial assets and liabilities) and of allocating the interest over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument. When calculating the effective interest rate it will be necessary to estimate cash flows, taking into account all the contractual terms of the financial instrument

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

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

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

- **Tangible assets**

"Operating assets" are tangible assets owned and used by the company to carry on its business 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.I benefici economici futuri derivanti da un'attività immateriale possono includere i proventi originati dalla vendita di prodotti o servizi, i risparmi di costo od altri benefici derivanti dall'utilizzo dell'attività.

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 tax assets and liabilities***

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.
Actuarial profits and losses, defined as the difference between the carrying value of the liability and the current value of commitments, are recorded at the end of the year to profit and loss.

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

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

A.3 FAIR VALUE

A.3.1 Portfolio transfers

No transfers were made between portfolios with different levels of fair value.

A.3.2 Fair value hierarchy

A.3.2.1 ACCOUNTING PORTFOLIOS: BREAKDOWN BY FAIR VALUE LEVEL

Financial assets/liabilities at fair value	Level 1	Level 2	Level 3	**Total**
1. Financial assets held for trading	21,793,856			**21,793,856**
2. Financial assets at fair value				
3. Financial assets available for sale				
4. Hedging derivatives				
Total	**21,793,856**			**21,793,856**
1. Financial liabilities held for trading	150			**150**
2. Financial liabilities at fair value				
3. Hedging derivatives				
Total	**150**			**150**

Part B – Information on the balance sheet - Assets

Section 1 – Cash and liquid assets – Item 10

1.1 CASH AND LIQUID ASSETS: BREAKDOWN

	2012	2011
a) Cash	4,202	4,738
b) Free deposits with Central Banks	2,502,349	20,001,186
Totale	**2,506,551**	**20,005,924**

Section 2 – Financial assets held for trading - Item 20

2.1 FINANCIAL ASSETS HELD FOR TRADING: PRODUCT BREAKDOWN

Items/Amounts	2012			2011		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A Financial assets						
1. Debt securities	16,179,806			7,690,693		
1.1 Structured securities						
1.2 Other debt securities	16,179,806			7,690,693		
2. Equity instruments	281,903			1,376,914		
3. Units in investment funds	1,157,932			7,675,282		
4. Loans	3,986,813					
4.1 Repos	3,986,813					
4.2 Other						
Total A	**21,606,454**			**16,742,889**		
B Derivative instruments						
1. Financial derivatives	187,402			1,885,719		
1.1 trading	187,402			1,885,719		
1.2 fair value option						
1.3 other						
2. Credit derivatives						
2.1 trading						
2.2 fair value option						
2.3 other						
Total B	**187,402**			**1,885,719**		
Total (A+B)	**21,793,856**			**18,628,608**		

The debt securities, equity instruments and trading derivatives in the portfolio at the end of the year related to ordinary own account trading activities.

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

Items/Amounts	Total 2012	Total 2011
A. Financial assets		
1. Debt securities	16,179,806	7,690,693
a) Governments and Central Banks	12,282,554	7,619,922
b) Other public-sector entities		
c) Banks	3,370,500	70,771
d) Other issuers	526,752	
2. Equity instruments	281,903	1,376,914
a) Banks	41,273	197,188
b) Other issuers :	240,630	1,179,726
- insurance companies		115,452
- financial companies	39,892	4,512
- non-financial institutions	200,738	1,059,762
- other		
3. Units in investment funds	1,157,932	7,675,282
4. Loans	3,986,813	
a) Governments and Central Banks		
b) Other public-sector entities		
c) Banks		
d) Other issuers	3,986,813	
Total A	**21,606,454**	**16,742,889**
B. Derivative instruments		
a) Banks	187,402	3,986
- fair value	187,402	3,986
- notional value		
b) Clients		1,881,733
- fair value		1,881,733
- notional value		
Total B	**187,402**	**1,885,719**
Total (A+B)	**21,793,856**	**18,628,608**

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

2.3 FINANCIAL ASSETS HELD FOR TRADING: CHANGE IN THE YEAR

	Debt securities	Equity instruments	Units in investment funds	Loans	**Total**
A. Opening balance	**7,690,693**	**1,376,914**	**7,675,282**	**0**	**16,742,889**
B. Increases					
B1. Purchases	8,548,215,240	111,519,074	332,090,629	4,229,502,094	13,221,327,037
B2. Increases in fair value	46,937	13,724	7,738		68,399
B3. Other changes	7,239,670	916,765	3,820,116	24,923	12,001,474
C. Reductions					
C1. Sales	8,512,365,568	112,583,428	339,734,574	4,225,536,797	13,190,220,366
C2. Refunds	31,515,444	0	0		31,515,444
C3. Reductions in fair value	10,900	459	88,704		100,063
C4. Transfer to other portfolios					
- Financial assets available for sale					
- Financial assets held to maturity					
- Due from banks					
- Due from clients					
C5. Other changes	3,120,824	960,688	2,612,555	3,407	6,697,474
D. Closing balance	**16,179,806**	**281,903**	**1,157,932**	**3,986,813**	**21,606,454**

Section 6 – Due from banks – Item 60

6.1 DUE FROM BANKS: PRODUCT BREAKDOWN		
Type of transactions/Amounts	**Total 2012**	**Total 2011**
A. Loans to Central Banks		
1. Time deposits		
2. Compulsory reserves		
3. Repos		
4. Other		
B. Loans to banks	**24,314,874**	**22,270,002**
1. Current accounts and demand deposits	24,262,489	21,894,781
2. Time deposits	52,385	391,588
3. Other loans		
3.1 Repos		
3.2 Finance leases		
3.3 Other		
4. Debt securities		
4.1 Structured		
4.2 Other		
Total (carrying amount)	**24,314,874**	**22,270,002**
Total (fair value)	**24,314,874**	**22,270,002**

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

Section 7 – Due from clients – Item 70

7.1 DUE FROM CLIENTS: PRODUCT BREAKDOWN

Type of transactions/Amounts	Total 2012			Total 2011		
	Performing	Impaired		Performing	Impaired	
		Purchased	Other		Purchased	Other
1. Current accounts				590		
2. Repos						
3. Mortgages						
4. Credit cards, personal loans and salary-backed loans						
5. Financial leases						
6. Factoring						
7. Other loans	6,841			5,055		
8. Debt securities						
8.1 Structured securities						
8.2 Other debt securities						
Total (carrying value)	**6,841**			**5,645**		
Total (fair value)	**6,841**			**5,645**		

Item "7. Other transactions" consists entirely of receivables for security deposits.

7.2 DUE FROM CLIENTS: BREAKDOWN BY BORROWER/ISSUER

Type of transactions/Amounts	Total 2012			Total 2011		
	Performing	Impaired		Performing	Impaired	
		Purchased	Other		Purchased	Other
1. Debt securities:						
a) Governments						
b) Other public-sector entities						
c) Other issuers						
- non-financial companies						
- financial companies						
- insurance companies						
- other						
2. Loans to:	**6,841**			**5,645**		
a) Governments						
b) Other public-sector entities						
c) Other issuers	6,841			5,645		
- non-financial companies						
- financial companies				590		
- insurance companies						
- other	6,841			5,055		
Total	**6,841**			**5,645**		

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

Section 11 – Tangible assets – Item 110

11.1 TANGIBLE ASSETS: BREAKDOWN OF ASSETS VALUED AT COST

Assets/Amounts	Total 2012	Total 2011
A. Assets for operational use		
1.1 owned	3,610,957	2,507,125
a) land		
b) buildings	2,082,768	
c) furniture and fittings	335,314	14,711
d) electronic systems	1,192,875	144,826
e) other		2,347,588
1.2 leased		
a) land		
b) buildings		
c) furniture and fittings		
d) electronic systems		
e) other		
Total A	**3,610,957**	**2,507,125**
B. Held-for-investment assets		
2.1 owned		
a) land		
b) buildings		
2.2 leased		
a) land		
b) buildings		
Total B		
Total (A+B)	**3,610,957**	**2,507,125**

Tangible assets are recognised at cost and amortised on the basis of their actual technical-economic deterioration. There have been no revaluations.
At the end of 2012 work on the bank’s new operational headquarters was completed and the premises became available for use.
The entry for tangible assets under construction was therefore changed to nil and the values of the other tangible assets were recorded: land, buildings, plant and electronic equipment.
No depreciation was recognised for these assets as at 31 December 2012 as their useful life only commenced at the very end of the year.

The following depreciation rates are applied:

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

11.3 TANGIBLE ASSETS FOR OPERATIONAL USE: CHANGES FOR THE YEAR	Land	Buildings	Furniture & fittings	Electronic systems	Other	**Total**
A. Gross opening balance			14,711	144,826	2,347,588	**2,507,125**
A.1 Total net reduction in value						
A.2 Net opening balance			14,711	144,826	2,347,588	**2,507,125**
B. Increases:		2,082,768	325,675	1,112,395	1,120,338	**4,641,176**
B.1 Purchases				52,912	1,120,338	**1,173,250**
B.2 Capitalised expenditure on improvements						
B.3 Write-backs						
B.4 Increase in fair value						
a) shareholders' equity						
b) profit and loss						
B.5 Positive exchange differences						
B.6 Trasferimenti da immobili detenuti a scopo di investimento						
B.7 Other changes		2,082,768	325,675	1,059,483		**3,467,926**
C. Reductions:			5,072	64,346	3,467,926	**3,537,344**
C.1 Disposals				2,623		**2,623**
C.2 Depreciation			5,072	61,723		**66,795**
C.3 Impairment losses						
a) in equity						
b) through profit or loss						
C.4 Reductions of fair value						
a) in equity						
b) through profit or 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					3,467,926	**3,467,926**
D. Net final balance		**2,082,768**	**335,314**	**1,192,875**	**-**	**3,610,957**
D.1 Total net reduction in value						
D.2 Gross closing balance		**2,082,768**	**335,314**	**1,192,875**	**-**	**3,610,957**
E. Carried at cost						

For annual changes of "Other" assets, see the note of Section 11.1

Section 12 – Intangible assets - Item 120

12.1 INTANGIBLE ASSETS: BREAKDOWN BY TYPE OF ASSET				
Assets/Values	Total 2012		Total 2011	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill				
A.2 Other intangible assets	14,737		17,950	
A.2.1 Assets carried at cost:	14,737		17,950	
a) internally generated				
b) Other	14,737		17,950	
A.2.2 Assets carried at fair value:				
a) internally generated				
b) Other				
Total	**14,737**		**17,950**	

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

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				17,950		**17,950**
A.1 Total net reductions in value						
A.2 Net opening balance				17,950		**17,950**
B. Increases				2,226		**2,226**
B.1 Purchases				2,226		**2,226**
B.2 Increases in internally generated intangible assets						
B.3 Write-backs						
B.4 Increase in fair value:						
- in equity						
- through profit or loss						
B.5 Positive exchange differences						
B.6 Other changes						
C. Reductions				5,439		**5,439**
C.1 Disposals						
C.2 Value re-adjustments						
- Depreciations				5,439		**5,439**
- Write-downs:						
+ in equity						
+ through profit or loss						
C.3 Reduction in fair value:						
- in equity						
- ithrough 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				14,737		**14,737**
D.1 Total net value re-adjustments						
E. Gross closing balance				14,737		**14,737**
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 € 3,129.

13.2 Deferred tax liabilities: breakdown

Deferred tax liabilities for temporary differences in taxable income amounted to a total of € 1,852.

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

	Total 2012	Total 2011
1. Opening balance	2,366	2,497
2. Increases	2,768	2,768
2.1 Prepaid taxes in the year		
a) relating to previous years		
b) due to changes in accounting criteria		
c) write-backs	2,768	2,768
d) other		
2.2 New taxes or increases in applicable tax rates		
2.3 Other increases		
3. Reductions	2,921	2,899
3.1 Prepaid taxes cancelled in the year		
a) reversals	2,921	2,899
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	2,213	2,366

13.4 CHANGES IN DEFERRED TAXES (PER CONTRA IN PROFIT AND LOSS)

	Total 2012	Total 2011
1. Opening balance	2,864	6,270
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	1,012	3,406
3.1 Deferred taxes cancelled in the year		
a) reversals	1,012	3,406
b) due to changes in accounting criteria		
c) other		
3.2 Reductions in applicable tax rates		
3.3 Other reductions		
4. Closing balance	1,852	2,864

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. IRES was calculated at the rate of 27.50 % and IRAP at 5.57 %.
These items are recognised in accordance with Italian tax law. The imbalance of prepaid taxes and deferred taxes calculated/cancelled in the year was recorded in profit and loss under item 260 “Income tax on current operations for the year”.

13.5 CHANGES IN PREPAID TAXES (PER CONTRA IN SHAREHOLDERS' EQUITY)	Total 2012	Total 2011
1. Opening balance		916
2. Increases		
2.1 Prepaid taxes recognised in 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		
3.1 Prepaid taxes cancelled in the year		
a) reversals		
b) write-downs for non-recovery		
c) due to changes in accounting criteria		
d) other		
3.2 Reductions in applicable tax rates		
3.3 Other reductions		
4. Closing balance	916	916

13.7 Other information

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

Current tax assets

Description	Total 2012	Total 2011
Prepaid IRES	425.000	1.550.862
Prepaid IRAP	150.000	363.226
Withholdings	622	602
Other tax credits*	58.465	
Total	**634.087**	**1.914.690**

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

Current tax liabilities

Description	Total 2012	Total 2011
Provision for IRES	416.071	1.585.730
Provision for IRAP	168.693	427.433
Total	**584.764**	**2.013.163**

Section 15 – Other assets – Item 150

15.1 Other assets: breakdown

Description	Total 2012	Total 2011
Prepayments and accrued income	127,160	82,521
Advance payments to suppliers	14,959	14,789
Other minor items	304	32,459
Transactions in securities to be credited*	1,470,845	
Totali	**1,613,268**	**129.769**

* These are "regular way" operations,, which original settlement value has expired at 31.12.2012 and that have been settled at original price after 31.12.2012.

Part B – Information on the Balance Sheet: liabilities

Section 2 – Due to clients – Item 20

2.1 DUE TO CLIENTS: PRODUCT BREAKDOWN		
Type of transactions/Amounts	**Total 2012**	**Total 2011**
1. Current accounts and demand deposits	23,012,186	26,940,459
2. Time deposits		
3. Loans		
3.1 Reverse repo agreements		
3.2 Other		
4. Liabilities in respect of commitments to repurchase treasury shares		
5. Other liabilities		
Total	**23,012,186**	**26,940,459**
Fair value	**23,012,186**	**26,940,459**

Section 4 – Financial liabilities held for trading – Item 40

FINANCIAL LIABILITIES HELD FOR TRADING: PRODUCT BREAKDOWN

Type of transactions/ Amounts	Total 2012					Total 2011				
	VN	FV			FV *	VN	FV			FV *
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
A. Financial liabilities										
1. Due to banks										
2. Due to clients										
3. Debt securities										
3.1 Bonds										
3.1.1 Structured										
3.1.2 Other bonds										
3.2 Other securities										
3.2.1 Structured										
3.2.2 Other										
Total A										
B. Derivative instruments										
1. Financial derivatives										
1.1 Trading		150					7,366,663			
1.2 Fair value option										
1.3 Other										
2. Credit derivatives										
2.1 Trading										
2.2 Fair value option										
2.3 Other										
Total B		150					7,366,663			
Total (A+B)		**150**					**7,366,663**			

Key

FV = fair value

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

VN = nominal or notional value

Held-for-trading derivative financial instruments listed on regulated markets and valued at market price.

Section 8 – Tax liabilities – Item 80

See section 13 of Assets.

Section 10 – Other liabilities – Item 100

10.1 OTHER LIABILITIES: BREAKDOWN

	Total 2012	Total 2011
Due to tax authorities	1,445,073	972,333
Social security	138,325	195,020
Accrued liabilities	239,676	156,279
Due to suppliers	236,392	628,121
Transactions in securities to be settled*	982,226	
Other minor items	22,621	
Total	**3,064,313**	**5,332,273**

*See note of Section 15.1

Section 11 – Severance indemnity fund – Item 110

11.1 SEVERANCE INDEMNITY FUND: CHANGES FOR THE YEAR

	Total 2012	Total 2011
A. Opening balance	422,309	390,679
B. Increases		
B.1 Provision for the year	38,757	108,263
B.2 Other changes		
C. Reductions		
C.1 Disbursements made	3,212	75,558
C.2 Other changes	1,492	1,075
D. Closing balance	456,362	422,309
Total	**456,362**	**422,309**

11.2 Other information

Actuarial valuations were performed as of 31 December 2012 using analytical data supplied by the employment advisor.
The following demographic and economic and financial assumptions were used for the actuarial valuations:

Demographic assumptions

- Mortality rates for the Italian population by age and gender were those published by the Italian Institute of Statistics (ISTAT) in 2000, reduced by 25%.

- The probability of termination of service due to absolute and permanent disability was calculated, by age and gender, according to the disability tables currently used by the insurance sector.

- For retirement age it was assumed that active employees stop working as soon as they reach the minimum pensionable age or length of service in order to qualify for a pension payable through the mandatory general insurance scheme.

- The probability of termination of service due to resignation or dismissal was determined at a rotation rate of 10.00% per annum.

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

Economic and financial assumptions

Salaries were assumed to increase at an average annual rate of 3.50%. This value was subsequently used for total salary projections.
The macroeconomic scenario adopted for the valuations is illustrated in the table below:

Parameters	Assumptions rate
Estimated rate of inflation	2,00%

A discount rate of 3,17% was used, as reported at 31 December 2012 for over-ten-year bonds of European issuers with an A rating.
For last year it was used AA rating which discount rate for this year would have been 2.72%.

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

14.2 SHARE CAPITAL – NUMBER OF SHARES: CHANGE 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	2012	2011
Legal	1.124.820	936.358
Statutory	1.401.468	1.375.135
Other	14.724.016	11.805.052
Total	**17.250.304**	**14.116.545**

Pursuant to art. 2427, No. 7(b) of the Italian Civil Code:
the legal reserve, amounting to € 1,124,820 is available for use to cover losses.
The statutory social solidarity fund, for € 1,401,468 is unavailable and will be used for socially useful purposes.
The other reserves item, for € 14,724,016, is available and distributable for use to increase capital, cover losses or distribution to shareholders.

No reserves have ever been used to cover losses.

Other information

GUARANTEES GIVEN AND COMMITMENTS		
Transactions	**2012**	**2011**
1) Financial guarantees given to		
a) Banks	48,227	47,921
b) Clients		
2) Commercial guarantees given to		
a) Banks		
b) Clients		
3) Irrevocable commitments to disburse funds		
a) Banks		
i) for specified use*	2,162,119	2,747,044
ii) for unspecified use		
b) Clients		
i) for specified use*	55,830,304	45,532,396
ii) for unspecified use		
4) Underlying obligations for credit derivatives: sales of protection		
5) Assets used to guarantee others' obligations		
6) Other commitments		
Total	**58,040,650**	**48,327,361**

Item 1-a refers to the commitment towards the Interbank Deposit Protection Fund
*regular way purchase and sale of securities, against sales for € 53,726,700

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	1,439,710,971
2. not regulated	8,417,274
b) Sales	
1. regulated	1,265,491,595
2. not regulated	7,946,407
2. Portfolio management	
a) individual	112,367,403
b) collectiove	
3. Custodia e amministrazione di titoli	
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): others	
1. securities issued by the reporting bank	
2. other securities	7,600,000
c) third-party securities deposited with third parties	27,281,644
d) own securities deposited with third parties	21,792,590
4. Other transactions	23,433,787

Item 4 refers to the sum of purchases (€ 17,826,735) and sales (€ 5,607,052) relating to the "Collection and transmission of orders"

Part C – Information on the profit and loss account

Section 1 – Interest - Items 10 and 20

1.1 INTEREST AND SIMILAR INCOME: BREAKDOWN

	Items/Types	Performing financial assets		Impaired financial assets	Other transactions	**Total 2012**	**Total 2011**
		Debt securities	Loans				
1	Financial assets held for trading	150,841				**150,841**	**304,352**
2	Financial assets available for sale						
3	Financial assets held to maturity						
4	Due from banks		94,851			**94,851**	**314,620**
5	Due from clients						
6	Financial assets at fair value		24,923			**24,923**	
7	Hedging derivatives						
8	Other assets						
	Total	**150,841**	**119,774**			**270,615**	**618,972**

1.3 Interest and similar income: additional information

1.3.1 Interest income on financial assets denominated in foreign currencies

At 31 December 2012 interest income on financial assets in foreign currencies amounted to € 1,593.

1.4 INTEREST EXPENSE AND SIMILAR CHARGES: BREAKDOWN

	Items/Types	Liabilities	Securities	Other transactions	**Total 2012**	**Total 2011**
1.	Due to central banks					
2.	Due to banks	520			**520**	**4,907**
3.	Due to clients					
4.	Securities in issue					
5.	Financial liabilities held for trading					
6.	Financial liabilities at fair value	3,407			**3,407**	
7.	Other liabilities and funds					
8.	Hedging derivatives					
	Total	**3,927**			**3,927**	**4,907**

1.6 Interest expense and similar charges: additional information

1.6.1 Interest expense on liabilities in foreign currencies

At 31 December 2012 interest expense on financial liabilities in foreign currencies amounted to € 469.

Section 2 – Fees and commissions – Items 40 and 50

2.1 INCOME FROM FEES AND COMMISSIONS: BREAKDOWN

Services/Amounts	Total 2012	Total 2011
a) guarantees given		
b) credit derivatives		
c) management, brokerage and advisory services:		
1. financial instrument trading	861,626	841,941
2. currency trading		
3. portfolio management		
3.1. individual	617,672	502,785
3.2. collective		
4. custody and administration of securities		
5. deposit bank		
6. placement of securities		
7. collection and transmission of orders	21,646	270,735
8. advisory		
8.1. on investments		
8.2. on financial structuring		
9. distribution of third-party services		
9.1. portfolio management		
9.1.1. individual		
9.1.2. collective		
9.2. insurance products		
9.3. other products		
d) collection and payment services		
e) securitisation servicing		
f) factoring		
g) tax collection services		
h) management of multilateral trade systems		
i) management of current accounts		
j) other services		
Total	**1,500,944**	**1,615,461**

Asset management fees are inclusive of performance fees for a total of € 109,432.
These amounted to € 57,657 in 2011.

2.2 INCOME FROM FEES AND COMMISSIONS: PRODUCT AND SERVICE DISTRIBUTION CHANNELS		
Channels/Amounts	Total 2012	Total 2011
a) through own branches:		
1. asset management	570,617	449,283
2. placement of securities		
3. third-party products and services		
b) off-site:		
1. asset management	47,055	53,502
2. placement of securities		
3. third-party products and services		
c) other distribution channels:		
1. asset management		
2. placement of securities		
3. third-party products and services		
Total	**617,672**	**502,785**

3. THIRD-PARTY PRODUCTS AND SERVICES		
Services/Amounts	Total 2012	Total 2011
a) guarantees received		
b) credit derivatives		
c) management and brokerage:		
1. financial instrument trading	363,376	578,747
2. currency trading		
3. portfolio management		
3.1 own		
3.2 third-party portfolios		
4. custody and administration of securities	11,677	8,788
5. placement of financial instruments		
6. off-site distribution of financial instruments, products and services	61,187	58,560
d) collection and payment services		
e) other services		
Total	**436,240**	**646,095**

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 financial instrument trading services include the following amounts:

- fees and commissions for disbursements € 12,474;
- fees and commissions for clearing € 293,178;
- other fees and commissions for € 130,588.

Section 3 – Dividends and similar income - Item 70

3.1 DIVIDENDS AND SIMILAR INCOME: BREAKDOWN					
Items/Proceeds		Total 2012		Total 2011	
		dividends	proceeds from investment fund units	dividends	proceeds from investment fund units
A.	Financial assets held for trading	37,585	9,899	53,486	30,330
B.	Financial assets available for sale				
C.	Financial assets at fair value				
D.	Shareholdings				
	Total	**37,585**	**9,899**	**53,486**	**30,330**

Section 4 – Net profits on trading – Item 80

4.1 NET PROFITS ON TRADING: BREAKDOWN					
Transaction/P&L item	Gains (A)	Profits from trading (B)	Losses (C)	Losses from trading (D)	Net result [(A+B) - (C+D)]
1. Financial assets held for trading	68,399	11,976,551	100,063	6,694,067	5,250,820
1.1 Debt securities	46,937	7,239,670	10,900	3,120,824	4,154,883
1.2Equity instruments	13,724	916,765	459	960,688	-30,658
1.3 Units in investment funds	7,738	3,820,116	88,704	2,612,555	1,126,595
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					-20,995
4. Derivative instruments	228	25,858,910	18,499	26,723,257	-882,618
4.1 Financial derivatives:					
- on debt securities and interest rates		118,870		192,470	-73,600
- on equity securities and share indices	228	25,740,040	18,499	26,530,787	-809,018
- on currency and gold					
- Other					
4.2 Credit derivatives					
Total	**68,627**	**37,835,461**	**118,562**	**33,417,324**	**4,347,207**

Section 9 – Administrative expenses – Item 150

9.1 PERSONNEL COSTS: BREAKDOWN		
Expenses/Amounts	Total 2012	Total 2011
1) Employees		
a) salaries and wages	1,100,749	1,480,904
b) social security contributions	257,088	282,108
c) employee severance indemnity		
b) social security contributions		
e) allocations to provisions for severance indemnity	38,757	108,263
f) provision for retirement payments and similar provisions:		
- defined contribution		
- defined benefit		
g) versamenti ai fondi di previdenza complementare esterni:		
- a contribuzione definita		
- a benefici definita		
h) costs related to share-based payments		
i) other employee benefits	37,577	31,447
2) Other staff		
3) Directors and Statutory Auditors	297,357	295,211
4) Retired employees		
5) Recoveries for employees seconded to other companies		
6) Refunds of costs for third-party employees seconded to the company		
Total	**1,731,528**	**2,197,933**

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

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

Curtailment	4.611 euro
Current Service Cost	72.759 euro
Interest Cost	19.771 euro
Actuarial (Gains/Losses)	-58.384 euro

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

9.2 AVERAGE NUMBER OF EMPLOYEES BY CATEGORY	
Employees:	
a) directors	
b) Middle management	4
c) other employees	20.5
Other personnel	

9.5 OTHER ADMINISTRATIVE EXPENSES: BREAKDOWN		
Breakdown	**Total 2012**	**Total 2011**
Rentals and incidental charges	34,344	36,086
ICT expenses	867,775	917,407
Trading activities	349,053	481,664
Advisory and professional services	115,231	102,474
Auditing fees	62,837	52,328
Fees for licences and outsourced IT services	348,488	321,906
Compulsory contributions and market membership fees	97,823	91,299
Telephone and electricity	84,875	51,855
Donations	120,000	285,111
Sundries	173,056	96,737
Total	**2,253,482**	**2,436,867**

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/P&L item	Depreciation (a)	Impairment losses (b)	Write-backs (c)	Net result (a + b - c)
A. Property, plant and equipment				
A.1 Owned				
- Used in the business	66,795			66,795
- Per investimento				
A.2 Acquisite in leasing finanziario				
- Ad uso funzionale				
- Held for investment				
Total	**66,795**			**66,795**

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

12.1 ADJUSTMENTS/RE-ADJUSTMENTS TO NET VALUE OF INTANGIBLE ASSETS: BREAKDOWN				
Asset/P&L item	Amortisation (a)	Impairment losses (b)	Write-backs (c)	Net result (a + b - c)
A. Intangible assets				
A.1 Owned				
- Internally generated				
- Other	5,439			5,439
A.2 Leased				
Total	**5,439**			**5,439**

Section 13 – Other operating expense/income – Item 190

13.1 Other operating expense: breakdown

Other operating expense amounted to € 6,372 in 2012, compared to € 4,315 in 2011.

13.2 Other operating income: breakdown

Other operating income amounted to € 91,342, compared to € 4,961 in 2011.

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

18.1 INCOME TAX ON CURRENT OPERATIONS FOR THE YEAR: BREAKDOWN

	P&L items/Amounts	Total 2012	Total 2011
1.	Current tax (-)	-584,764	-2,013,163
2.	Change in current taxes of previous years (+/-)	58,465	
3.	Reduction in current taxes for the year (+)		
4.	Changes in deferred tax assets (+/-)	-153	-131
5.	Changes in deferred tax liabilities (+/-)	1,012	3,406
6.	Tax expense for the year (-) (-1+/-2+3+/-4+/-5)	-525,440	-2,009,888

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	2012
Pre-tax profit (loss)	1,753,809
IRES at theoretical rate of 27.50%	482,297
Tax on increases	42,957
Tax on reductions	-109,184
IRES at current actual rate of 22,96%	416,071

IRAP	2012
Pre-tax profit (loss)	1,753,809
IRAP at theoretical rate of 5.57%	97,687
Tax on non-taxable income	-6,055
Tax on non-deductible expenses	77,061
IRAP at current actual rate of 9,31%	168,693

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 € 162.

Part D – Comprehensive income

Statement of comprehensive income

See the statement of comprehensive income on page 31.

Part E – Risks and related risk management policies

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

Section 1 – Credit risk

- **Qualitative disclosure**

1. General

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

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

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

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

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

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

Banca Simetica is an indirect member of the payment systems run by Monte Titoli and Cassa di Compensazione e Garanzia. Given the inherent characteristics of these systems, this type of risk is practically non-existent in markets with a central clearing house.

2. Credit risk management

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

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

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

The heads of the departments involved are responsible for continuously monitoring all transactions that carry a pre-settlement risk, particularly transactions outside regulated markets and on markets where settlement is not automatic.

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

Second level control is performed by the Risk Manager, who uses an internally developed application software to verify compliance with the limits. This control is also performed daily.

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

• **Quantitative disclosure**

A. Credit quality

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

A.1.1 BREAKDOWN OF EXPOSURES BY PORTFOLIO AND CREDIT QUALITY (CARRYING VALUE)

Portfolio/quality	Non-performing loans	Doubtful debts	Restructured exposures	Past-due	Other assets	**Total**
1. Financial assets held for trading					20,354,021	**20,354,021**
2. Financial assets available for sale						
3. Financial assets held to maturity						
4. Loans and receivables with banks					24,314,874	**24,314,874**
5. Loans and receivables with clients					6,841	**6,841**
6. Financial assets at fair value						
7. Disposal groups						
8. Hedging derivatives						
Total 2012					**44,675,736**	**44,675,736**
Total 2011					**31,852,059**	**31,852,059**

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

Portfolio/quality	Impaired assets			Performing			Total (net exposure)
	Gross exposure	Specific write downs	Net exposure	Gross exposure	Portfolio adjust-ments	Net exposure	
1. Financial assets held for trading				20,354,021		20,354,021	20,354,021
2. Financial assets available for sale							
3. Financial assets held to maturity							
4. Loans and receiv-ables with banks				24,314,874		24,314,874	24,314,874
5. Loans and receiv-ables with clients				6,841		6,841	6,841
6. Financial assets at fair value							
7. Disposal groups							
8. Hedging deriva-tives							
Total 2012				**44,675,736**		**44,675,736**	**44,675,736**
Total 2011				**31,852,059**		**31,852,059**	**31,852,059**

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

Exposure types/amounts	Gross exposure	Specific write downs	Portfolio adjustments	Net exposure
A. BALANCE SHEET EXPOSURE				
a) Non-performing loans				
b) Doubtful debts				
c) Restructured exposures				
d) Past-due				
e) Other assets	24,314,874			24,314,874
TOTAL A	**24,314,874**			**24,314,874**
B. BALANCE SHEET AND OFF-BALANCE SHEET EXPOSURE				
a) Impaired				
b) Other				
TOTAL B				

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

Exposure types/amounts	Gross exposure	Specific write downs	Portfolio adjustments	Net exposure
A. BALANCE SHEET EXPOSURE				
a) Non-performing loans				
b) Doubtful debts				
c) Restructured exposures				
d) Past-due				
f) Other assets	6,841			6,841
TOTALE A	**6,841**			**6,841**
B. OFF-BALANCE SHEET EXPOSURE				
a) Impaired				
b) Other				
TOTAL B				

A.2 Internal and external ratings

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

Exposures	External rating classes						No rating	**Total**
	AAA/AA-	A+/A-	BBB+/BBB-	BB+/BB-	B+/B-	Lower than B		
A. Balance sheet exposures	99,870	227,431	42,363,112	1,738,694			59,226	**44,488,334**
B. Derivatives		1,950	185,452					**187,402**
B.1 Financial derivatives		1,950	185,452					**187,402**
B.2 Credit derivatives								
C. Guarantees given								
D. Commitments to disburse funds								
E. Other								
Total	**99,870**	**229,381**	**42,548,565**	**1,738,694**			**59,226**	**44,675,736**

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

Exposures/ Counterparties	Governments			Other state entities			Financial companies			Insurance companies			Non-financial companies			Other		
	Net exp.	Specific write downs	Portfolio adjustments	Net exp.	Specific write downs	Portfolio adjustments	Net exp.	Specific write downs	Portfolio adjustments	Net exp.	Specific write downs	Portfolio adjustments	Net exp.	Specific write downs	Portfolio adjustments	Net exp.	Specific write downs	Portfolio adjustments
A. Balance sheet exposure																		
A.1 Non-performing loans																		
A.2 Doubtful debts																		
A.3 Restructured exposures																		
A.4 Past-due																		
A.5 Other exposures																6,841		
Total A																6,841		
B. Off-balance sheet exposure																		
B.1 Non-performing loans																		
B.2 Doubtful debts																		
B.3 Other impaired assets																		
B.4 Other exposures																		
Total B																		
Total (A+B) 2012							**-**									**6,841**		
Total (A+B) 2011							**590**									**5,055**		

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

Exposures/Geographical areas	Italy		Other European countries		America		Asia		Rest of the world	
	Net exp.	Total write downs	Net exp.	Total write downs	Net exp.	Total write downs	Net exp.	Total write downs	Net exp.	Total write downs
A. Balance sheet exposures										
A.1 Non-performing loans										
A.2 Doubtful debts										
A.3 Restructured exposures										
A.4 Past-due										
A.5 Other exposures	6,841				-					
TOTAL	**6,841**				**-**					
B. Off-balance sheet exposures										
B.1 Non-performing loans										
B.2 Doubtful debts										
B.3 Other impaired assets										
B.4 Other exposures										
Total (A+B) 2012	**6,841**				**-**					
Total (A+B) 2011	**5,055**				**590**					

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

Exposures/Geographical areas	Italy		Other European countries		America		Asia		Rest of the world	
	Net exp.	Total write downs	Net exp.	Total write downs	Net exp.	Total write downs	Net exp.	Total write downs	Net exp.	Total write downs
A. Balance sheet exposures										
A.1 Non-performing loans										
A.2 Doubtful debts										
A.3 Restructured exposures										
A.4 Past-due										
A.5 Other exposures	24,314,874									
TOTAL A	**24,314,874**									
B. Off-balance sheet exposures										
B.1 Non-performing loans										
B.2 Doubtful debts										
B.3 Other impaired assets										
B.4 Other exposures										
TOTAL B										
Total (A+B) 2012	**24,314,874**									
Total (A+B) 2011	**20,447,196**		**1,822,806**							

B.4 MAJOR RISKS

As at 31 December 2012 the liquid assets held by the bank with Istituto Centrale delle Banche Popolari Italiane (Central Institute of Italian Cooperative Banks) and with Banca Monte dei Paschi di Siena amounted to € 17,772,537 and € 5,264,261, respectively. These positions, chiefly consisting of demand deposits and carrying a zero weighting in accordance with regulations to ensure prudential supervision, do not constitute a significant risk.

Section 2 – Market risk

2.1 Interest rate risk and price risk - Regulatory trading portfolio

• **Qualitative disclosure**

A. General

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

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

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

The position and main interest and price risk factors (including the Greek letters for options) associated with management of the own securities portfolio for arbitrage transactions involving all instruments that are traded are monitored in real-time using an application software developed internally and made available to all traders, the Proprietary Trading Manager, the Risk Manger and Managing Director.
The Risk Control Manual, approved by the Board of Directors, outlines the limits approved by the latter according to the type of arbitrage transaction and controls required to verify compliance with the limits.
These controls are structured on three levels:

- level one: Proprietary Trading Manager;
- level two: Risk Management function;
- level three: Internal Audit department.

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

- **Quantitative disclosure**

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

Type/Residual term	on demand	up to 3 months	from 3 to 6 months	from 6 months to 1 year	from 1 to 5 years	from 5 to 10 years	over 10 years	unspecified
1. Balance sheet assets								
1.1 Debt securities		4,651,516	6,151,141	9,161,666	202,296			
- with prepayment option								
- other								
1.2 Other assets	1,157,933							281,904
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								
- Altri derivati								
+ long positions								
+ short positions								
3.2 Without underlying security								
- Options								
+ long positions	187,402							
+ short positions		150						
- Other derivatives								
+ long positions								
+ short positions								
4. Other off-balance operations								
+ long positions								
+ short positions								

Currency denominated in €

2. REGULATORY TRADING PORTFOLIO: BREAKDOWN OF EXPOSURES IN EQUITY INSTRUMENTS AND SHARE INDEXES FOR THE MAIN COUNTRIES OF THE MARKET ON WHICH THEY ARE LISTED

Type of transaction/List index	Listed in Italy	Not listed
A. Equity instruments		
- long positions	281,903	
- short positions		
B. Equity instrument transactions awaiting settlement		
- long positions	243,440	
- short positions	2,364	
C. Other equity derivative instruments		
- long positions		
- short positions		
D. Share index derivatives		
- long positions	187,402	
- short positions	150	

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 bank portfolio. 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 sound issuers with a life of less than 12 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 OF FINANCIAL ASSETS AND LIABILITIES BY RESIDUAL TERM (REPRICING DATE)

Type/Residual term	on demand	up to 3 months	from 3 to 6 months	from 6 months to 1 year	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	24,262,489							52,385
1.3 Loans to clients								
- current accounts								
- other loans	6,841							
- with prepayment option								
- other								
2. Balance sheet liabilities								
2.1 Due to clients								
- current accounts	23,012,186							
- other amounts due								
- with prepayment option								
- other								
2.2 Due to banks								
- current accounts								
- altri debiti								
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 operations								
+ long positions								
+ short positions								

Currency denominated in €

2.3 Currency risk

- **Qualitative disclosure**

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

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

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

- **Quantitative disclosure**

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

	Currency					
Items	USD	GBP	JPY	CAD	CHF	Other
A. Financial assets						
A.1 Debt securities						
A.2 Equities						
A.3 Due from banks						
A.4 Due from clients						
A.5 Other financial assets	67,850	16,208		3,635		51,216
B. Other assets						
C. Financial liabilities						
C.1 Due to banks						
C.2 Due to clients						
C.3 Debt securities						
C.4 Other financial liabilities						

D. Other liabilities						
E. Financial derivatives						
- Options						
+ long positions						
+ short positions						
- Other derivatives						
+ long positions						
+ short positions						
Total assets	**67,850**	**16,208**		**3,635**		**51,216**
Total liabilities	-	-				-
Imbalance (+/-)	**67,850**	**16,208**		**3,635**		**51,216**

Amounts in euro at the exchange rate on 31.12.2012

2.4 Derivative financial instruments

A. Financial derivatives

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

Underlying assets/Type of derivatives	2012		2011	
	Over the counter	Central counterparty	Over the counter	Controparti Centrali
1. Debt securities and interest rates				
a) Options				
b) Interest rate swaps				
c) Forwards				
d) Futures				
e) Altri				
2. Equity instruments and share indexes				
a) Options		3,060,100		79,266,100
b) Swaps				
c) Forwards				
d) Futures		9,572,770		7,091,369
e) Altri				
3. Currencies and gold				
a) Options				
b) Forwards				
c) Futures				
d) Cross currency swaps				
e) Altri				
4. Commodities				
5. Other underlying assets				
Total		**12,632,870**		**86,357,469**
Average values		**47,827,844**		**131,728,630**

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

Portfolios/Derivative types	Positive fair value					
	2012			2011		
	Over the counter	Regulated markets	Central counter-party	Over the counter	Regulated markets	Central counter-party
A. Regulatory trading portfolio						
a) Options		187,402			3,986	1,881,733
b) Interest rate swaps						
c) Cross currency swaps						
d) Equity swaps						
e) Forward						
f) Futures						
g) Other						
B. Bank portfolio - hedging						
a) Options						
b) Interest rate swaps						
c) Cross currency swaps						
d) Equity swaps						
e) Forward						
f) Futures						
e) Other						
C. Bank portfolio - other derivatives						
a) Options						
b) Interest rate swaps						
c) Cross currency swaps						
d) Equity swaps						
e) Forward						
f) Futures						
e) Other						
Total		**187,402**			**3,986**	**1,881,733**

A.4 FINANCIAL DERIVATIVES: GROSS NEGATIVE FAIR VALUE – BREAKDOWN BY PRODUCT						
Portfolios/Derivative types	Negative fair value					
	2012			2011		
	Over the counter	Regulated markets	Central counter-party	Over the counter	Regulated markets	Central counter-party
A. Regulatory trading portfolio						
a) Options			150			7,366,663
b) Interest rate swaps						
c) Cross currency swaps						
d) Equity swaps						
e) Forward						
f) Futures						
g) Other						
B. Bank portfolio - hedging						
a) Options						
b) Interest rate swaps						
c) Cross currency swaps						
d) Equity swaps						
e) Forward						
f) Futures						
e) Other						
C. Bank portfolio - other derivatives						
a) Options						
b) Interest rate swaps						
c) Cross currency swaps						
d) Equity swaps						
e) Forward						
f) Futures						
e) Other						
Total			**150**			**7,366,663**

Section 3 – Liquidity risk

• Qualitative disclosure

A. General aspects, operational processes and methods for measuring liquidity risk
Banca Simetica recognises the importance of the liquidity risk, which is carefully monitored in accordance with the procedures governing "Management of own securities portfolios for arbitrage and own trading activities" and "Control of cash flows"; the latter involves all areas of the company, especially Proprietary Trading and Risk Management.
The Proprietary Trading department works in close contact with all other company sectors. Its key objective is to cover all requirements for liquid funds and manage all liquid funds in excess, especially in the short and very short-term.
Liquid funds absorbed by the Operations Room are monitored in real-time with a view to eliminating deficits or liquid funds in excess in the very short term, maintaining these within physiological levels.
The system generates regular estimates for absorption of liquid funds for currencies t+1 and t+2.

There is a maximum surplus/deficit limit for very short-term liquidity (for t+1 currencies). This is monitored on a daily basis by Risk Management.
In 2012 the bank 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.

• **Quantitative disclosure**

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

Items/Maturities	on demand	from 1 to 7 days	from 7 to 15 days	from 15 days to 1 month	from 1 to 3 months	from 3 to 6 months	from 6 months to 1 year	from 1 to 5 years	more than 5 years	Unspecified
Balance sheet assets										
A.1 Government securities			1,001	2,067,521	2,271,131	5,020,077	6,909,637			
A.2 Other debt securities					311,862	1,131,063	2,252,030	202,296		
A.3 Units in investment funds	1,157,933									
A.4 Loans										
- banks	24,262,489									52,385
- clients	6,841									
Balance sheet liabilities										
B.1 Deposits and current accounts										
- banks										
- clients	23,012,186									
B.2 Debt securities										
B.3 Other liabilities										
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of principal										
- long positions										
- short positions										
C.2 Financial derivatives without exchange of principal										
- long positions	187,402									
- short positions				150						
C.3 Deposits and borrowings to be received										
- long positions										
- short positions										

C.4 Irrevocable commitments to disburse funds*										
- long positions	57,992,423									
- short positions	53,726,700									
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 principal										
- long positions										
- short positions										

* See table "1. Guarantees given and commitments" on page 62

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

Items/Maturities	on demand	from 1 to 7 days	from 7 to 15 days	from 15 days to 1 month	from 1 to 3 months	from 3 to 6 months	from 6 months to 1 year	from 1 to 5 years	more than 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	67,850									
- clients										
Balance sheet liabilities										
B.1 Deposits and current accounts										
- banks										
- clients										
B.2 Debt securities										
B.3 Other liabilities										
Off-balance sheet transactions										

C.1 Financial derivatives with exchange of principal										
- long positions										
- short positions										
C.2 Financial derivatives without exchange of principal										
- long positions										
- short positions										
C.3 Deposits and borrowings to be received										
- long positions										
- short positions										
C.4 Irrevocable commitments to disburse funds										
- long positions										
- short positions										
C.5 Financial guarantees given										

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

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 months to 1 year	from 1 to 5 years	More than 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	16,208									
- clients										
Balance sheet liabilities										
B.1 Deposits and current accounts										
- banks										
- clients										
B.2 Debt securities										
B.3 Other liabilities										
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of principal										
- long positions										
- short positions										
C.2 Financial derivatives without exchange of principal										

- long positions										
- short positions										
C.3 Deposits and borrowings to be received										
- long positions										
- short positions										
C.4 Irrevocable commitments to disburse funds										
- long positions										
- short positions										
C.5 Financial guarantees given										

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

Items/Maturities	on demand	from 1 to 7 days	from 7 to 15 days	from 15 days to 1 month	from 1 to 3 months	from 3 to 6 months	from 6 months to 1 year	from 1 to 5 years	More than 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	3,635									
- 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 principale										
- long positions										
- short positions										
C.3 Deposits and borrowings to be received										
- long positions										
- short positions										

C.4 Irrevocable commitments to disburse funds										
- long positions										
- short positions										
C.5 Financial guarantees given										

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

Items/Maturities	on demand	from 1 to 7 days	from 7 to 15 days	from 15 days to 1 month	from 1 to 3 months	from 3 to 6 months	from 6 months to 1 year	from 1 to 5 years	More than 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	51,216									
- 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										

Section 4 – Operational risk

• **Qualitative disclosure**

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

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

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.
By way of example, some causes of operational risk regard failed procedures, inadequacy of personnel, operating system malfunctions, possible external events which might result in losses for the company as well as risks associated with failure to comply with the law, clauses of contracts agreed upon with clients and obligations concerning supervision and disclosure of information to the authorities.

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

The Board of Directors has also approved an Organisational, Management and Control model in accordance with Legislative Decree No. 231/2001, a Code of Conduct (prepared in accordance with the Model Self-Regulatory Rules issued by the Italian Banking Association - ABI), and a Code of Ethics. 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.
Risk Management monitors and manages the operational risk, assisted by the Compliance function on matters regarding legal risks.The Control system approved by the Board of Directors also envisages specific controls to be carried out by the Internal Audit department.

- **Quantitative disclosure**

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

This ratio is calculated using the following formula:

$$KBIA = [\sum (GI1...n \times \square)] / n$$

where
KBIA = the capital charge under the Basic Indicator Approach of "Basel II"
GI = annual gross income, where positive, over the previous three years
n = number of the previous three years for which gross income is positive
☐ = (which is set in the "Basel II" agreement) relating the industry wide level of required capital to the industry wide level of the indicator.

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

The following formula was used to calculate Banca Simetica's level of capital for operational risk coverage for 2012:

KBIA, 31/12/2012 = [(9,993,410 + 10,490,954 + 5,726,084) x 15%] / 3 = 1,310,522 EUR

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

Part F – Information on shareholders' 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	2012	2011
1. Capital	7,600,000	7,600,000
2. Issue premium	1,300,000	1,300,000
3. Reserves	17,250,304	14,116,545
- retained earnings		
a) legal	1,124,820	936,358
b) statutory	1,401,468	1,375,135
c) own shares		
d) other	14,724,016	11,805,052
- 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 disposal groups		
- Actuarial gains (losses) relating to defined benefit schemes		
- Shares of valuation reserves relating to subsidiaries valued using the equity method		
- Special revaluation laws		
7. Gains (losses) for the year	1,228,369	3,769,239
Total	**27,378,673**	**26,785,784**

Section 2 – Shareholders' equity and regulatory ratios

2.1 Regulatory capital

A. Qualitative disclosure

1. Core capital

Pursuant to Title I, Chapter 2 of Banca d'Italia Circular No. 263 of 27 December 2006, the regulatory capital of Banca Simetica consists of tier 1 capital only, comprising the share capital, reserves and income for the period as positive items and intangible assets as the negative item.

B. Quantitative disclosure

2.1 REGULATORY CAPITAL

	2012	2011
A. Core capital prior to the application of prudential filters	25,392,468	24,730,886
B. Core capital prudential filters:		
B1 - positive IAS/IFRS prudential filters (+)		
B2 - negative IAS/IFRS prudential filters (-)		
C. Core capital gross of amounts to be deducted (A+B)	25,392,468	24,730,886
D. Amounts to be deducted from core capital	-	-
E. Total core capital (TIER1) (C-D)	25,392,468	24,730,886
F. Supplementary capital prior to the application of prudential filters	-	-
G. Supplementary capital prudential filters:	-	-
G1- positive IAS/IFRS prudential filters (+)		
G2- negative IAS/IFRS prudential filters (-)		
H. Supplementary capital gross of amounts to be deducted (F+G)	-	-
I. Amounts to be deducted from supplementary capital		
L. Total supplementary capital (TIER2) (H-I)	-	-
M. Amounts to be deducted from the total of core and supplementary capital	-	-
N. Regulatory capital (E + L - M)	25,392,468	24,730,886
O. TIER 3 capital (TIER 3)	-	-
P. Regulatory capital including TIER 3 (N + O)	25,392,468	24,730,886

2.2 Capital adequacy

A. Qualitative disclosure

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

B. Quantitative disclosure

B. QUANTITATIVE DISCLOSURE				
Categories/Amounts	Non-weighted items		Weighted items/ requirements	
	2012	2011	2012	2011
A. RISK ASSETS				
A.1 CREDIT AND COUNTERPARTY RISK				
1. Standardised approach	8,561,250	6,385,200	684,900	510,816
2. IRB approach				
2.1 Foundation				
2.2 Advanced				
3. Securitisations				
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 CREDIT AND COUNTERPARTY RISK			520,513	932,668
B.2 MARKET RISK				
1. Standard method			520,513	932,668
2. Internal models				
3. Concentration risk				
B.3 OPERATIONAL RISK				
1. Basic approach			1,310,522	1,499,062
2. Standardised approach				
3.Advanced approach				
B.4 OTHER PRUDENTIAL REQUIREMENTS				
B.5 TOTAL PRUDENTIAL REQUIREMENTS			2,515,935	2,942,546
C. RISK ASSETS AND CAPITAL RATIOS				
C.1 Weighted risk assets			31,449,188	36,781,821
C.2 Tier 1 capital/Weighted risk assets (Tier 1 capital ratio)			80.74%	67.24%
C.3 Regulatory capital TIER 3/Weighted risk assets (Total capital ratio)			80.74%	67.24%

Part H – Transactions with related parties

1. Remuneration of directors with strategic responsibilities

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

	2012	2011
Directors	262,122	259,976
Statutory Auditors	35,235	35,235
TOTAL	**297,357**	**295,211**

2. Transactions with related parties

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

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

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

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

TYPE OF RELATED PARTY	ASSETS	LIABILITIES	COSTS	REVENUES[2]	GUARANTEES GIVEN	GUARANTEES RECEIVED
Directors		774,242		43,635		
Statutory Auditors		20,550		875		
Directors with strategic responsibilities						
Other related parties		233,041		12,965		

[1] Cash balance at 31/12/2012

[2] Fees generated in 2012

Annex 1

Pursuant to art. 2427 point 16 bis of the Italian Civil Code and art. 149 duodecies of Consob Issuers Regulation, the fees for auditing the 2012 Financial Statements and for other services are shown in the table below.

Type of service	Service provider	Fees(1)
Audit of company accounts	Deloitte & Touche S.p.A.	€ 43,210
Certification (2)	Deloitte & Touche S.p.A.	€ 500
Tax advisory services	-	
Other services		
Total		**€ 43,710**

(1)Fees net of expenses and VAT.

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

Annex 2

The share structure is as follows:

- 35,5 % Pier Luigi Barbera and family
- 35,5 % Giorgio Mello Rella and family
- 21 % Acciaierie Valbruna S.p.A.

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

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

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

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

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

Report of the Board of Statutory Auditors

to the Financial Statements for the year ended 31/12/2012

Dear Shareholders,

The financial statements for the year ended at 31/12/2012, the company's eleventh year of business, which include the balance sheet, the profit and loss account, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows, the notes to the financial statements and the Directors' Report, which have been submitted to you by the Board of Directors for approval, have been drawn up in accordance with international accounting standards (IAS/IFRS) as required by Circular No. 262 issued by Banca d'Italia on 22 December 2005 and amended on 18 November 2009 and subsequent amendments and additions.
The financial statements have been audited by Deloitte & Touche S.p.A. who, on 8 April 2013 certified their compliance with the IAS/IFRS and relative laws implementing said rules. The Independent Auditors have also confirmed that the financial statements give a true and fair view of the company's state of affairs and of the financial position, profit, changes in shareholders' equity and cash flows.
The Directors' Report has also been certified as reflecting the financial statements for the year ended 31 December 2012.
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, sub-section 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 2012, we state the following:

- we have verified compliance with the law, with the company's bylaws and observance of the principles of good administration;
- we were called and took part in meetings of the Board of Directors and of Shareholders; we verified that those meetings were held in accordance with all statutory and legal requirements and regulations;
- the directors provided us, also during Board Meetings, with all the information we requested concerning general trends in management and the outlook for the future, and regarding the main activities; in particular, we received information about the complex macroeconomic context within which the company works and the risks associated with its business and found no critical aspects either with regard to proprietary trading operations or to services for clients. We can reasonably

state that the actions decided upon by the Board of Directors were taken in accordance with current legislation and were not manifestly imprudent or capable of damaging the integrity of the company's assets. In actual fact such actions contributed to the achievement of the positive results for the year ended on 31 December 2012, confirming the trend of previous years.;

- 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 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.

That stated, and on the basis of the results of the work carried out by the audit department, we propose that the Meeting should approve the financial statements for the year ended at 31 December 2012 and the relative allocation of profits, as drawn up and submitted for approval by the Directors.

Biella, 09 April 2013

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
AI SENSI DEGLI ARTICOLI 14 E 16 DEL D.LGS. 27 GENNAIO 2010, N. 39

Agli Azionisti di
BANCA SIMETICA S.p.A.

1. Abbiamo svolto la revisione contabile del bilancio d'esercizio, costituito dallo stato patrimoniale, dal conto economico, dal prospetto della redditività complessiva, dal prospetto delle variazioni del patrimonio netto, dal rendiconto finanziario e dalla relativa nota integrativa, di Banca Simetica S.p.A. chiuso al 31 dicembre 2012. La responsabilità della redazione del bilancio d'esercizio in conformità agli International Financial Reporting Standards adottati dall'Unione Europea, nonché ai provvedimenti emanati in attuazione dell'art. 9 del D. Lgs. 28 febbraio 2005, n. 38, compete agli Amministratori di Banca Simetica S.p.A.. È nostra la responsabilità del giudizio professionale espresso sul bilancio d'esercizio e basato sulla revisione contabile.

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

   Per il giudizio relativo al bilancio dell'esercizio precedente, i cui dati sono presentati ai fini comparativi, si fa riferimento alla relazione da noi emessa in data 10 aprile 2012.

3. A nostro giudizio, il bilancio d'esercizio di Banca Simetica S.p.A. al 31 dicembre 2012 è conforme agli International Financial Reporting Standards adottati dall'Unione Europea, nonché ai provvedimenti emanati in attuazione dell'art. 9 del D. Lgs. 28 febbraio 2005, n. 38; esso pertanto è redatto con chiarezza e rappresenta in modo veritiero e corretto la situazione patrimoniale e finanziaria, il risultato economico ed i flussi di cassa di Banca Simetica S.p.A. per l'esercizio chiuso a tale data.

4. La responsabilità della redazione della relazione sulla gestione in conformità a quanto previsto dalle norme di legge e dai regolamenti compete agli Amministratori di Banca Simetica S.p.A.. È di nostra competenza l'espressione del giudizio sulla coerenza della relazione sulla gestione con il bilancio, come richiesto dalla legge. A tal fine, abbiamo svolto le procedure indicate dal principio di revisione n. 001 emanato dal Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili e raccomandato dalla CONSOB. A nostro giudizio la relazione sulla gestione è coerente con il bilancio d'esercizio di Banca Simetica S.p.A. al 31 dicembre 2012.

DELOITTE & TOUCHE S.p.A.

Paolo Gibello Ribatto
Socio

Milano, 8 aprile 2013

BANCA SIMETICA S.p.A.

Registered Bank, registration No. 5713 – ABI code No. 3398.5
Member of the Fondo Nazionale di Garanzia (National Guarantee Fund)
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