Banca Simetica

Financial Statements 2017

"Keep your eyes on the stars,

but your feet on the ground"

16th YEAR

BANCA SIMETICA S.p.A.

Share Capital and Reserves at 31/12/2017 € 34,848,108
Biella Register of Companies No. 02071270025 - R.E.A. (Economic Administrative Index) No. 179386 at the Biella Chamber of Commerce for Industry, Agriculture and Handicraft
Tax code/VAT No. 02071270025
Registered Bank, registration No. 5713 - ABI code No. 3398.5

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

Head office: Via C. Crosa, 3/c – 13900 BIELLA
Tel. +39 015.45 03 300/302 – Fax +39 015.45 03 333/334
website: www.bancasimetica.it – e-mail: info@bancasimetica.it

Company boards

Board of Directors

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

Pier Luigi Barbera
Chairman

Appointed Chairman on 28 April 2015, he is responsible for the proper functioning of the corporate governance system and for guaranteeing the balance of powers. He acts as a point of contact between the internal supervisory bodies and committees.
He is authorised to sign severally on behalf of the company in dealings with third parties and before the courts of law.

Giorgio Mello Rella
Chief Executive Officer

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

Mauro Bruniera
Executive Director

With powers, granted on 28 April 2015, as regards the provision of portfolio management services:
- to perform analyses and issue forecasts to be used as the basis for general investment strategies;
- to carry on investment activities
- to manage the business organisation;
- to manage the personnel in charge of this.

Andrea Perini
Independent Director

Appointed on 28 April 2015:
- acquires information about how the company is managed and organised from its managers, the internal audit and other control functions;
- takes part in the appointment and dismissal of the heads of the internal control and risk management functions.

Board of Statutory Auditors

MARIO ROVETTI	Chairman
GIOVANNI SPOLA	Statutory Auditor
FABIO DANIELE	Statutory Auditor
LORENZO MAULA	Alternate Auditor
SEBASTIANO BARUSCO	Alternate Auditor

Independent Auditors

Deloitte & Touche S.p.A.

Distinguishing factors

The main distinguishing factors of BANCA SIMETICA S.p.A. are set out in articles 3, 20, 21 and 22 of the BYLAWS:

Art. 3) Ethical objectives

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

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

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

Art. 20) 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 determined by the Meeting and in any case not less than 10% (ten per cent), for social purposes or allocated to a specific provision, in accordance with the purposes set forth in art. 3 above, to:
  - non-profit-making organisations;
  - public bodies;
  - associations, committees, foundations, cooperative societies, other private entities, incorporated or not, provided they are not-for-profit organisations.

  Any conflicts of interest shall be made known in advance and be governed by the provisions of the law. Said portion shall be determined by taking into consideration any donations made during the corporate year and recorded in the profit and loss account. The Meeting shall also define the criteria for selecting beneficiaries, the maximum limits and methods of allocation, which must be observed by the Board of Directors operating under the supervision of the Ethics Committee;
- the difference shall be allocated to the shareholders, unless otherwise agreed upon by the Meeting.

Art. 21) Ethics Committee

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

Art. 22) Social or sustainability report

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

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 ideas
- High professional standards
- Irreproachable conduct

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

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

While remaining focused on its mission, creating and fostering a profitable relationship with all the local players that share the same 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 20 of the bylaws.
Details of all the projects supported in 2017 are contained in the Social Report.

Directors' Report

Dear Shareholders,

2017, our sixteenth year of business, was another positive year for us.
The year as a whole was characterised by widespread global expansion (with the rate of inflation remaining substantially stable) and significant institutional measures aimed at resolving some major crises in the banking sector.
Low price levels induced the European Central Bank to maintain its accommodating monetary policy practically unchanged, which kept European bond market volatility low.

Nonetheless, our traders continued to work with their usual professionalism to attain excellent results while always keeping risks under control.
All this further strengthens the standing of our Bank despite the challenges currently facing the finance and banking sectors.
I wish to thank our internal business and control functions for their extremely professional support to the business units and to management, and for their analyses and constructive proposals.
I also commend the diligence with which the changes imposed by the new regulatory framework have been addressed.
Activities in this area included the analysis of the new "MiFID II" directive and making the relevant changes to company processes, as well as work in connection with the decree enacting the Fourth Anti-Money Laundering Directive.

With regard to client services, total assets under management amounted to € 174 million.
Despite the low level of interest rates as a consequence of the ECB's expansionary monetary policy, pre-tax returns on assets managed stood at 1.44% (weighted average). This result underpins our first-rate professional reputation.
It is also worth noting that, once again, clients of Banca Simetica lodged no claims whatsoever.

In line with our commitment to allocate 10% of profits to social development, as set forth in the bylaws, the bank supported 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 2017 which you are invited to approve, reflect a net income of € 1,545,798, after depreciation and amortisation for € 252,743 and income tax for € 720,040.

The Board of Director
Chairman
Pier Luigi Barbera

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

Changes in the main balance sheet and profit and loss account items are illustrated and analysed in the tables and comments that follow, together with comparatives for the previous year.

Balance Sheet

ASSETS

AMOUNTS IN EUR	*31/12/2017*	*31/12/2016*	*CHANGE*
CASH AND RECEIVABLES	40,259,636	40,245,159	14,477
FINANCIAL ASSETS HELD FOR TRADING	12,228,838	14,942,989	-2,714,151
INTANGIBLE AND TANGIBLE ASSETS	2,168,352	2,282,725	-114,373
OTHER ASSETS	7,872,317	7,261,393	610,924
TOTAL ASSETS	**62,529,143**	**64,732,266**	**-2,203,123**

Cash and receivables mainly refer to item 60. Loans to banks for € 40,245,503 were in line with the same item at the end of the previous year. The Loans to banks item includes the total amount of excess liquid funds (almost all consisting of demand deposits) held in current accounts with leading credit institutions; these mainly include our settlement bank NEXI S.p.A. (for € 17,426,641) and Intesa Sanpaolo (for € 11,438,613). This item also includes receivables for initial margins from clearing houses with the intermediation of NEXI S.p.A.; such initial margins are required against positions on held-for-trading financial instruments listed on regulated markets.

Financial assets held for trading include own securities for € 12,228,838 (compared with € 14,942,989 in the previous year). All financial instruments held in the Own securities portfolio are bonds. The breakdown of this item is shown in the table below:

Financial assets held for trading

Debt securities	**2017**	**2016**	**change**
Governments and Central Banks	10,338,647	11,698,786	-12%
Other public-sector entities	46,599	284,445	-84%
Banks	735,134	649,128	13%
Other issuers	1,108,458	2,310,630	-52%
Total	**12,228,838**	**14,942,989**	**-18%**

The main item under Intangible and tangible assets is item 110. Tangible assets for € 2,159,827 (in relation to € 2,271,168 in the previous year) comprise the value of the property used as the company's registered office and operational headquarters and the value of the land on which it stands for a total of € 1,862,206. The decrease compared with the previous year mainly reflects depreciation of the property.

The main item under Other assets is item 150. Other assets for € 6,936,926 (€ 5,877,925 at year-end 2016) comprise regular way purchase and sale transactions the original settlement value of which expired on 31 December 2017 and which were settled at their original price after that date, for a total of € 6,538,542 compared with € 5,378,679 at the end of 2016.

LIABILITIES

AMOUNTS IN EUR	*31/12/2017*	*31/12/2016*	*CHANGE*
DUE TO BANKS		487,177	-487,177
DUE TO CLIENTS	18,083,425	22,273,570	-4,190,145
SEVERANCE INDEMNITY FUND	932,116	770,391	161,725
OTHER LIABILITIES	8,665,494	7,281,573	1,383,921
SHAREHOLDERS' EQUITY	34,848,108	33,919,555	928,553
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**62,529,143**	**64,732,266**	**-2,203,123**

The Due to banks item includes any negative cash balances on current accounts held at banks. At 31 December 2017 the Bank had no current accounts with negative balances, whereas at the end of the previous year these amounted to € 487,177.

Due to clients includes clients' cash balances (under administration and management) at 31 December 2017 for € 18,083,425. The decrease in respect of the € 22,273,570 posted at the end of the previous year was mainly attributable to the increased investment in asset management lines.

The Severance indemnity fund item increased from € 770,391 in 2016 to € 932,116, at the end of 2017, reflecting the provision for the year, disbursements made and the revised item reflecting actuarial gains and losses determined in accordance with IAS 19 revised.

The main item under Other liabilities is item 100. Other liabilities for € 7,944,197 (€ 6,133,941 at year-end 2016) comprise regular way purchase and sale transactions the original settlement value of which expired on 31 December 2017 and which were settled at their original price after that date, for a total of € 5,888,897 compared with € 4,056,383 at the end of 2016.

Shareholders' equity continues to increase, reflecting the intention to pursue stable growth through self-financing.

Profit and Loss Account

PROFIT AND LOSS ACCOUNT

AMOUNTS IN EUR	*31/12/2017*	*31/12/2016*	*CHANGE*
INTEREST MARGIN	272,301	249,903	22,398
NET FEES AND COMMISSIONS	554,479	635,391	-80,912
NET PROFITS ON TRADING	6,088,524	8,162,806	-2,074,282
EARNING MARGIN	6,915,304	9,048,100	-2,132,796
NET RESULT OF FINANCIAL MANAGEMENT	6,910,430	9,044,822	-2,134,392
OPERATING COSTS	-4,644,592	-5,258,969	614,377
INCOME TAX	-720,040	-1,147,122	427,082
PROFIT FOR THE YEAR	**1,545,798**	**2,638,731**	**-1,092,933**

The interest margin, equal to € 272,301, is substantially in line with the € 249,903 of the previous year.
This is determined as follows:

	2017	2016	change
Interest receivable and similar income	374,164	346,164	8%
Interest payable and similar expenses	(101,863)	(96,261)	6%
Total	**272,301**	**249,903**	**9%**

Interest receivable includes coupon payments received in 2017 on debt securities held for trading (€ 348,353) and interest received for cash deposits at banks (€ 25,811).
Interest payable refers to interest paid on cash deposits held by Cassa di Compensazione e Garanzia through the settlement bank NEXI S.p.A., deposits held by NEXI S.p.A. and by other banks.

Net fees and commissions, for € 554,479, decreased by around 13% with respect to the previous year when this item amounted to € 635,391. The result was determined as follows:

	2017	2016	change
Income from fees and commissions	1,026,962	1,217,639	-16%
Costs of fees and commissions	(472,483)	(582,248)	-19%
Total	**554,479**	**635,391**	**-13%**

The drop in income from fees and commissions was partly due to the decrease in management fees (-€ 44,866) as a result of the reduction in assets managed in 2017 compared with the previous year and partly to the decrease in trading commissions (-€ 188,253).
The drop in costs of fees and commissions mainly reflects the reduction in the number of purchase and sale transactions through brokers.

The **Net profit on trading**, equal to € 6,088,524, decreased by around 25% with respect to the previous year when it amounted to € 8,162,806.
In 2017 the Bank continued to carry out market making (and arbitrage) activities, mainly on the EuroTLX market and fixed income markets operated by Borsa Italiana. The securities traded were the same as in the previous year: bonds issued by governments, supranational organisations and corporate entities.
The decrease was primarily due to an overall decline in trading volumes across the main trading venues where the Bank operates directly and a further reduction in volatility in 2017 compared with the previous year.

The breakdown of the net profit on trading for 2017 and for the previous year is provided below.

FINANCIAL YEAR 2017

Transaction/Income item	Gains (A)	Profits from trading (B)	Losses (C)	Losses from trading (D)	Net result [(A+B) - (C+D)]
1. Financial assets held for trading	5,703	8,288,605	62,865	1,942,630	6,288,813
1.1 Debt securities	5,703	8,288,605	62,865	1,942,630	6,288,813
1.2 Equities					
1.3 Shares of UCI					
1.4 Loans					
1.5 Other					
2. Financial liabilities held for trading					
2.1 Debt securities					
2.2 Liabilities					
2.3 Other					
3.Financial assets and liabilities: exchange differences				89,819	-89,819
4. Derivatives		300,990		411,460	-110,470
4.1 Financial derivatives:					
- On debt securities and interest rates		300,990		411,460	-110,470
- On equity securities and share indexes					0
- On currency and gold					
- Other					
4.2 Credit derivatives					
Total	**5,703**	**8,589,595**	**62,865**	**2,443,909**	**6,088,524**

FINANCIAL YEAR 2016

Transaction/Income item	Gains (A)	Profits from trading (B)	Losses (C)	Losses from trading (D)	Net result [(A+B) - (C+D)]
1. Financial assets held for trading	10,843	10,628,808	64,457	2,513,926	8,061,268
1.1 Debt securities	10,843	10,628,808	64,457	2,513,926	8,061,268
1.2 Equities					
1.3 Shares of UCI					
1.4 Loans					
1.5 Other					
2. Financial liabilities held for trading					
2.1 Debt securities					
2.2 Liabilities					
2.3 Other					
3.Financial assets and liabilities: exchange differences					37,298
4. Derivatives		310,970		246,730	64,240
4.1 Financial derivatives:					
- On debt securities and interest rates		305,840		246,430	59,410
- On equity securities and share indexes		5,130		300	4,830
- On currency and gold					
- Other					
4.2 Credit derivatives					
Total	**10,843**	**10,939,778**	**64,457**	**2,760,656**	**8,162,806**

Operating costs amounted to € 4,644,592, about 12% less than in the previous year (€ 5,258,969), mainly reflecting the change in item 150 a) Personnel expenses.
In detail, personnel expenses decreased owing to a reduction in the variable component of salaries.

The overall workforce has increased from 13 in 2005 to 26 in 2017.
One employment contract was terminated in 2017.
The average age of employees is 36.

AGE

	2017		*2016*		*2015*		*2014*		*2013*	
	N°	*%*	*N°*	*%*	*N°*	*%*	*N°*	*%*	*N°*	*%*
25 to 30	3	11	6	22	6	23	7	29	9	36
31 to 40	20	77	19	71	18	69	15	63	14	56
Over 41	3	12	2	7	2	8	2	8	1	8

GENDER

	2017		2016		2015		2014		2013	
	N°	%	N°	%	N°	%	N°	%	N°	%
Male	18	69	19	70	18	69	16	67	16	67
Female	8	31	8	30	8	31	8	33	8	33

Income taxes for the year on current operations amounted to € 720,040. The breakdown is as follows:

Income item/Amount	**2017**
Current taxes (-)	(721,297)
Change in prepaid taxes (+/-)	1,257
Tax for the year (-) (-1+/-2+3+3(b)+/-4+/-5)	**(720,040)**

IRES	**2017**
Pre-tax profit (loss)	2,265,838
IRES at theoretical rate of 24.00%	543,801
Additional IRES at theoretical rate of 3.50%	79,304
Tax on increases	56,304
Tax on reductions	-112,640
IRES at current actual rate of 25.01%	566,769

IRAP	**2017**
Pre-tax profit (loss)	2,265,838
IRAP at theoretical rate of 5.57%	126,207
Tax on non-taxable income	-17,958
Tax on non-deductible expenses	46,279
IRAP at current actual rate of 6.82%	154,528

Operational highlights

FINANCIAL INDICATORS

	2017	2016	CHANGE %
TOTAL ASSETS	62,529,143	64,732,266	-3.40
TOTAL FUNDS USED AND INVESTED (CLIENTS AND BANKS)	40,245,503	40,238,414	0.02
TOTAL ASSETS UNDER MANAGEMENT	173,999,664	148,641,169	17.06
SHAREHOLDERS' EQUITY	34,848,108	33,919,555	2.74
INTEREST MARGIN	272,301	249,903	8.96
EARNING MARGIN	6,915,304	9,048,100	-23.57
ADMINISTRATIVE EXPENSES AND PERSONNEL COSTS	-4,579,107	-4,947,453	-7.45
GROSS OPERATING INCOME	2,518,683	4,186,181	-39.83
NET RESULT	1,545,798	2,638,731	-41.42

Data expressed in units of EUR

EFFICIENCY INDEXES

	2017	2016
ROE(1)	4.50%	8.03%
ROA(2)	2.47%	4.08%
ADMINISTRATIVE EXPENSES/EARNING MARGIN	66.22%	54.68%
COST/INCOME RATIO (3)	67.16%	58.10%

(1) Net income / Average shareholders' equity

(2) Net income / Total assets

(3) Operating costs / Earning margin

The general situation

The euro area experienced broad-based expansion of economic activity in the first half of 2017, driven mainly by internal demand.
In line with this trend, the labour market improved (pushing up household income and expenditure) and exports increased.

The economic expansion was initially accompanied by a slight rise in inflation, almost entirely due to trends in prices of particularly volatile components (energy).
These price increases determined a marginal increase in yields on long-term government bonds in the euro area.

Recovery in the euro area firmed up in the second quarter and as the rise in energy prices slowed down, inflation levels were more subdued than in the previous quarter. Euro area ten-year government bond yields declined on account of the easing of political uncertainty surrounding the outcome of the French elections and on the back of a reduction in prices.
At the same time, the euro appreciated against most other major currencies, reflecting a number of positive surprises for the euro area economy.

Moreover, at the end of the second quarter there were some important developments in the European banking system.
At the beginning of June, the EU adopted a bank resolution scheme for Banco Popular in Spain, which included transferring its shares and capital instruments to Banco Santander.
On 25 June the Italian Council of Ministers issued a decree law to put Banca Popolare di Vicenza and Veneto Banca into compulsory liquidation. These banks were then immediately acquired by Intesa Sanpaolo.
On 4 July the precautionary recapitalisation of the Monte dei Paschi di Siena bank was approved: the measure included extraordinary public financial support subsequent to the application of “burden-sharing principles”.

In the United States, a dip in growth in the first quarter was followed by renewed economic expansion in the second quarter.
As far as other countries are concerned, Japan and emerging market economies recorded healthy growth. China and India continued positive growth trends, and Brazil and Russia started to recover after emerging from recession.

In the second half of the year there were signs of increasing synchronisation of recovery at global level.
Consumer spending increased and investment strengthened on the back of favourable financing conditions and rising corporate profitability.
Euro area exports were also supported by the broad-based global expansion.

Among the other advanced economies, economic activity grew at a fast pace in the United States and, to a lesser extent, in the United Kingdom and Japan.
Among the emerging economies, China and India enjoyed sustained growth.
With specific reference to China, the government started to ease financial conditions slightly, after a period of financial tightening aimed at reducing leverage in the financial system.

GROWTH IN REAL GDP in 2017 (in %) [1]	1Q	2Q	3Q	4Q
Italy	0.5	0.4	0.4	0.3
Euro Area	0.6	0.7	0.7	0.6
UK	0.3	0.3	0.4	0.4
US	0.3	0.8	0.8	0.6
Japan	0.5	0.6	0.6	0.4
China	1.4	1.9	1.8	1.6
India	1.6	1.5	1.8	1.8
Brazil	1.3	0.6	0.2	0.1
Russia	0.8	1	0.1	n.d.

[1] *quarter-over-quarter percentage change Source: Bloomberg*

Source: Bloomberg

Oil prices increased in the period under review, which contributed to firming prices at global level; however, net inflation excluding food and energy prices remained unchanged.

TRENDS IN COMMODITY PRICES (in %)	1Q	2Q	3Q	4Q
WTI Crude Oil	-5.81	-9.01	12.23	16.93
Gold	8.86	-0.61	3.07	1.80

Source: Bloomberg

ANDAMENTO TASSO DI INFLAZIONE (in %)	Mar. 17	June 17	Sept. 17	Dec. 17
Italia	1.4	1.2	1.1	0.9
Euro Area	1.5	1.3	1.5	1.4
UK	3.1	3.5	3.9	4.1
US	2.4	1.6	2.2	2.1
Japan	-0.4	0.1	0.5	1
China	0.9	1.5	1.6	1.8

Source: Bloomberg

In September the ECB confirmed the need for a very substantial degree of monetary accommodation to allow inflation pressures to gradually build up.
This decision meant that long-term euro area government bond yields remained stable and corporate bond spreads declined further.

Also in September, the Federal Open Market Committee announced that it would begin implementing a balance sheet normalisation programme in October.
This was followed by the announcement of plans to overhaul the federal tax code, including a reduction in the corporate tax rate and the definition of new individual income tax brackets. The combined effect of these measures was reflected in an increase in US long-term treasury bond yields, a trend that continued when the reform was approved in November.

At the end of December, based on assessments of the ECB's future monetary policy stance, yields on euro area government bonds began to rise and the euro started to appreciate against the dollar.

The latter trend was strengthened by comments by the US Treasury Secretary in favour of a weaker US dollar.

INTEREST RATES (in %)	Mar. 17	June 17	Sept. 17	Dec. 17	Feb. 18
12-month BOT	-0.23	-0.35	-0.33	-0.41	-0.40
5-year BTP	1.11	0.88	0.84	0.71	0.66
10-year BTP	2.2	2.15	2.09	1.73	2.06
10-year BUND	0.33	0.48	0.46	0.48	0.70
10-year T-NOTE	2.48	2.19	2.20	2.40	2.86
ITA-GER spread in basis points	187	167	163	125	136

Source: Banca d'Italia, Deutsche Bundesbank, FED (and Bloomberg)

STRENGTH OF THE EURO AGAINST OTHER CURRENCIES (%)	1Q	2Q	3Q	4Q	First 2 months of 2018
Euro/Dollar	1.28	7.27	3.40	1.62	1.57
Euro/Pound Sterling	-0.59	3.37	0.56	0.69	-0.22
Euro/Yen	-3.50	8.20	3.52	1.78	-3.84
Euro/Chinese Yuan	0.38	5.04	1.65	-0.79	-1.03

Source: Bloomberg

Equity markets experienced a general price increase in 2017, especially in the second half of the year.
Stock markets performed particularly well in the US (reacting positively to the revision of the corporate tax system), in Japan and in the majority of emerging countries.
In early February 2018 the prospect of inflation recovering on the back of salary growth triggered a burst in volatility on international markets, which lasted just a few days.
This was followed by a period of recovery, after which there was renewed volatility in the wake of remarks delivered by the new FED's new Chairman Jerome Powell (who pointed to the possibility of further rate hikes) and by the US President concerning the implementation of customs duties on certain products.

EQUITY MARKET TRENDS (in %)	1Q	2Q	3Q	4Q	First 2 months of 2018
FTSE MIB (Italy)	6.54	0.45	10.26	-3.71	3.45
EUROSTOXX50 (Euro Area)	6.39	-1.69	4.44	-2.53	-1.86
FTSE 100 (UK)	2.52	-0.14	0.82	4.27	-5.93
S&P 500 (US)	5.53	2.57	3.96	6.12	1.50
NIKKEI 225 (Japan)	-1.07	5.95	1.61	11.83	-3.06
SHANGHAI COMPOSITE (China)	3.83	-0.93	4.90	-1.25	-1.44
SENSEX (India)	11.24	4.39	1.17	8.86	0.37
BOVESPA (Brazil)	7.90	-3.21	18.11	2.84	11.72
MICEX (Russia)	-10.61	-5.83	10.52	1.57	8.87
MSCI World Euro All Country Weighted TR	5.67	3.1	4.35	5.35	0.4

Source: Bloomberg

Looking forward, the ECB recently revised its outlook for economic growth and inflation upwards (especially in consideration of rising oil and food prices).
However, it also pointed out the presence of several downside risks to the outlook over the medium term, which include an increase in trade protectionism, a sudden tightening of global financing conditions, turbulence associated with China's reform process and political and geopolitical uncertainties.

Net profit for the year

Net profit at 31 December 2017, for € 1,545,798, decreased compared with that posted at 31 December 2016 (€ 2,638,731).

The decrease compared with the previous year was mainly due to a reduction in net profit on trading
In 2017 the Bank continued to carry out market making (and arbitrage) activities, mainly on the EuroTLX market and fixed income markets operated by Borsa Italiana. The securities traded were the same as in the previous year: bonds issued by governments, supranational organisations and corporate entities.
The decrease was primarily due to an overall decline in trading volumes across the main trading venues where the Bank operates directly and a further reduction in volatility in 2017 compared with the previous year.
The company continues to have an effective cost management system in place.

Client services

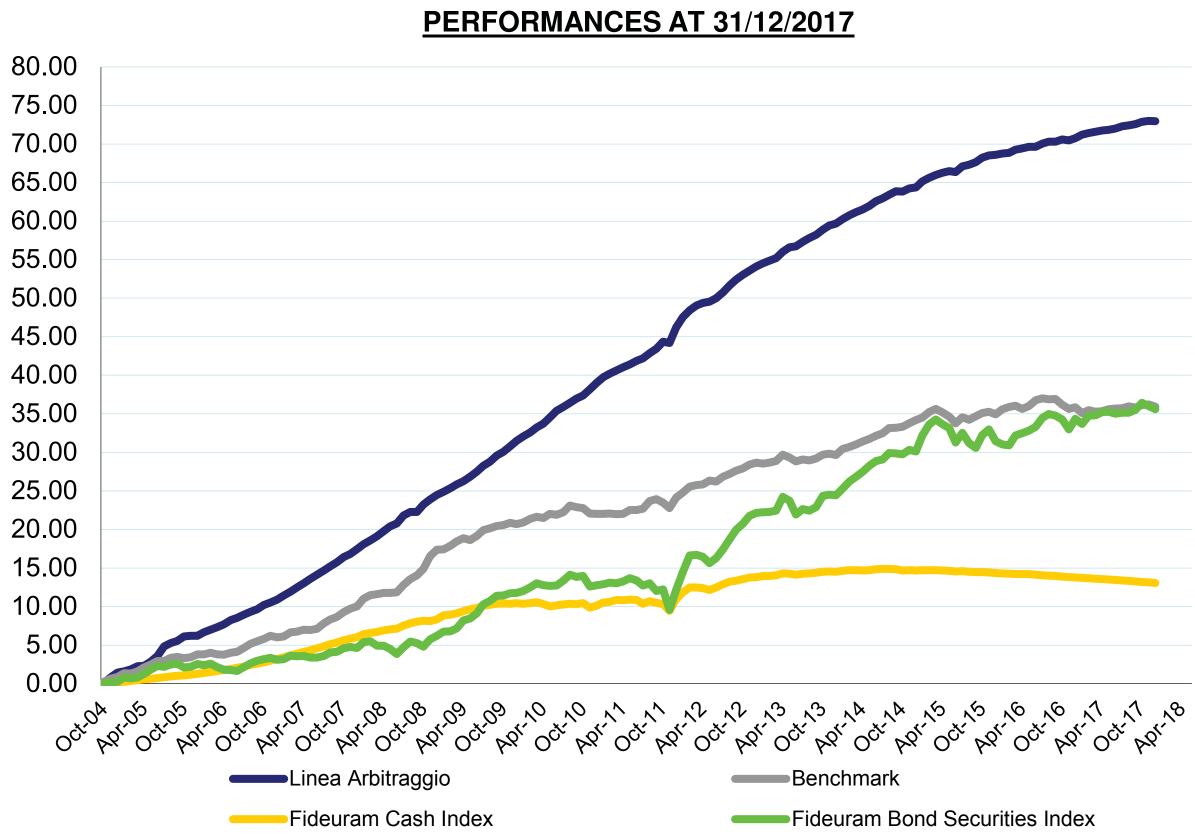
As at 31 December 2017 clients' total equity amounted to € 174 million.

Analysis of aggregate data shows a decrease in assets under management, which totalled € 114.35 million, reflecting a drop in net funds.
Nonetheless, returns on the lines managed remained in positive territory, with a weighted average of 1.44%.
Assets under administration amounted to € 59.65 million, an improvement on the € 25,90 million recorded as at 31 December 2016.

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

Analysis of performance at 31/12/2017 (1)

Simetica Arbitrage (2)



SIMETICA ARBITRAGE	
Performance in last 12 months	1.28%
Performance in last 12 months Fideuram Cash Index	-0.67%
Performance in last 12 months Fideuram Security Index	0.93%
Benchmark performance in last 12 months	0.07%
Performance from 01/10/2004	72.96%
Performance from 01/10/2004 Fideuram Cash Index	13.04%
Performance from 01/10/2004 Fideuram Security index	35.59%
Benchmark performance from 01/10/2004	35.92%

BREAKDOWN OF BENCHMARK PERFORMANCE: ARBITRAGE

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

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

(2) The data shown refer to the line that accounts for around 95% of the assets managed. Data referring to other lines managed are provided in the attached Social Report and/or on the Bank's website

Management fees and commissions

Management fees amounted to € 477,093 in 2017.

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.

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 December 2017 shareholders' equity amounted to € 34,848,108.

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.

In detail, the bylaws establish that the company is managed by a Board of Directors, responsible for strategic supervision. The Board may have between three and eleven members, as determined by the Meeting at the time of appointing the company office-holders.
The bylaws further establish that at least one quarter of the members of the Board of Directors must meet the independence criteria as established by art. 148, section 3 of Legislative Decree No. 58 of 24 February 1998. In detail, they must have the necessary professionalism and authority to foster high-level dialogue among Board members and make a significant contribution to serving the will of the Board. The Board must also include at least one non-executive member.

The Board of Directors defines the company's overall strategy, its risk objectives, the system of corporate governance, the organisational structure and system of internal controls. It oversees the correct implementation of these and takes timely action in the event of any shortcomings or inadequacies.
The Board is vested with full powers as regards the ordinary and extraordinary administration of the company and is empowered to carry out all the acts considered necessary or appropriate in order to implement and achieve the corporate purposes, with the sole exception of those powers pertaining exclusively to the General Meeting under the provisions of the law and the corporate bylaws.

The Chairman of the Board calls Board Meetings and establishes the agenda, promotes the proper functioning of the system of governance and acts as a point of contact for the internal supervisory bodies.

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

The 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 Board of Statutory Auditors also has responsibility for overseeing:
- the completeness, adequacy, functionality and reliability of the system of internal controls, of the system of risk control and management and the risk appetite framework;
- the completeness, adequacy, functionality and reliability of the business continuity plan;
- the adequacy of the method used to calculate the internal capital and its compliance with the requirements established by the regulations on prudential supervision.

The Board of Statutory Auditors acts as the supervisory body established pursuant to Legislative Decree No. 231/2001 regarding the administrative liability of companies.

For further details about the organisational structure and corporate governance of Banca Simetica, please refer to the specific corporate governance arrangements document, which is published on the website.

Internal codes

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

The Board of Directors has also approved a Code of Ethics. This document contains a series of rules of conduct (in addition to those concerning compliance with statutory, regulatory and contractual requirements and internal procedures) with which all those operating on behalf of the company are required to comply. These rules are designed to ensure that the company operates in accordance with universally accepted rules of professional conduct and ethics.

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

Furthermore, in accordance with recently introduced legislation, the company has adopted provisions regulating its internal systems for reporting of breaches (whistleblowing requirements). These set out the internal procedures that allow employees to report any events or actions that could constitute a violation of banking regulations.
These Regulations are currently being reviewed in order to cover the reporting of any event or action that could constitute:
- a breach of the rules governing the provision of investment services and activities;a breach of provisions regarding
- the prevention of money laundering and financing of terrorism;a breach of any of the provisions established
- under the Organisational, Management and Control Model.

Control environment

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

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

The system of internal controls

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

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

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

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

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

These functions operate within a system of internal controls structured on three levels.

1. **Level one (line controls)**
   These consist of assessments by the heads of the various operational areas.
2. **Level two controls**
   Performed by the Risk Management, Compliance and Anti-money laundering functions. The Risk Management function assists with the definition and implementation of the RAF and of the relevant risk management policies and processes (issuing its opinion on the consistency of any significant transactions with the RAF). It is responsible for the development, validation and maintenance of the risk measurement and control systems. It is also charged with checking and monitoring the actual levels of risk assumed by the Bank.
   The Compliance function (which is outsourced), is responsible for the ongoing identification of the applicable regulations and appropriate risk prevention procedures. It also verifies the efficacy of planned organisational changes in order to prevent the risk of non-compliance. Its tasks are graduated according to the presence of specialist areas concerning specific regulations (e.g. tax laws, occupational health and safety, privacy, etc.).
   The Anti-Money Laundering function (which is also outsourced), has the task of identifying the applicable laws, collaborating to define the appropriate procedures, preparing a training programme and defining the information flows to the corporate bodies.
3. **Level three controls**
   These are performed by the Internal Audit function.
   The duties of this function, with regard to level three controls, are to verify the correct performance of operations and evolution of risks. It also evaluates the completeness, adequacy, functionality and reliability of the organisational structure and of the other components of the system of internal controls.
   It makes recommendations to the company bodies on the basis of its findings and verifies compliance of the initiatives undertaken.

Risk management and uncertainties

The risks to which Banca Simetica is potentially exposed have been grouped and classified in the "Risk mapping manual". These risks include market risk, counterparty risk, settlement risk and liquidity risk in addition to operational, reputational and strategic risks.
The manual also contains a summary of the measurement techniques for the different types of regulatory and supervisory risks that are identified.
The regulatory guidelines are those set forth in the prudential supervisory standards issued by Banca d'Italia implementing European agreements. From the management perspective, reference is made to the specific "Risk control manual" which defines the limits approved by the competent company bodies and the respective control mechanisms.

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

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

Reference should be made to part E of the notes for a more detailed description of each type of risk and the relative procedures in place for monitoring and controlling these.
Additional information is provided in the Disclosure as at 31/12/2017, prepared in accordance with European Regulation 575/2013 (CRR - Capital Requirements Regulation). This document sets out the main results obtained with regard to the internal procedures for calculating capital adequacy (ICAAP). Its purpose is to provide transparent information to the public about the risks to which the Bank is exposed, the procedures it adopts to control and manage these and its financial stability.

Within the meaning of and pursuant to art. 2428(1) of the Italian Civil Code, the company is not exposed to specific uncertainties strictly related to accounting aspects (in that there are no elements of uncertainty in the measurement of assets, liabilities, proceeds and charges).

Capital requirements to cover risks

Risks are measured and the relative capital requirement is calculated according to the regulations for prudential supervision that implement EU law containing the reforms of the agreements of the Basel Committee ("Basel III").
The Own Funds of Banca Simetica consist entirely of common equity tier 1 (CET 1) capital, comprising the share capital, retained earnings (except the statutory reserve) and income for the period (net of dividends paid and amounts allocated to the statutory reserve) as positive items and intangible assets as the negative items.
Banca Simetica does not hold innovative capital instruments and the prime quality constituents of its Own Funds derive from its own means.
The bank's individual solvency (total capital ratio) is well above the 8% minimum limit required by law and stood at 94.41% at 31/12/2017.
This ratio is also well above the 14.60% limit that takes into account the additional requirements determined in light of the regular prudential review of Banca Simetica.
These high ratios are due to the fact that Banca Simetica performs proprietary trading activities through arbitrage (a low risk operation by definition) and market making, has not yet commenced lending activities and its high net worth.

Business continuity

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

The information system

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

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

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

It is also important to note that the Board has approved a Business Continuity Plan which, among other things, contains the description of critical technical and IT processes, preventive internal controls to ensure the continuity of operations, emergency procedures, and the definition of the audit plan.

Human Resources

A more detailed analysis of our human resources is provided in the specific section of the Social Report.
As at 31 December 2017 the number of employees stood at 26 (two part-time).
All new recruits receive a period of supervised on-the-job training.
Employees' contracts refer to the National Collective Bargaining Agreement for Bank Employees. The company has also adopted all the provisions of Italian Legislative Decree No. 81 of 9 April 2008 implementing Italian law No. 123 of 3 August 2007 concerning health and safety at work.

R&D

In 2017 Banca Simetica continued to undertake actions aimed at fostering development and strengthening its position as a fully integrated and specialist operator in the trade, arbitrage and market making sector. This, together with the continuous and systematic reviewing of our internal production processes and upgrading to ensure compliance with recent changes in the law, were important factors in enabling us to achieve the results reported in the current financial statements. As at 31 December 2017 no capitalised costs were included among the Bank's intangible assets related to R&D activities.

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.

On 29 October 2016 the European Commission published Regulation (EU) 2016/1905 endorsing IFRS 15 "Revenue from contracts with customers" published by the IASB on 28 March 2014.

On 29 November 2016 the European Commission published Regulation (EU) 2067/2016 endorsing IFRS 9 "Financial Instruments" published by the IASB on 24 July 2014.

On 9 November 2017 the European Commission published the following Regulations:

- Regulation (EU) No. 2017/1986 adopting IFRS 16 Leasing, which aims to improve financial reporting on lease contracts;
- Regulation (EU) 2017/1987 adopting amendments to IFRS 15 Revenue from contracts with customers Clarifications to IFRS 15. The amendments aim to clarify some requirements and provide additional transitional relief for companies that are implementing the standard;
- Regulation (EU) No. 2017/1988 adopting amendments to IFRS 4 "Applying IFRS 9 Financial Instruments" with IFRS 4 "Insurance Contracts".

IFRS 9 will replace IAS 39 as from 1 January 2018.

The new standard will cover three areas:

- Classification and measurement:

IFRS 9 classifies financial assets into three measurement categories, i.e., amortised cost, fair value through other comprehensive income (equity reserve) and fair value through profit or loss. This classification is determined by both the entity's business model and the contractual cash flow characteristics of the financial instrument.
IFRS 9 does not change the basic accounting model for financial liabilities under IAS 39 except for financial liabilities measured at fair value, for which changes in fair value attributable to own credit risk must be presented in other comprehensive income (equity reserve) and not in profit or loss.

- Impairment:

The standard introduces a new impairment model based on expected losses, instead of the incurred losses model used by IAS 39. It requires entities to recognise expected credit losses in three stages, based on the counterparty's credit risk. Stage one is where credit risk has not increased significantly since initial recognition. For financial assets in this stage, entities are required to recognise 12-month expected credit losses. For financial assets in the other two stages, entities are required to recognise lifetime expected loss.

- Hedge accounting:

The new standard simplifies the application of hedge accounting compared with IAS 39 by aligning it more closely with the Bank's risk management objectives.

IFRS 9 will apply retrospectively and the new requirements must therefore be applied as if they had always been used. Differences between the carrying value at 31 December 2017 and the carrying value redetermined using the new rules at 1 January 2018 will be recognised per contra in equity, in a reserve containing "retained earnings carried forward to the opening balance of the following period".

Over the years, Banca Simetica has continued to specialise in trading activities, especially market making and arbitrage.

This business model was confirmed in the 2017-2019 strategic business plan, approved by the Board of Directors on 22 March 2017.

In detail, the Bank's strategic objectives can be summarised as follows:

a) strong positioning of the traditional core business of proprietary trading through arbitrage and market making;
b) building customer loyalty and confirming and strengthening the Bank's position on ethical management lines, especially those with a low risk profile.

As regards the application of IFRS 9, the only line of business of relevance for the Bank is proprietary trading, the core business of which consists in the trading of bonds using market making and arbitrage strategies.
In detail, the Bank's business does not include the traditional banking activities of providing lines of credit or lending to households or companies, therefore our analysis did not detect any impact in respect of impairment. Moreover, since the Bank does not use hedging derivatives, the hedge accounting requirements do not produce any impact on the accounts of the Bank.

With specific reference to the new requirements for the classification of financial assets under IFRS 9, our analysis mainly focused on the definition of the business model the Bank intends to use to manage the accounting of its financial assets and a detailed assessment of the financial instruments in the portfolio in order to identify any financial assets with cash flow characteristics that prevent them from being classified at amortised cost and which must therefore be measured at fair value through profit or loss.

After completing our analysis and survey of the different procedures used to manage financial instruments in order to generate cash flows, we defined a single business model for managing financial assets, confirming the portfolio management strategy in line with that established under the previous standard IAS 39. By combining the business model and the characteristics of the contractual cash flows of the instruments in the portfolio, it emerged that all financial assets traded by the Bank fall into the category of financial assets measured at fair value through profit or loss (FVTPL). Therefore, the application of IFRS 9 has no impact on the profit and loss account.

Based on the results of the analyses described above, the application of IFRS 9 will not have any impact on the Bank's capital.

As from 1 January 2018, IFRS 15 will replace IAS 18, IAS 11 and the respective interpretations currently in force.

This standard establishes a new five-step model for recognising revenue, applicable to all contracts with customers except for:
- leases within the scope of IAS 17;
- insurance contracts within the scope of IAS 4;
- financial instruments and other contractual rights or obligations within the scope of IFRS 9, IFRS 10, IFRS 11, IAS 27 and IAS 28.

According to the new model, revenue must be recognised by following five basic steps:
- identify the contract(s) with a customer;
- identify the performance obligations in the contract;
- determine the transaction price;

- allocate the transaction price to the performance obligations in the contract;
- recognise revenue when the entity satisfies a performance obligation.

In implementation of IFRS is for revenue items, mainly related to commissions, which derive from contracts with customers and that do not fall within the scopes of application listed above, the entity must perform the following evaluations to determine whether:
- the transaction price, including variable consideration, should be allocated to one or more performance obligation;
- performance obligations are satisfied at a point in time or over time;
- the revenue should be stated gross or net depending on whether the entity is acting as a principal or agent in the transaction.

Based on the Bank's analysis of the provisions set out in the new standard and considering the main types of contract adopted by the Bank, the first-time application of the new standard is not expected to produce a significant quantitative impact.

Legislative Decree No. 254/2016 implemented Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 on the disclosure of non-financial and diversity information – linked to the impact of organisations' activities on society and the environment, respect for human rights and their policies related to these matters and diversity policies in relation to their administrative and management bodies.
The decree came into effect on 25 January 2017 and applies for financial years starting on or after 1 January 2017. Entities like Banca Simetica that are not subject to the new disclosure requirements in that they do not meet the criteria established by the aforesaid Decree, may publish non-financial disclosures on a voluntary basis that can be certified as meeting the requirements of the Directive (art. 7 of the Decree). Banca Simetica has chosen not to publish this statement for financial 2017.

Directive 2014/65/EU (MiFID II) and Regulation (EU) 600/2014 (MIFIR) and their implementing provisions came into force on 3 January 2018.
These set out a series of provisions aimed at:
- promoting the orderly functioning of markets through the provision of rules for regulating algorithmic trading;
- increasing pre and post trade transparency for all instruments;
- improving market surveillance;
- enhancing investor protection.

In preparation for the entry into force of these new rules, in 2017 Banca Simetica set up specific work groups with the tasks of:
- following regulatory developments;
- performing gap analyses to assess the impact of the rules on the Bank's processes;
- making the necessary changes to the processes involved, and to the documentation and information requested by the markets and authorities.

Work was also carried out to ensure compliance with the decree enacting the Fourth Anti-Money Laundering Directive.

Social Report

In accordance with art. 22 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 2018

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

Outlook

In the first part of 2018 the results of business operations in general and arbitrage and market making activities in particular are substantially in line with the budget approved by the Board of Directors. On the basis of these facts the outlook for the rest of the year is positive.

Factors and conditions that could affect profitability and lead to differences with respect to that set out in the budget include trends in trading volumes on the financial markets of reference and volatility. The 2017-2019 Strategic Business Plan approved by the Board of Directors on 22 March 2017 does not envisage the start of any new activities.

Allocation of the profit for the year

Dear Shareholders,

You are invited to approve the financial statements for the year ended at 31 December 2017. We propose allocating the net profit for the year, amounting to € 1,545,798 as follows:

€	22.956	to the statutory social solidarity fund*
€	952.842	to the extraordinary reserve
€	570.000	profits to be allocated

* The amount to be allocated to the statutory fund has been calculated taking into account donations made during the financial year and recorded in the profit and loss account, for € 131,624.

Biella, 22 march 2018

The Board of Directors
Chairman
Pier Luigi Barbera

Balance Sheet

ASSETS

		2017	2016
10.	Cash and liquid assets	14,133	6,745
20.	Financial assets held for trading	12,228,838	14,942,989
40.	Financial assets available for sale		4,874
60.	Due from banks	40,245,503	40,238,414
110.	Tangible assets	2,159,827	2,271,168
120.	Intangible assets	8,525	11,557
130.	Tax assets	current	1,378,594
	a) current	877,790	1,339,526
	b) prepaid	57,601	39,068
	b1) of which pursuant to Law No. 214/2011		
150.	Other assets	6,936,926	5,877,925
	Total assets	**62,529,143**	**64,732,266**

LIABILITIES AND SHAREHOLDERS' EQUITY

		2017	2016
10	Due to banks		487,177
20.	Due to clients	18,083,425	22,273,570
80.	Tax liabilities	721,297	1,147,632
	a) current	721,297	1,147,632
100.	Other liabilities	7,944,197	6,133,941
110.	Severance indemnity fund	932,116	770,391
130.	Valuation reserves	(139,023)	(91,778)
160.	Reserves	24,541,333	22,472,602
170.	Issue premium	1,300,000	1,300,000
180.	Capital	7,600,000	7,600,000
200.	Net income (Loss) for the year (+/-)	1,545,798	2,638,731
	Total liabilities and shareholders' equity	**62,529,143**	**64,732,266**

Profit and Loss Account

Items		2017	2016
10.	Receivable interest and similar income	374,164	346,164
20.	Payable interest and similar expenses	(101,863)	(96,261)
30.	Interest margin	272,301	249,903
40.	Income from fees and commissions	1,026,962	1,217,639
50.	Costs of fees and commissions	(472,483)	(582,248)
60.	Net of fees and commissions	554,479	635,391
80.	Net profit on trading	6,088,524	8,162,806
120.	Earning margin	6,915,304	9,048,100
130.	Net value adjustments for impairment of:	(4,874)	(3,278)
	b) financial assets available for sale	(4,874)	(3,278)
140.	Net result of financial management	6,910,430	9,044,822
150.	Administrative expenses:	(4,579,107)	(4,947,453)
	a) personnel costs	(2,426,821)	(2,806,015)
	b) other administrative expenses	(2,152,286)	(2,141,438)
170.	Net adjustments to value of tangible assets	(249,711)	(393,697)
180.	Net adjustments to value of intangible assets	(3,032)	(4,222)
190.	Other operating expense/income	187,360	88,812
200.	Operating costs	(4,644,490)	(5,256,560)
240.	Gains (Losses) on sale of investments	(102)	(2,409)
250.	Profit (loss) on current operations before tax	2,265,838	3,785,853
260.	Income tax for the year on current operations	(720,040)	(1,147,122)
270.	Net profit (loss) for the year	1,545,798	2,638,731
290.	**Net profit (Loss) for the year**	**1,545,798**	**2,638,731**

Statement of comprehensive income

Items		2017	2016
10.	Net profit (loss) for the year	1,545,798	2,638,731
	Other income components net of tax not reclassified through profit or loss		
40	Defined benefit plans	(47,245)	20,637
130	**Total other income components net of tax**	**(47,245)**	**20,637**
140	**Comprehensive income (Item 10+130)**	**1,498,553**	**2,659,368**

Statement of changes in shareholders' equity 2017

Change in the year

	Balance at 31.12.2016	Change in opening balance	Balance 1.1.2017	Allocation of prevoius year: Reserves	Allocation of prevoius year: Dividends and other allocations	Change in the year: Changes in reserves	Operations on shareholders' equity: Issue of new shares	Operations on shareholders' equity: Purchase of own shares	Operations on shareholders' equity: Extraordinary distribution of dividends	Operations on shareholders' equity: Change in capital instruments	Operations on shareholders' equity: Derivatives on own shares	Operations on shareholders' equity: Stock options	Comprehensive income for 2017	**Shareholders' equity at 31.12.2017**
Capital:														
a) ordinary shares	7,600,000		7,600,000											**7,600,000**
b) other shares														
Issue premiums	1,300,000		1,300,000											**1,300,000**
Reserves:	22,472,602		22,472,602	2,068,731										**24,541,333**
a) retained earnings	22,472,602		22,472,602	2,068,731										**24,541,333**
b) other														
Valuation reserves	(91,778)		(91,778)										(47,245)	**(139,023)**
Capital instruments														
Own shares														
Profit (Loss) for the year	2,638,731		2,638,731	(2,068,731)	(570,000)								1,545,798	**1,545,798**
Shareholders' equity	33,919,555		33,919,555		(570,000)								1,498,553	**34,848,108**

Change in the year

				Allocation of prevoius year		Change in the year								
							Operations on shareholders' equity							
	Balance at 31.12.2015	Change in opening balance	Balance at 1.1.2016	Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of own shares	Extraordinary distribution of dividends	Change in capital instruments	Derivatives on own shares	Stock options	Comprehensive income for 2016	**Shareholders' equity at 31.12.2016**
Capital:														
a) ordinary shares	7,600,000		7,600,000											**7,600,000**
b) other shares														
Issue premium	1,300,000		1,300,000											**1,300,000**
Reserves:	19,430,734		19,430,734	3,041,868										**22,472,602**
a) retained earnings	19,430,734		19,430,734	3,041,868										**22,472,602**
b) other														
Valuation reserves	(112,415)		(112,415)										20,637	**(91,778)**
Capital instruments														
Own shares														
Profit (Loss) for the year	3,611,868		3,611,868	(3,041,868)	(570,000)								2,638,731	**2,638,731**
Shareholders' equity	31,830,187		31,830,187		(570,000)								2,659,368	**33,919,555**

Cash flow statement – direct method

A. OPERATIONAL ACTIVITIES	2017	2016
1. Management	**1,860,184**	**2,470,984**
- interest earned (+)	298,080	237,948
- interest paid (-)	(101,863)	(96,261)
- dividends and similar income (+)	0	0
- net fees and commissions (+/-)	535,084	623,130
- personnel costs (-)	(2,389,604)	(2,418,633)
- other costs (-)	(2,071,776)	(2,193,304)
- other revenues (+)	6,276,159	8,251,519
- tax and duties (-)	(685,896)	(1,933,415)
2. Cash flow generated/absorbed by financial assets	**1,681,833**	**2,474,085**
- financial assets held for trading	2,795,109	(2,111,347)
- due from clients		
- other assets	(1,113,276)	4,585,432
3. Cash flow generated/absorbed by financial liabilities	**(2,366,909)**	**741,788**
- due to clients	(4,190,145)	5,234,937
- financial liabilities held for trading		
- other liabilities	1,823,236	(4,493,149)
Net cash flow generated/absorbed by operating activity	**1,175,108**	**5,686,857**
B. INVESTMENTS		
1. Cash flow generated by		
- sale of tangible assets		
2. Cash flow absorbed by	**(103,454)**	**(32,325)**
- purchase of tangible assets	103,454	32,325
Net cash flow generated/absorbed by investing activity	**(103,454)**	**(32,325)**
C. FUNDING		
- distribution of dividends and other allocations	(570,000)	(570,000)
Net cash flow generated/absorbed by financing activity	**(570,000)**	**(570,000)**
NET CASH FLOW GENERATED/ABSORBED DURING THE YEAR	**501,654**	**5,084,532**

RECONCILIATION

Items	2017	2016
Cash and cash equivalents at start of year	39,757,982	34,673,450
Total net cash flow generated/absorbed during the year	501,654	5,084,532
Cash and cash equivalents at the end of the year	**40,259,636**	**39,757,982**

Notes to the Financial Statements

Notes to the Financial Statements

Parte 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 2017 have been drawn up in compliance with the IAS/IFRS developed by the IASB, and the relative interpretations of the IFRIC, adopted by the European Commission under Regulation (EC) No. 1606/2002.

- **Section 2**

Basis of preparation
These financial statements have been prepared using the same accounting policies and methods as those as at 31 December 2016, to which reference should be made for further details. They also include the following information which refers to IAS/IFRS and relevant SIC/IFRIC interpretations approved by the European Commission up to the date of these accounts.

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

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

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

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

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

- **Section 3**

Events after the reporting period
When necessary, amounts recognised after the reporting period are adjusted to reflect the events occurring after

the reference date for which adjustments must be made pursuant to IAS 10.
No significant events occurred after the end of the reporting period.

- **Section 4**

Other aspects
Nothing to report.

Use of estimates and assumptions in preparing financial statements
Drawing up the accounts also involves the use of estimates and assumptions that can significantly affect the values stated in the balance sheet and profit and loss account, and the information about potential assets and liabilities stated in the accounts.
Said estimates must be processed on the basis of the information that is available and subjective judgements, based on past experience, used to formulate reasonable assumptions for disclosing management events.

By their very nature the estimates and assumptions that are used may vary from year to year; values disclosed in these accounts may therefore differ, even quite substantially, from those stated in future accounts as a result of differences in the subjective evaluations that are used.

The main items requiring the greatest use of subjective evaluations are:
- quantification of impairment losses on financial assets;
- determination of the fair value of financial instruments used for reporting purposes;
- quantification of employee funds;
- estimates and assumptions regarding the recoverability of deferred tax assets.

The description of the accounting policies used for the main aggregates in the accounts includes the details necessary in order to identify the main subjective assumptions and evaluations that have been used to draw up these financial statements.

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 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 computation includes all fees and basis 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 not important. Receivables of such short duration as to make the effects of actualisation negligible, are stated at face value.
The effective interest rate initially recognised is the rate (known as the original rate) that is also always used to discount expected cash flows and to determine the amortised cost after initial recognition. The presence of objective evidence that a financial asset or group of financial assets may be impaired must be verified at each balance sheet or interim report date.

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

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

• Tangible assets

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

Recognition criteria
Tangible assets are initially recognised at cost (under item 110 “Tangible assets”), inclusive of any directly attributable costs incurred in bringing the asset into working condition for its intended use, and any non-recoverable taxes and duties. This value is subsequently increased by additional costs incurred which are expected to generate future economic benefits. Costs for ordinary maintenance on tangible assets are charged to earnings as and when incurred.

The cost of a tangible asset is only recognised as an asset if:
- it is probable that the future economic benefits attributable to the asset will flow to the company
- the cost of the asset can be measured in a reliable manner.

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

Valuation criteria
Subsequent to initial recognition, operating tangible assets are carried at cost, as described above, less any accumulated depreciation and impairment losses. The depreciable amount, equal to the cost less the residual value (i.e. the amount that is expected to be received for the asset at the end of its useful life after deducting disposal costs), is depreciated on a straight-line basis over the residual useful life of the asset using the straight-line method. 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 "Net adjustments to 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 Net adjustments to value of tangible assets".

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

• Intangible assets

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

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

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

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

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

Classification criteria
Intangible assets include application software for multi-year use.

Valuation criteria
Subsequent to initial recognition, intangible assets with a definite useful life are recognised at cost less cumulative amortisation and any impairment losses that may have occurred.
The amortisation is allocated systematically over the best estimate of the asset's useful life, using the straight-line method.

The assets start being amortised when they are ready for use and cease being amortised when the assets are eliminated from the accounting records.
Intangible assets with an indefinite useful service life are recognised at cost less any impairment losses. These losses are recorded as a result of the impairment tests carried out on an annual basis. As a result, these assets are not amortised.
Impairment losses that arise from the difference between the carrying value of the assets and their recoverable value are recognised, like write-backs, under item 180 "Net adjustments to 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 Net adjustments to value of intangible assets".
Any gain or loss arising on the derecognition or disposal of the intangible asset, calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is included in the profit and loss account under item 240 "Gains (Losses) from sale of investments".

• Current and deferred taxes

Income tax for the year is calculated and stated in the financial statements on an accruals basis and credited or charged to the profit and loss account for the year in which it is earned or incurred.

Differences between the profit reported in the statutory accounts and the taxable income may be temporary or permanent, depending on whether the difference between the statutory and fiscal values of specific income or charge items will be re-absorbed in future.
Permanent differences have no impact on subsequent financial periods and there is no need for any adjustment to the tax stated in profit and loss; temporary differences generate a saving or an increase in tax for the year. This difference is made up in subsequent years and results in a difference between the tax due and tax for the year.

For this reason the financial statements must not only include "current" tax, i.e. tax calculated according to tax laws, but also "deferred" tax, i.e. tax due on the basis of the timing differences described above, to be paid or recovered in subsequent years.

The provision for income tax is determined on the basis of a prudential forecast of the current tax charge, prepaid tax and deferred tax.
Deferred tax assets are recognised to the extent that it is likely that taxable profits will be available in subsequent years against which deductible temporary differences can be used.

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

• Payables and securities in issue

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

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

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

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

• Transactions in foreign currency

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

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

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

• Other information

Employee severance indemnity
Employee severance indemnity is calculated on an actuarial basis. For the actuarial calculation of this amount the company requested and obtained a report by an actuary registered with the National Actuarial Association, published by the National Order of Actuaries.
The "Projected Unit Credit Cost" method was used for the actuarial calculation. This method is based on the projection of future expense on the basis of statistical records, demographic data and the financial actualisation of these flows at market interest rates.

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

Revenues
Revenues are recognised when received or when future benefits are likely to be received and said benefits can be measured reliably.
Charges
Charges are recognised when incurred and when there is a reduction in the future economic benefits that can be measured reliably.

Criteria for measuring the fair value of financial instruments

In December 2012 the European Commission published Regulation (EU) No. 1255/2012 endorsing the new IFRS 13 "Fair Value Measurement" accounting standard, which took effect as from January 1, 2013.

IFRS 13 defines fair value as: "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date". For financial instruments this definition of fair value replaces the previous version in IAS 39 Financial instruments: recognition and measurement.
Therefore, according to the new fair value definition in IFRS 13, the fair value of financial liabilities is the value that would be paid for the transfer of that liability (exit price), rather than the amounts necessary to settle it (as per the definition provided in IAS 39).
Greater emphasis is thus given to the recognition of the fair value adjustments of financial liabilities other than derivatives - attributable to the issuer's credit standing (Own credit adjustment - OCA), compared to the provisions established in IAS 39. With regard to the fair value measurement of OTC derivatives in the balance sheet assets, IFRS 13 confirmed the rule that requires the adjustment to be applied for counterparty risk (Credit Valuation Adjustment - CVA). With regard to financial liabilities consisting of OTC derivatives, IFRS 13 introduces the Debit Valuation Adjustment (DVA), which is a fair value adjustment designed to reflect an entity's own default risk on these instruments, an issue not explicitly addressed by IAS 39.

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

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

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

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

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

A.4 FAIR VALUE disclosure

Qualitative disclosure

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

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

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

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

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

A.4.2 Valuation processes and sensitivity

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

A.4.3 Fair value hierarchy

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

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

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

Level 2 inputs include:

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

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

A.4.4 Other information

The bank does not manage groups of financial assets or liabilities on the basis of its net exposure to market risks or credit risk.
As at 31 December 2017 there is no information to report pursuant to IFRS 13 paragraph 93(i).
Reference should be made to the sections concerning the various accounting categories in part "A.1 General" and specifically "Criteria for measuring the fair value of financial instruments" in part A.2. "Main items in the balance sheet - Other information".

Quantitative disclosure

A.4.5 Fair value hierarchy

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

	2017			2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	12,228,838			14,942,989		
2. Financial assets at fair value						
3. Financial assets available for sale					4,874	
4. Hedging derivatives						
5. Tangible assets			2,159,827			2,271,168
6. Intangible assets			8,525			11,557
Total	**12,228,838**		**2,168,352**	**14,942,989**	**4,874**	**2,282,725**
1. Financial liabilities held for trading						
2. Financial liabilities at fair value						
3. Hedging derivatives						
Total						

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

	2017				2016			
	BV	L1	L2	L3	BV	L1	L2	L3
1. 1. Financial assets held to maturity								
2. Due from banks	40,245,503			40,245,503	40,238,414			40,238,414
3. Due from clients								
4. Tangible assets held for investment								
5. Non-current assets and disposal groups								
Total	**40,245,503**			**40,245,503**	**40,238,414**			**40,238,414**
1. Due to banks					487,177			487,177
2. Due to clients	18,083,425			18,083,425	22,273,570			22,273,570
3. Securities in issue								
4. Liabilities associated with a disposal group								
Total	**18,083,425**			**18,083,425**	**22,760,747**			**22,760,747**

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

Key:

BV = Book value L2= Level 2

L1= Level 1 L3= Level 3

Part B - Information on the balance sheet - assets

Section 1 – Cash and liquid assets – Item 10

1.1. CASH AND CASH EQUIVALENTS: BREAKDOWN

	2017	2016
a) Cash	7,138	4,926
b) Demand deposits with Central Banks	6,995	1,819
Total	**14,133**	**6,745**

Section 2 – Financial assets held for trading – Item 20

2.1 FINANCIAL ASSETS HELD FOR TRADING: PRODUCT BREAKDOWN

Items/Amounts	2017			2016		
	Level 1	Level 2	Level	Level 1	Level 2	Level 3
A Financial assets						
1. Debt securities	12,228,838			14,942,989		
1.1 Structured securities						
1.2 Other debt securities	12,228,838			14,942,989		
2. Equities						
3. Shares of UCI						
4. Loans						
4.1 Repos						
4.2 Other						
Total A	**12,228,838**			**14,942,989**		
B Derivatives						
1. Financial derivatives						
1.1 trading						
1.2 fair value option						
1.3 other						
2. Credit derivatives						
2.1 trading						
2.2 fair value option						
2.3 other						
Total B						
Total (A+B)	**12,228,838**			**14,942,989**		

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

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

Items/Amounts	2017	2016
A Financial assets		
1. Debt securities	**12,228,838**	**14,942,989**
a) Governments and Central Banks	10,338,647	11,698,786
b) Other public-sector entities	46,599	284,445
c) Banks	735,134	649,128
d) Other issuers	1,108,458	2,310,630
2. Equities		
a) Banks		
b) Other issuers:		
- insurance undertakings		
- financial undertakings		
- non-financial undertakings		
- other		
3. Shares of UCI		
4. Loans		
a) Governments and Central Banks		
b) Other public-sector entities		
c) Banks		
d) Other issuers		
Total A	**12,228,838**	**14,942,989**
B. Derivatives		
a) Banks		
b) Clients		
Total B		
Total (A+B)	**12,228,838**	**14,942,989**

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

Section 4 – Financial assets available for sale – Item 40

4.1. FINANCIAL ASSETS AVAILABLE FOR SALE: PRODUCT BREAKDOWN

Items/Amounts	2017			2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities						
1.1 Structured securities						
1.2 Other debt securities						
2. Equities						
2.1 Measured at fair value					4,874	
2.2 Measured at cost						
3. Shares of UCI						
4. Loans						
Total					**4,874**	

4.2. FINANCIAL ASSETS AVAILABLE FOR SALE: BREAKDOWN BY BORROWER/ISSUER

Items/Amounts	Total 2017	Total 2016
1. Debt securities		
a) Governments and Central Banks		
b) Other public-sector entities		
c) Banks		
d) Other issuers		
2. Equities		
a) Banks		4,874
b) Other issuers:		
- insurance undertakings		
- financial undertakings		
- non-financial undertakings		
- other		
3. Shares of UCI		
4. Loans		
a) Governments and Central Banks		
b) Other public-sector entities		
c) Banks		
d) Other issuers		
Total		**4,874**

Section 6 – Due from banks – Item 60

6.1 DUE FROM BANKS: PRODUCT BREAKDOWN

Type of transactions/ Amounts	2017				2016			
	BV	FV L1	FV L2	FV L3	BV	FV L1	FV L2	FV L3
A. Loans to central banks								
1. Time deposits								
2. Compulsory reserves								
3. Repos								
4. Other								
B. Loans to banks	40,245,503			40,245,503	40,238,414			40,238,414
1. Loans								
1.1 Current accounts and demand deposits	40,165,602			40,165,602	40,080,073			40,080,073
1.2. Time deposits	79,901			79,901	158,341			158,341
1.3. Other loans:								
- Reverse repurchase agreement assets								
- Financial leases								
- Other								
2. Debt securities								
2.1 Structured securities								
2.2 Other debt securities								
Total	**40,245,503**			**40,245,503**	**40,238,414**			**40,238,414**

The fair value is equal to the book value as these are demand deposits.
Key
FV = fair value
BV = book value
L1= Level 1
L2= Level 2
L3= Level 3

The compulsory reserve is set aside through NEXI S.p.A.; this amount is therefore stated on line B.1.2 “Time deposits”.
Sub-item “B.1.1 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 NEXI S.p.A.; such initial margins are required against positions on held-for-trading financial instruments listed on regulated markets.

Section 11 - Tangible assets - Item 110

11.1. TANGIBLE ASSETS FOR OPERATIONAL USE: BREAKDOWN OF ASSETS VALUED AT COST

Assets/Amounts	2017	2016
1 Assets owned	2,159,827	2,271,168
a) land	42,000	42,000
b) buildings	1,820,206	1,884,447
c) furniture and fittings	83,642	133,250
d) electronic systems	213,979	211,471
e) other		
2 Leased		
a) land		
b) buildings		
c) furniture and fittings		
d) electronic systems		
e) other		
Total	**2,159,827**	**2,271,168**

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

ASSET GROUP	*RATE*
Property	3%
Lift system	7,5%
Machinery and miscellaneous equipment	15%
Furniture and fittings	15%
Electronic office equipment	20%
Internal communication and remote signalling systems	25%
Burglar alarm system	30%

11.5 TANGIBLE ASSETS FOR OPERATIONAL USE: CHANGES FOR THE YEAR

	Land	Buildings	Furniture	Electronic	Other	Total
A. Gross opening balance	**42,000**	**2,141,370**	**377,235**	**1,631,022**		**4,191,627**
A.1 Total net reductions in value		256,923	243,985	1,419,551		
A.2 Net opening balance	**42,000**	**1,884,447**	**133,250**	**211,471**		**2,271,168**
B. Increases:			**38**	**138,442**		**138,480**
B.1 Purchases			38	138,442		
B.2 Capitalised expenditure on improvements						
B.3 Write-backs						
B.4 Increases in fair value recognised in:						
a) shareholders' equity						
b) profit and loss						
B.5 Positive exchange differences						
B.6 Transfer from properties held for investment						
B.7 Other changes						
C. Reductions:		**64,241**	**49,646**	**135,934**		**249,821**
C.1 Disposals						
C.2 Depreciation		64,241	49,646	135,825		
C.3 Impairment losses recognised in						
a) shareholders' equity						
b) profit and loss						
C.4 Reductions of fair value recognised in:						
a) shareholders' equity						
b) profit and loss						
C.5 Negative exchange differences						
C.6 Transfers to:						
a) tangible assets held for investment						
b) assets held for sale						
C.7 Other changes				109		
D. Net closing balance	**42,000**	**1,820,206**	**83,642**	**213,979**		**2,159,827**
D.1 Total net reduction in value		321,164	292,695	1,434,350		
D.2 Gross closing balance	**42,000**	**2,141,370**	**376,337**	**1,648,329**		**4,208,036**
E. Carried at cost						

Section 12 - Intangible assets - Item 120

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

12.1 INTANGIBLE ASSETS: BREAKDOWN BY TYPE OF ASSET

Assets/Amounts	2017		2016	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill				
A.2 Other intangible assets	**8,525**		**11,557**	
A.2.1 Assets carried at cost:	8,525		11,557	
a) internally generated				
b) other	8,525		11,557	
A.2.2 Assets carried at fair value:				
a) internally generated				
b) other				
Total	**8,525**		**11,557**	

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				11,557		**11,557**
A.1 Total net reductions in value						
A.2 Net opening balance				11,557		**11,557**
B. Increases						
B.1 Purchases						
B.2 Increases in internally generated intangible assets						
B.3 Write-backs						
B.4 Increases in fair value						
- in equity						
- through profit or loss						
B.5 Positive exchange differences						
B.6 Other changes						
C. Reductions				3,032		**3,032**
C.1 Disposals						
C.2 Write-backs						
- Depreciation				3,032		
- Write-downs:						
+ shareholders' equity						

+ through profit or loss						
C.3 Reduction in fair value:						
- in equity						
- through profit or loss						
C.4 Transfers to non-current assets held for sale						
C.5 Negative exchange differences						
C.6 Other changes						
D. Net closing balance				8,525		**8,525**
D.1 Total net value re-adjustments						
E. Gross closing balance				8,525		**8,525**
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 € 57,601, mainly reflecting prepaid taxes on actuarial losses relating to defined benefit plans.

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

	2017	2016
1. Opening balance	**3,291**	**2,781**
2. Increases	**4,746**	**3,999**
2.1 Prepaid taxes recognised in the year		
a) relating to previous years		
b) due to changes in accounting criteria		
c) write-backs	4,746	3,999
d) other		
2.2 New taxes or increases in applicable tax rates		
2.3 Other increases		
3. Reductions	**3,489**	**3,489**
3.1 Prepaid taxes cancelled in the year		
a) reversals	3,489	3,489
b) write-downs for non-recovery		
c) due to changes in accounting criteria		
d) other		
3.2 Reductions in applicable tax rates		
3.3 Other reductions:		
a) conversion to tax credit pursuant to Law No. 214/2011		
b) other		
4. Closing balance	**4,548**	**3,291**

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

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

	2017	2016
1. Opening balance	35,777	47,708
2. Increases	52,137	34,861
2.1 Prepaid taxes recognised in the year		
a) relating to previous years		
b) due to changes in accounting criteria	52,137	34,861
d) other		
2.2 New taxes or increases in applicable tax rates		
2.3 Other increases		
3. Reductions	34,861	46,792
3.1 Prepaid taxes cancelled in the year		
a) reversals	34,861	46,792
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	**53,053**	**35,777**

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	2017	2016
Prepaid IRES	699,669	1,079,741
Prepaid IRAP	178,121	259,784
Withholding tax		1
Total	**877,790**	**1,339,526**

Current tax liabilities

Description	2017	2016
Provision for IRES	566,769	902,329
Provision for IRAP	154,528	245,303
Total	**721,297**	**1,147,632**

Section 15 – Other assets – Item 150

15.1 Other assets: breakdown

Description	2017	2016
Prepayments and accrued income	16,163	51,728
Other minor items	1,094	4,241
Transactions in securities to be credited*	6,538,542	5,378,679
Advanced tax payment on savings managed	97,051	97,617
Other receivables from the tax authorities	36,032	88,164
Advance payment of stamp duty	248,044	257,496
Total	**6,936,926**	**5,877,925**

* These are regular way transactions the original settlement value of which expired on 31/12/2017 and which were settled at their original price after 31/12/2017.

Part B - Information on the balance sheet - liabilities

Section 1 – Due to banks – Item 10

1.1 DUE TO BANKS: PRODUCT BREAKDOWN

Type of transactions/Amounts	2017	2016
1. Due to central banks		
2. Due to banks		
2.1 Current accounts and demand deposits		487,177
2.2 Time deposits		
2.3 Loans		
2.3.1 Reverse sale agreements		
2.3.2 Other		
2.4 Liabilities in respect of commitments to repurchase treasury shares		
2.5 Other liabilities		
Total		**487,177**
Fair value - level 1		
Fair value - level 2		
Fair value - level 3		**487,177**
Total fair value		**487,177**

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

Section 2 – Due to clients – Item 20

2.1. DUE TO CLIENTS: PRODUCT BREAKDOWN

Type of transactions/Amounts	2017	2016
1. Current accounts and demand deposits	18,083,425	22,273,570
2. Time deposits		
3. Loans		
3.1 Reverse sale agreements		
3.2 Other		
4. Liabilities in respect of commitments to repurchase treasury shares		
5. Other liabilities		
Total	**18,083,425**	**22,273,570**
Fair value - level 1		
Fair value - level 2		
Fair value - level 3	**18,083,425**	**22,273,570**
Fair value	**18,083,425**	**22,273,570**

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

Section 8 – Tax liabilities – Item 80

See section 13 of Assets.

Section 10 – Other liabilities – Item 100

10.1 OTHER LIABILITIES: BREAKDOWN

	2017	2016
Due to tax authorities	601,759	546,083
Social security	125,246	169,004
Accrued liabilities	1,077,835	1,132,212
Due to suppliers	181,004	150,875
Transactions in securities to be settled*	5,888,897	4,056,383
Other minor items	69,456	79,384
Total	**7,944,197**	**6,133,941**

*See note of table 15.1

In detail, "Accrued liabilities" mainly comprise amounts due to employees for € 992,118 in the form of leave due and not taken, contributions, additional monthly payments and allocations to bonuses; € 44,651 to the amount due for virtual stamp duty payable to the tax authority; € 28,046 for accrued expenses for fees and commissions and € 13,020 for accrued administrative charges and other expenses.

Section 11 - Severance indemnity fund - Item 110

11.1 SEVERANCE INDEMNITY FUND: CHANGES FOR THE YEAR

	2017	2016
A. Opening balance	770,391	696,926
B. Increases		
B.1 Provision for the year	121,058	107,140
B.2 Other changes	64,521	
C. Reductions		
C.1 Disbursements made	21,436	
C.2 Other changes	2,418	33,675
D. Closing balance	932,116	770,391
Total	**932,116**	**770,391**

11.2 Other information

Actuarial valuations were performed as of 31 December 2017 by an external actuary specifically appointed for the purpose, who used analytical data supplied by the employment advisor.
The following demographic, economic and financial assumptions were used for the actuarial valuations:

Demographic assumptions

- Mortality rates for the Italian population by age and gender were those published by the Italian Institute of Statistics (ISTAT) in 2000:
- The probability of termination of service due to absolute and permanent disability was calculated, by age and gender, according to the INPS disability tables.
- For retirement age it was assumed that active employees stop working as soon as they reach the minimum pensionable age or length of service in order to qualify for a pension payable through the mandatory general insurance scheme;
- The probability of termination of service due to resignation or dismissal was determined at a rotation rate of 5.00% per annum;
- The assumed rate of requests for advance payment was 3.00% per year.

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

Economic and financial assumptions

- The annual discount rate used to determine the current value of the defined benefit obligation was obtained, in accordance with section 83 of IAS 19, on the basis of the Iboxx index for over-ten-year bonds of corporate issuers with an AA rating at the valuation date. The yield curve adopted expresses a duration comparable with that of the group of workers to whom the valuation applies;
- Termination benefits were assumed to increase at an annual rate equal to 75% of the rate of inflation plus 1.5 percentage points, pursuant to art. 2120 of the Italian Civil Code.
- The annual increase in salaries was determined, using the method applicable exclusively to undertakings with fewer than 50 employees in 2006, based on data provided by company managers.

Sensitivity analysis of the main valuation parameters using data as at 31 December 2017

Turnover rate +1%	920.686,60
Turnover rate -1%	967.531,98
Inflation rate +0,25%	965.601,04
Inflation rate -0,25%	919.894,79
Discount rate +0,25%	914.360,56
Discount rate -0,25%	971.722,21

Pro Futuro annual service cost	115.696,20
Duration of plan	16,90

Expected disbursements in the 1st year	71.599,61
Expected disbursements in the 2nd year	71.263,53
Expected disbursements in the 3rd year	75.352,97
Expected disbursements in the 4th year	78.827,36
Expected disbursements in the 5th year	81.717,99

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

This section describes the breakdown of share capital and reserves.

14.1 “Share capital” and “Own shares”: breakdown

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

14.2 SHARE CAPITAL - NUMBER OF SHARES: CHANGES FOR THE YEAR

Items/Types	Ordinary	Other
A. Issued shares as at the beginning of the year	7,600	
- fully paid	7,600	
- not fully paid		
A.1 Treasury stock (-)		
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	2017	2016
Legal	1,520,000	1,508,091
Statutory	1,635,782	1,545,927
Other	21,385,551	19,418,584
Valuation reserves	-139,023	-91,778
Total	**24,402,310**	**22,380,824**

Pursuant to art. 2427, section 7-bis of the Italian Civil Code:
The legal reserve of € 1,520,000 is available for use to cover losses. The statutory reserve, for € 1,635,782, is unavailable and will be used for socially useful purposes.
The other reserves item, for € 21,385,551, is available and distributable for use to increase capital, cover losses or distribution to shareholders.

No reserves have ever been used to cover losses.

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

Net profit for the year	**1,545,798**
To the legal reserve	
To the statutory social solidarity fund	22,956
Distributable net profit	**1,522,842**
Dividend of € 75 on 7,600 eligible shares	570,000
To the extraordinary reserve	952,842

Other information

1. GUARANTEES GIVEN AND COMMITMENTS

Operazioni	**2017**	**2016**
1) Financial guarantees given to		
a) Banks	27,969	73,572
b) Clients		
2) Commercial guarantees given to		
a) Banks		
b) Clients		
3) Irrevocable commitments to disburse funds		
a) Banks		
i) for specified use*	10,441,742	14,951,671
ii) for unspecified use*		
b) Clientela		
i) for specified use*	34,063,525	28,851,307
ii) for unspecified use*		
4) Underlying obligations for credit derivatives: sales of protection		
5) Assets used to guarantee others' obligations		
6) Other commitments		
Total	**44,533,236**	**43,876,550**

Item 1a) refers to the commitment (for € 27,969) towards the Interbank Deposit Protection Fund for extraordinary contributions and is stated for information only, since no events that would give rise to the conditions for repayment of extraordinary contributions are forecast.

*regular way purchase and sale of securities, against sales for € 43,173,617

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	832,310,330
2. not regulated	3,283,595
b) Sales	
1. regulated	475,364,097
2. not regulated	3,211,942
2. Portfolio management	
a) individual	101,938,775
b) collettive	
3. Custody and administration of securities	
a) third party securities held in deposit in connection with deposit bank	
activities (excluding portfolio management)	
1. securities issued by the reporting bank	
2. other securities	
b) third-party securities held in deposit (excluding portfolio management): other	
1. securities issued by the reporting bank	
2. other secureties	
c) third party securities deposited with third parties	53,981,737
d) own securities deposited with third parties	12,234,367
4. Other transaction	**12,741,602**

* Item 4 refers to the sum of purchases (€ 6,504,445) and sales (€ 6,237,157) relating to the “Collection and transmission of orders”

Part C - Information on the profit and loss account

Section 1 – Interest – Items 10 and 20

1.1. INTEREST EARNED AND SIMILAR INCOME: BREAKDOWN

Items/Types		Debt securities	Loans	Other transaction	2017	2016
1	Financial assets held for trading	348,353			348,353	324,823
2	Financial assets available for sale					
3	Financial assets held to maturity					
4	Due from banks		25,811		25,811	21,341
5	Due from clients					
6	Financial assets at fair value					
7	Hedging derivatives					
8	Other assets					
	Total	**348,353**	**25,811**		**374,164**	**346,164**

1.3 Interest and similar income: other information

1.3.1 Interest income on financial assets denominated in foreign currencies

At 31 December 2017 interest income on amounts due from banks in foreign currencies amounted to € 22,373.

1.4 INTEREST EXPENSE AND SIMILAR CHARGES: BREAKDOWN

Voci/Forme tecniche		Liabilities	Securities	Other transactions	2017	2016
1.	Due to central banks					
2.	Due to banks	101,231			101,231	89,906
3.	Due to clients					
4.	Securities in issue					
5.	Financial liabilities held for trading	632			632	6355
6.	Financial liabilities at fair value					
7.	Other liabilities and funds					
8.	Hedging derivatives					
	Total	**101,863**			**101,863**	**96,261**

1.6 Interest expense and similar charges: other information

1.6.1 Interest expense on liabilities in foreign currencies

At 31 December 2017 interest expense on amounts due to banks in foreign currencies amounted to € 7,516.

Section 2 - Fees and commissions - Items 40 and 50

2.1 RECEIVABLE COMMISSIONS: BREAKDOWN

Services/Amounts	2017	2016
a) guarantees given		
b) credit derivatives		
c) management, brokerage and advisory services:		
1. financial instrument trading	494,358	682,611
2. currency trading		
3. portfolio management		
3.1. individual	477,443	522,309
3.2. collettive		
4. custody and administration of securities		
5. deposit bank		
6. placement of securities		
7. collection and transmission of orders	4,164	12,719
8. advisory		
8.1. on investments		
8.2. on financial structuring		
9. distribution of third party services		
9.1. gestioni di portafogli		
9.1.1. individuali		
9.1.2. collettive		
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	50,997	
Total	**1,026,962**	**1,217,639**

2.2 RECEIVABLE COMMISSIONS: PRODUCT AND SERVICE DISTRIBUTION CHANNELS

Channels/Amounts	2017	2016
a) through own branches:		
1. portfolio management	431,610	474,611
2. placement of securities		
3. third-party products and services		
b) off-site:		
1. portfolio management	45,833	47,698
2. placement of securities		
3. third-party products and services		
c) other distribution channels:		
1. portfolio management		
2. placement of securities		
3. third-party products and services		

2.3 PAYABLE COMMISSIONS: BREAKDOWN

Services/Amounts	2017	2016
a) guarantees received		
b) credit derivatives		
c) management and brokerage:		
1. financial instrument trading	294,726	389,483
2. currency trading		
3. portfolio management		
3.1 own		
3.2 third-party portfolios		
4. custody and administration of securities	13,784	8,847
5. placement of financial instruments		
6. off-site distribution of financial instruments, products and services	58,086	63,825
d) collection and payment services		
e) other services	105,887	120,093
Total	**472,483**	**582,248**

Payable 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".

Section 4 - Net profit on trading - Item 80

4.1. NET PROFIT ON TRADING: BREAKDOWN

Transaction/Income item	Gains (A)	Profits from trading (B)	Losses(C)	Losses from trading (D)	Net result[(A+B) - (C+D)]
1. Financial assets held for trading	5,703	8,288,605	62,865	1,942,630	6,288,813
1.1 Debt securities	5,703	8,288,605	62,865	1,942,630	6,288,813
1.2 Equities					
1.3 Shares of UCI					
1.4 Loans					
1.5 Other					
2. Financial liabilities held for trading					
2.1 Debt securities					
2.2 Liabilities					
2.3 Other					
3. 2. Financial assets and liabilities: exchange differences				89,819	-89,819
4. Derivatives		300,990		411,460	-110,470
4.1 Financial derivatives:					
- On debt securities and interest rate		300,990		411,460	-110,470
- On equity securities and share indexes					
- On currency and gold					
- Other					
4.2 Credit derivatives					
Total	**5,703**	**8,589,595**	**62,865**	**2,443,909**	**6,088,524**

In 2017 the Bank continued to carry out market making (and arbitrage) activities, mainly on the EuroTLX market and fixed income markets operated by Borsa Italiana. The securities traded were bonds issued by governments, supranational organisations and corporate entities.
The net result of trading was principally affected by the overall decline in trading volumes across the main trading venues where the Bank operates directly and a further reduction in volatility in 2017.

Section 8 - Net value adjustments for impairment of financial assets available for sale: breakdown - Item 130

8.2 Adjustments/re-adjustments to net value for impairment of financial assets held for sale: breakdown

Transaction/ Income item	Write-downs(1)		Write-backs (2)		**Total 2017 (3)=(1)-(2)**	Total 2016 (3)=(1)-(2)
	Specific		Specific			
	Write-offs	Other	Interest	Other write-backs		
A. Debt securities						
B. Equities		4,874			**4,874**	3,278
C. Shares of OIC						
D. Loans to banks						
E. Loans to clients						
F. Total		**4,874**			**4,874**	**3,278**

These adjustments refer to the write down deriving from the Bank's participation in the intervention by the voluntary scheme of the Interbank Deposit Protection Fund in favour of Cassa di Risparmio di Cesena.

Section 9 – Administrative expenses – Item 150

9.1. PERSONNEL EXPENSES: BREAKDOWN

Expenses/Amounts	2017	2016
1) Employees		
a) salaries and wages	1,602,134	1,943,087
b) social security contributions	290,830	341,491
c) employee severance indemnity		
d) national insurance contributions		
e) allocations to provisions for severance indemnity	121,058	107,140
f) provision for retirement payments and similar provisions:		
- defined contribution		
- defined benefit		
g) payments to external pension funds:		
- defined contribution		
- defined benefit		
h) costs related to share-based payments		
i) other employee benefits	35,709	38,511
2) Other staff		
3) Directors and statutory auditors	377,090	375,786
4) Retired employees		
5) Recoveries for employees seconded to other companies		
6) Refunds of costs for third-party employees seconded to the company		
Total	**2,426,821**	**2,806,015**

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

Service Cost	109.009	euro
Interest Cost	12.049	euro

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

9.2 AVERAGE NUMBER OF EMPLOYEES BY CATEGORY

Employees:	
a) directors	
b) middle management	8
c) other employees	18
Other personnel	

9.5 OTHER ADMINISTRATIVE EXPENSES: BREAKDOWN

Detail	2017	2016
ICT expenses	560,078	566,552
Trading activities	290,996	308,993
Advisory and professional services	109,592	114,083
Auditing fees	58,510	59,936
Fees for licences and outsourced IT services	429,016	424,588
Compulsory contributions and market membership fees	204,527	205,905
Telephone and electricity	85,367	84,967
Virtual stamp duty	305,749	261,099
Sundries	108,450	115,315
Total	**2,152,286**	**2,141,438**

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

Section 11 - Net adjustments to value of tangible assets - Item 170

11.1. NET ADJUSTMENTS TO VALUE OF TANGIBLE ASSETS: BREAKDOWN

Asset/Income item	Depreciation (a)	Impairment losses (b)	Write-backs (c)	Net result (a + b - c)
A. Tangible assets				
A.1 Owned				
- used in the business	249,711			249,711
- held for investment				
A.2 Leased				
- used in the business				
- held for investment				
Total	**249,711**			**249,711**

Section 12 - Net adjustments to value of intangible assets - Item 180

12.1 NET ADJUSTMENTS TO VALUE OF INTANGIBLE ASSETS: BREAKDOWN

Asset/Income item	Amortisation (a)	Impairment losses (b)	Write-value (c)	Net result (a + b - c)
A. Intangible assets				
A.1 Owned				
- Internally generated				
- Other	3,032			3,032
A.2 Leased				
Total	**3,032**			**3,032**

Section 13 – Other operating expense/income – Item 190

13.1 Other operating expense: breakdown

Other operating expense amounted to € 135,054 in 2017. The main component of other operating expense referred to donations made during the year for € 131,624.

13.2 Other operating income: breakdown

Other operating income amounted to € 322,414 in 2017.
The main component of other operating income was the stamp duty refund for a total of € 305,749.

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

17.1 GAINS (LOSSES) FROM SALE OF INVESTMENTS: BREAKDOWN

Income item/Amount	**2017**	**2016**
A. Property		
- Gains on sale		
- Losses on sale		
B. Other assets		
- Gains on sale	8	
- Losses on sale	110	2,409
Net result	**-102**	**-2,409**

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

18.1 INCOME TAXES FOR THE YEAR ON CURRENT OPERATIONS: BREAKDOWN

	Income item/Amount	2017	2016
1.	Current taxes (-)	(721,297)	(1,147,632)
2.	Changes in current taxes related to prior years (+/-)		
3.	Reduction in current taxes for the year (+)		
3.bis	Reduction in current taxes for the year for credits pursuant to Law n. 214/2011 (+)		
4.	Change in prepaid taxes (+/-)	1,257	510
5.	Change in deferred taxes (+/-)		
6.	**Tax for the year (-) (-1+/-2+3+3bis+/-4+/-5)**	**(720,040)**	**(1,147,122)**

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	2017
Pre-tax profit (loss)	2,265,838
IRES at theoretical rate of 24.00%	543,801
Additional IRES at theoretical rate of 3.50%	79,304
Tax on increases	56,304
Tax on reductions	-112,640
IRES at current actual rate of 25.01%	566,769

IRAP	2017
Pre-tax profit (loss)	2,265,838
IRAP at theoretical rate of 5.57%	126,207
Tax on non-taxable income	-17,958
Tax on non-deductible expenses	46,279
IRAP at current actual rate of 6.82%	154,528

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 € 203.

Part D - Comprehensive income

STATEMENT OF COMPREHENSIVE INCOME

	Items	Gross amount	Income tax	Net amount
10.	Net profit (loss) for the year	2,265,838	(720,040)	1,545,798
	Other income components not reclassified through profit or loss			
20	Tangible assets			
30	Intangible assets			
40	Defined benefit plans	(64,521)	17,276	(47,245)
50	Non-current disposing assets			
60	Portion of valuation reserves of equity investments valued through equity			
	Other income components reclassified through profit or loss			
70	Foreign investment hedge:			
	a) changes in fair value			
	b) reclassification through profit or loss			
	c) other changes			
80	Exchange differences:			
	a) changes in fair value			
	b) reclassification through profit or loss			
	c) other changes			
90	Cash flow hedge:			
	a) changes in fair value			
	b) reclassification through profit or loss			
	c) other changes			
100	Financial assets available for sale:			
	a) changes in fair value			
	b) reclassification through profit or loss			
	- impairment losses			
	- gains/losses on disposal			
	c) other changes			
110	Non-current disposing assets:			
	a) changes in fair value			
	b) reclassification through profit or loss			
	c) other changes			
120	Portion of valuation reserves of equity investments valued through equity:			
	a) changes in fair value			
	b) reclassification through profit or loss			
	- impairment losses			
	- gains/losses on disposal			
	c) other changes			
130	Total other income components	(64,521)	17,276	(47,245)
140	**Comprehensive income (Item 10+130)**	**2,201,317**	**(702,764)**	**1,498,553**

Part E – Risks and related risk management policies

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

Foreword

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

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

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

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

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

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

The CEO implements the ICAAP and verifies its compliance with the strategic guidelines and RAF.

Risks are monitored and managed in accordance with the Risk Mapping Manual and Risk Control Manual.
The Risk Mapping Manual contains the map of the risks associated with each of the Bank's processes, with an assessment of the "gross risk", in terms of probability and severity, and "net risk", based on the standard of existing

controls. It also contains a summary of the measurement techniques for the different types of regulatory and supervisory risks.
The Risk control procedure manual defines the operational limits approved by the Board and the respective control mechanisms, procedures for assessing compliance with the applicable regulatory provisions and procedures for reporting to Senior Management and the Bank's governing bodies.

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

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

The system of operating limits is structured on three levels of importance for each area of activity.
Level I limits represent an initial critical threshold for the various kinds of risk; these mainly involve the implementation of level one and level two controls.
Level II limits, if exceeded, could potentially give rise to a higher risk of loss; any cases in which such limits are exceeded are immediately reported to the CEO.
Level III limits, introduced in June 2014, are the maximum limits defined by the Board as acceptable and represent another threshold that, if exceeded, must be the subject of a specific and detailed report to the body responsible for strategic supervision.

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

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

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

The Compliance function, which is outsourced, is responsible for the ongoing identification of the applicable regulations and appropriate risk prevention procedures. It also verifies the efficacy of planned organisational changes in order to prevent the risk of non-compliance.
Its tasks are graduated according to the presence of specialist areas concerning specific regulations (e.g. tax laws, occupational health and safety, privacy, etc.).

The function follows a risk-based approach, focusing on areas that are potential sources of greater risk for the Bank, either for regulatory reasons (new laws, amendments, complexity) or business-related reasons.

For the rules most relevant to the risk of non-compliance, this function is directly responsible for managing the risk of non-conformity.

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

- identify the applicable laws and evaluate their impact on internal processes and procedures;
- collaborate to define the procedures and system of internal controls;
- verify the suitability of the procedures and system of internal controls;
- verify the reliability of the information system that sends data to the company's integrated computer database;

- transmit aggregate data about records in the integrated computer database to the Financial Information Unit of Banca d'Italia, on a monthly basis;
- prepare an adequate and continuous training programme for employees and co-workers;
- define the information flows to the corporate bodies and senior management;
- provide advisory services and assistance to the corporate bodies and senior management.

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

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

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

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

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

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

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

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

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

Banca Simetica's exposure to credit and counterparty risks, which typically refer to Pillar I capital requirements for commercial banking entities, only regards cash deposits with bank counterparties held for the purposes of its core business. In accordance with the Risk Appetite Framework and in line with the strategic business plan for 2017-2019, the Bank does not intend to assume credit or counterparty risks (apart from those inherent in the management of liquid fund deposits) or maturity transformation or interest rate risks.

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

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

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

Section 1 – Credit risk

• Qualitative disclosure

1. General
Banca Simetica is not currently engaged in lending activities and for this reason it is only marginally exposed to the credit risk typical of banks, in connection with short-term deposits of excess liquid funds held in accounts at banks which have relations with the company.

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

Since the amounts concerned are payable at sight and thus have a maturity of less than seven days, they are excluded from the application of the so-called bail-in provisions introduced by Italian Legislative Decree No. 180 that came into effect on 16 November, 2015. Art. 49(1)(e) of this decree provides that:
"Bail-in applies to all liabilities, with the exception of the following:

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

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 as set out in the risk Appetite Framework are exceeded, the reports are also submitted to the Board of Directors.

• Quantitative disclosure

A. Credit quality

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

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

Portfolio/quality	Non-performing loans	Probable default	Impaired past-due exposures	Not impaired past-due exposures	Other not impaired exposures	**Total**
1. Financial assets available for sale						
2. Financial assets held to maturity						
3. Due from banks					40,245,503	**40,245,503**
4. Due from clients						
5. Financial assets at fair value						
6. Financial disposing assets						
Total 2017					**40,245,503**	**40,245,503**
Total 2016					**40,238,414**	**40,238,414**

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

Portfolio/quality	Non performing assets			Not impaired assets			**Total (net exposure)**
	Gross exposure	Specific value adjustments	Net exposure	Gross exposure	Specific value adjustments	Net exposure	
2. Financial assets available for sale							
3. Financial assets held to maturity							
4. Due from banks				40,245,503		40,245,503	**40,245,503**
5. Due from clients							
6. Financial assets at fair value							
7. Financial disposing assets							
Total 2017				**40,245,503**		**40,245,503**	**40,245,503**
Total 2016				**40,238,414**		**40,238,414**	**40,238,414**

Portfolio/quality	Assets with poor credit quality		Other assets
	Cumulative losses	Net exposure	Net exposure
1. Financial assets held for trading			12,228,838
2. Hedging derivatives			
Total 2017			**12,228,838**
Total 2016			**14,942,989**

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

Exposure types/amounts	Gross exposure					Specific value adjustments	Portfolio value adjustments	Net exposure
	Non-performing assets				Not impaired assets			
	Up to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year				
A. BALANCE SHEET EXPOSURE								
a) Bad loans								
of which: exposures covered by concessions								
b) Probable default								
of which: exposures covered by concessions								
c) Impaired past-due exposures								
of which: exposures covered by concessions								
d) Not impaired past due exposures								
of which: exposures covered by concessions								
e) Other not impaired exposures					40,245,503			40,245,503
of which: exposures covered by concessions								
TOTAL A					**40,245,503**			**40,245,503**
B. OFF-BALANCE SHEET EXPOSURE								
a) Impaired								
b) Other								
TOTAL B								
TOTAL A+B					**40,245,503**			**40,245,503**

A.2 Internal and external ratings

A.2.1 DISTRIBUTION OF 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. Esposizioni per cassa	99,867	387,825	10,846,252	667,989	226,905	-	40,245,503	**52,474,341**
B. Derivatives								
B.1 Financial derivatives								
B.2 Credit derivatives								
C. Guarantees given								
D.Commitments to disburse funds								
E. Other								
Total	**99,867**	**387,825**	**10,846,252**	**667,989**	**226,905**	**-**	**40,245,503**	**52,474,341**

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
	/	
	/	

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

B. Distribution and concentration of credit exposure

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

Exposure/Geographic area	Italy		Other European countries		America		Asia		Rest of the world	
	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
A. Balance sheet exposures										
A.1 Non-performing loans										
A.2 Probable default										
A.3 Impaired past-due exposures										
A.4 Not impaired exposures	40,245,503									
Total A	**40,245,503**									
B. Off-balance sheet exposures										
A.1 Non-performing loans										
A.2 Probable default										
A.3 Impaired past-due exposures										
A.4 Not impaired exposures										
Total B										
Total A+B 2017	**40,245,503**									
Total A+B 2016	**40,238,414**									

B.4 MAJOR RISKS

As at 31 December 2017 the bank had 4 exposures with NEXI S.p.A. (for € 17,426,641), Intesa Sanpaolo (for € 11,438,613), Banco BPM (for € 7,100,250) and Ubi Banca (for € 4,121,888) amounting to the equivalent of more than 10% of its own funds.
These positions, consisting almost entirely of demand deposits, do not constitute a significant risk in accordance with the laws in force.

Section 2 - Market risk

2.1 Interest rate risk and price risk - regulatory trading portfolio

• Qualitative disclosure

A. General

The interest rate risk is mainly associated with trading of debt securities and derivative instruments; price risk originates from trading of all securities in general.

Bond desk operators in the Proprietary Trading department use arbitrage and market making strategies to trade standardised financial instruments. This helps to reduce interest rate and price risks to a minimum.

More specifically, traders perform purchase and sale transactions on the basis of the specific "Portfolio management" procedures in order to:

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

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

The position and the main interest rate and price risk factors associated with the management of own securities portfolios for the purpose of trading, regardless of the type of instrument traded are monitored in real-time using an application software developed internally and made available for use by traders, the Proprietary Trading Manager, Risk Management and the CEO. 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 the controls to verify compliance with the limits, which are structured on three levels:

- level 1: Proprietary Trading;
- level 2: Risk Management:
- level 3: Internal Audit.

The Proprietary Trading Manager is responsible in the first instance for verifying compliance with the limits established by the Board of Directors and Managing Director.

If a limit is exceeded, the operator must bring the positions back to within the aforesaid limits. In any case, and with no exceptions whatsoever, the limit must be restored by the end of the day on which it was exceeded.

A maximum loss has also been defined. Positions must be closed upon reaching this limit. The Managing Director may authorise operating limits to be exceeded temporarily and define the corrective actions to be taken.

Second level control is performed by Risk Management, through continuous real-time monitoring and using an internally developed application software to verify compliance with the limits. This control is performed daily on the basis of specific requirements associated with the bank's activities.

The results of these controls are set out in reports and submitted to the Managing Director, the Internal Audit department and, if the riskiest limits and/or maximum losses are exceeded, to the Board of Directors.

• Quantitative information

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

Type/Residual term	on demand	up to 3 months	from 3 to 6 months	from 6 to 12 months	from 1 to 5 years	from 5 to 10 years	over 10 years	unspecified
1. Balance sheet assets								
1.1 Debt securities								
- with prepayment option								
- other		2,203,312	2,037,005	480,467	6,859,559	395,069	18,297	
1.2 Other assets								
2. Balance sheet liabilities								
2.1 Reverse repos								
2.2 Other liabilities								
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ long positions								
+ short positions								
- Other derivatives								
+ long positions								
+ short positions								
3.2 Without underlying security								
- Options								
+ long positions								
+ short positions								
- Other derivatives								
+ long positions								
+ short positions								

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

Type/Residual term	on demand	up to 3 months	from 3 to 6 months	from 6 to 12 months	from 1 to 5 years	from 5 to 10 years	over 10 years	unspecified
1. Balance sheet assets								
1.1 Debt securities								
- with prepayment option								
- other					19,866	144,105	66,543	
1.2 Other assets								
2. Balance sheet liabilities								
2.1 Reverse repos								
2.2 Other liabilities								
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ long positions								
+ short positions								
- Other derivatives								
+ long positions								
+ short positions								
3.2 Without underlying security								
- Options								
+ long positions								
+ short positions								
- Other derivatives								
+ long positions								
+ short positions								

Amounts in euros at the exchange rate on 31.12.2017

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

Type/Residual term	on demand	up to 3 months	from 3 to 6 months	from 6 to 12 months	from 1 to 5 years	from 5 to 10 years	over 10 years	unspecified
1. Balance sheet assets								
1.1 Debt securities								
- with prepayment option								
- other					4,533	84		
1.2 Other assets								
2. Balance sheet liabilities								
2.1 Reverse repos								
2.2 Other liabilities								
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ long positions								
+ short positions								
- Other derivatives								
+ long positions								
+ short positions								
3.2 Without underlying security								
- Options								
+ long positions								
+ short positions								
- Other derivatives								
+ long positions								
+ short positions								

Amounts in euros at the exchange rate on 31.12.2017

2.2 Interest rate and price risk - bank portfolio

• Qualitative disclosure

A. General aspects, operational processes and methods for measuring interest rate risk and price risk
Banca Simetica does not grant loans in the strictest meaning of the term and does not undertake any other activities that involve investments in medium or long-term assets; it is therefore only very marginally exposed to interest rate risk in that the on-demand liabilities in the form of client deposits are invested in liquid and short-term instruments on regulated markets or deposited with the European System of Central Banks and credit institutions with which the bank has established solid and long-term relationships.
Therefore the Bank does not make use of instruments to measure the interest rate risk in the banking book. It manages this risk by reducing (and in actual fact eliminating) any possible maturity gaps between assets and liabilities by investing liquid funds in assets that can easily be liquidated and any surplus amounts in liquid financial instruments of solid issuers with a life of less than 24 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.

• Qualitative disclosure

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

Type/Residual term	on demand	up to 3 months	from 3 to 6 months	from 6 to 12 months	from 1 to 5 years	from 5 to 10 years	over 10 years	unspecified
1. Balance sheet assets								
1.1 Debt securities								
- with prepayment option								
- other								
1.2 Loans to banks	39,259,731							79,901
1.3 Loans to clients								
- current accounts								
- other loans								
- with prepayment option								
- other								
2. Balance sheet liabilities								
2.1. Due to clients								
- current accounts	18,083,425							
- other creditors								
- with prepayment option								
- other								
2.2 Due to banks								
- current accounts								

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

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

Type/Residual term	on demand	up to 3 months	from 3 to 6 months	from 6 to 12 months	from 1 to 5 years	from 5 to 10 years	over 10 years	unspecified
1. Balance sheet assets								
1.1 Debt securities								
- with prepayment option								
- other								
1.2 Loans to banks	181,391							
1.3 Loans to clients								
- current accounts								
- other loans								
- with prepayment option								
- other								
2. Balance sheet liabilities								
2.1. Due to clients								
- current accounts								
- other creditors								
- with prepayment option								
- other								
2.2 Due to banks								
- current accounts	-							
- other creditors								
2.3 Debt securities								
- with prepayment option								
- other								
2.4 Other liabilities								
- with prepayment option								
- other								
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ long positions								
+ short positions								
- Other derivatives								
+ long positions								
+ short positions								
3.2 Without underlying security								
- Options								
+ long positions								

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

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

Type/Residual term	on demand	up to 3 months	from 3 to 6 months	from 6 to 12 months	from 1 to 5 years	from 5 to 10 years	over 10 years	unspecified
1. Balance sheet assets								
1.1 Debt securities								
- with prepayment option								
- other								
1.2 Loans to banks	88,267							
1.3 Loans to clients								
- current accounts								
- other loans								
- with prepayment option								
- other								
2. Balance sheet liabilities								
2.1. Due to clients								
- current accounts								
- other creditors								
- with prepayment option								
- other								
2.2 Due to banks								
- current accounts								
- other creditors								
2.3 Debt securities								
- with prepayment option								
- other								
2.4 Other liabilities								
- with prepayment option								
- other								

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

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

Type/Residual term	on demand	up to 3 months	from 3 to 6 months	from 6 to 12 months	from 1 to 5 years	from 5 to 10 years	over 10 years	unspecified
1. Balance sheet assets								
1.1 Debt securities								
- with prepayment option								
- other								
1.2 Loans to banks	76,605							
1.3 Loans to clients								
- current accounts								
- other loans								
- with prepayment option								
- other								
2. Balance sheet liabilities								
2.1. Due to clients								
- current accounts								
- other creditors								
- with prepayment option								

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

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

Type/Residual term	on demand	up to 3 months	from 3 to 6 months	from 6 to 12 months	from 1 to 5 years	from 5 to 10 years	over 10 years	unspecified
1. Balance sheet assets								
1.1 Debt securities								
- with prepayment option								
- other								
1.2 Loans to banks	2,660							
1.3 Loans to clients								
- current accounts								
- other loans								
- with prepayment option								
- other								
2. Balance sheet liabilities								
2.1. Due to clients								
- current accounts								
- other creditors								
- with prepayment option								
- other								
2.2 Due to banks								
- current accounts								
- other creditors								
2.3 Debt securities								
- with prepayment option								
- other								
2.4 Other liabilities								
- with prepayment option								
- other								
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ long positions								
+ short positions								
- Other derivatives								
+ long positions								
+ short positions								
3.2 Without underlying security								
- Options								

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

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

Type/Residual term	on demand	up to 3 months	from 3 to 6 months	from 6 to 12 months	from 1 to 5 years	from 5 to 10 years	over 10 years	unspecified
1. Balance sheet assets								
1.1 Debt securities								
- with prepayment option								
- other								
1.2 Loans to banks	556,948							
1.3 Loans to clients								
- current accounts								
- other loans								
- with prepayment option								
- other								
2. Balance sheet liabilities								
2.1. Due to clients								
- current accounts								
- other creditors								
- with prepayment option								
- other								
2.2 Due to banks								
- current accounts								
- other creditors								
2.3 Debt securities								
- with prepayment option								
- other								
2.4 Other liabilities								
- with prepayment option								
- other								

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

2.3 Currency risk

• Qualitative disclosure

A. General aspects, operational processes and methods for measuring currency risk
Banca Simetica undertakes transactions in foreign currencies in connection with trading of bonds denominated in currencies other than the euro.
Risk Management performs level two controls on a daily basis to verify compliance with the maximum limits for holding assets in foreign currencies other than the euro as defined in the Risk control procedure manual.

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

• **Quantitative information**

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

Items	Currency					
	USD	GBP	JPY	CAD	CHF	Other
A. Financial assets						
A.1 Debt securities	230,514					4,617
A.2 Equities						
A.3 Due from banks	181,391	88,267		76,605	2,660	556,948
A.4 Due from clients						
A.5 Other financial assets						
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	**411,905**	**88,267**		**76,605**	**2,660**	**561,565**
Total Liabilities	**-**	**-**				**-**
Imbalance (+/-)	**411,905**	**88,267**		**76,605**	**2,660**	**561,565**

Amounts in euros at the exchange rate on 31.12.2017

Section 3 – Liquidity risk

• Qualitative disclosure

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

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

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

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

The system generates regular estimates for absorption of liquid funds for currency t+1.

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

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

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

In 2016 the Bank introduced scenario analyses to measure the potential impact of this risk due to unexpected withdrawals by depositors. These analyses were also used for financial 2017.

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

Items/Maturities	on demand	from 1 to 7 days	from 7 to 15 days	from 15 days to 1 month	from 1 to 3 months	from 3 to 6 months	from 6 to 12 months	from 1 to 5 years	Over 5 years	unspecified
Balance sheet assets										
A.1 Government securities					2,085,602	1,792,070	435,292	5,971,199	38,722	
A.2 Other debt securities					117,710	244,935	45,175	888,359	374,643	
A.3 Shares of UCI										
A.4 Loans										
- banks	39,259,731									79,901
- clients										
Balance sheet liabilities										
B.1 Deposits and current accounts										
- banks										
- clients	18,083,425									
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	44,505,267									
- short positions	43,173,617									
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" in the "Other information" section on page 69

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

Items/Maturities	a vista	da oltre 1 giorno a 7 giorni	da oltre 7 giorni a 15 giorni	da oltre 15 giorni a 1 mese	da oltre 1 mese fino a 3 mesi	da oltre 3 mesi fino a 6 mesi	da oltre 6 mesi fino a 1 anno	da oltre 1 anno fino a 5 anni	Oltre 5 anni	indeterminata
Balance sheet assets										
A.1 Government securities								9,550	34,248	
A.2 Other debt securities								10,317	176,399	
A.3 Shares of UCI										
A.4 Loans										
- banks										
- clients										
Balance sheet liabilities										
B.1 Deposits and current accounts										
- banks	-									
- clients										
B.2 Debt securities										
B.3 Other liabilities										
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of principal										
- long positions										
- short positions										
C.2 Financial derivatives without exchange of principal										
- long positions										
- short positions										
C.3 Deposits and borrowings to be received										
- long positions										
- short positions										
C.4 Irrevocable commitments to disburse funds										
- long positions										
- short positions										
C.5 Financial guarantees given										
C.6 Financial guarantees received										
C.7 Credit derivatives with exchange of principal										
- long positions										

- short positions	
C.8 Credit derivatives without exchange of principal	
- long positions	
- short positions	

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

Items/Maturities	on demand	from 1 to 7 days	from 7 to 15 days	from 15 days to 1 month	from 1 to 3 months	from 3 to 6 months	from 6 to 12 months	from 1 to 5 years	Over 5 years	unspecified
Balance sheet assets										
A.1 Government securities										
A.2 Other debt securities										
A.3 Shares of UCI										
A.4 Loans										
- banks	88,267									
- clients										
Balance sheet liabilities										
B.1 Deposits and current accounts										
- banks										
- clients										
B.2 Debt securities										
B.3 Other liabilities										
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of principal										
- long positions										
- short positions										
C.2 Financial derivatives without exchange of principal										
- long positions										
- short positions										
C.3 Deposits and borrowings to be received										
- long positions										
- short positions										

C.4 Irrevocable commitments to disburse funds										
- long positions										
- short positions										
C.5 Financial guarantees given										
C.6 Financial guarantees received										
C.7 Credit derivatives with exchange of principal										
- long positions										
- short positions										
C.8 Credit derivatives without exchange of principal										
- long positions										
- short positions										

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

Items/Maturities	on demand	from 1 to 7 days	from 7 to 15 days	from 15 days to 1 month	from 1 to 3 months	from 3 to 6 months	from 6 to 12 months	from 1 to 5 years	Over 5 years	unspecified
Balance sheet assets										
A.1 Government securities										
A.2 Other debt securities										
A.3 Shares of UCI										
A.4 Loans										
- banks	76,605									
- clients										
Balance sheet liabilities										
B.1 Deposits and current accounts										
- banks										
- clients										
B.2 Debt securities										
B.3 Other liabilities										
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of principal										
- long positions										
- short positions										
C.2 Financial derivatives without exchange of principal										

- long positions
- short positions
C.3 Deposits and borrowings to be received
- long positions
- short positions
C.4 Irrevocable commitments to disburse funds
- long positions
- short positions
C.5 Financial guarantees given
C.6 Financial guarantees received
C.7 Credit derivatives with exchange of principal
- long positions
- short positions
C.8 Credit derivatives without exchange of principal
- long positions
- short positions

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

Items/Maturities	on demand	from 1 to 7 days	from 7 to 15 days	from 15 days to 1 month	from 1 to 3 months	from 3 to 6 months	from 6 to 12 months	from 1 to 5 years	Over 5 years	unspecified
Balance sheet assets										
A.1 Government securities										
A.2 Other debt securities										
A.3 Shares of UCI										
A.4 Loans										
- banks	2,660									
- clients										
Balance sheet liabilities										
B.1 Deposits and current accounts										
- banks										
- clients										
B.2 Debt securities										
B.3 Other liabilities										

Off-balance sheet transactions										
C.1 Financial derivatives with exchange of principal										
- long positions										
- short positions										
C.2 Financial derivatives without exchange of principal										
- long positions										
- short positions										
C.3 Deposits and borrowings to be received										
- long positions										
- short positions										
C.4 Irrevocable commitments to disburse funds										
- long positions										
- short positions										
C.5 Financial guarantees given										
C.6 Financial guarantees received										
C.7 Credit derivatives with exchange of principal										
- long positions										
- short positions										
C.8 Credit derivatives without exchange of principal										
- long positions										
- short positions										

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

Items/Maturities	on demand	from 1 to 7 days	from 7 to 15 days	from 15 days to 1 month	from 1 to 3 months	from 3 to 6 months	from 6 to 12 months	from 1 to 5 years	Over 5 years	unspecified
Balance sheet assets										
A.1 Government securities										
A.2 Other debt securities								4,533	84	
A.3 Shares of UCI										
A.4 Loans										
- banks	556,948									
- clients										

Balance sheet liabilities	
B.1 Deposits and current accounts	
- banks	
- clients	
B.2 Debt securities	
B.3 Other liabilities	
Off-balance sheet transactions	
C.1 Financial derivatives with exchange of principal	
- long positions	
- short positions	
C.2 Financial derivatives without exchange of principal	
- long positions	
- short positions	
C.3 Deposits and borrowings to be received	
- long positions	
- short positions	
C.4 Irrevocable commitments to disburse funds	
- long positions	
- short positions	
C.5 Financial guarantees given	
C.6 Financial guarantees received	
C.7 Credit derivatives with exchange of principal	
- long positions	
- short positions	
C.8 Credit derivatives without exchange of principal	
- long positions	
- short positions	

Section 4 – Operational risk

• Informazioni di natura qualitativa

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

Operational risk is defined in Regulation (EU) 575/2013 (CRR) as "the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events, including legal risk".

In order to limit this type of risk as far as possible, Banca Simetica has developed the appropriate procedures aimed at identifying, monitoring, limiting and evaluating the operational risk.

The Risk mapping manual contains an analysis of the various causes of loss associated with operational risk.

For each cause it specifies the measures and procedures adopted by Banca Simetica to reduce the possibility of such losses arising to a minimum.

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

In 2012 the bank undertook an analytical mapping of all of the processes within its organisational structure in order to highlight any shortfalls in processes and/or control systems that could give rise to operational risks. This mapping procedure has evolved and been improved over the years. In 2014 the bank reviewed all the processes that could in any way affect its exposure to legal risks and in 2015 it conducted a complete review of its exposure to cyber risk. Banca Simetica's code of procedure, which is constantly reviewed in order to regulate the various management-related aspects in the best possible way, includes several rules concerning operational risk and compliance with legal and regulatory requirements (for instance, the Consolidated Finance Act, Consolidated Banking Law, regulations issued by Banca d'Italia and CONSOB, regulations governing the markets and clearing systems with which Banca Simetica operates, and regulations governing conflicts of interest, market abuse, personal transactions by anyone having access to privileged information, anti-money laundering laws, health and safety at work and privacy laws).

The Board of Directors has also approved an Organisational, Management and Control Model, in accordance with Italian Legislative Decree No. 231/2001, a Code of Conduct (prepared in accordance with the Model Self-Regulatory Rules issued by the Italian Banking Association - ABI), and a Code of Ethics. These documents contain a series of rules of conduct (in addition to those concerning compliance with statutory, regulatory and contractual requirements and internal procedures) with which all those operating on behalf of the company are required to comply.

Risk Management monitors and manages the operational risk, with the support of Compliance on matters regarding legal risks.

The Control system approved by the Board of Directors also envisages specific controls to be carried out by the Internal Audit department.

• Quantitative disclosure

Pursuant to Title III “Own funds requirements for operational risk”, Part 3 “Capital requirements” of Regulation (EU) 575/2013 (CRR) Banca Simetica is required to use the Basic Indicator Approach to calculate the capital for operational risk.
This method of calculation consists of applying a fixed 15% percentage to positive values of the relevant indicator for the previous three years to calculate the capital requirement to cover operational risk.

This ratio is calculated using the following formula:

$$KBIA = [\sum (GI1 \ldots n \times \alpha)] / n$$

WHRE
KBIA = the capital charge under the Basic Indicator Approach of “Basel II”,
GI = relevant indicator where positive, over the previous three years
n = number of the previous three years for which gross income is positive
α = 15% (which is set in the “Basel II” agreement) relating the industry wide level of required capital to the industry wide level of the indicator

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

The following formula was used to calculate Banca Simetica’s level of capital for operational risk coverage for 2017:

KBIA, 31/12/2017 = [(7.607.569 + 10.576.440 + 9.048.100) x 15%] / 3 = 1.361.605 Euro.

Risk Management constantly monitors any harmful events that occur in connection with operational risk and regularly reports to the Internal Audit department, the CEO and the Board of Directors. In 2016 the Bank also introduced the use of an official shared database to keep track of the events determined by such risk.

Part F – Equity

Section 1 - Shareholders' equity

A. Qualitative disclosure

Given its business and growth strategies, Banca Simetica has adopted the necessary measures to ensure that it maintains an adequate level of capital.
Shareholders' equity comprises the share capital, the retained earnings generated in previous years, valuation reserves set up in accordance with international accounting principles and net profit for the year.

B. Quantitative disclosure

B.1 SHAREHOLDERS' EQUITY: BREAKDOWN

Items/Amounts	Amount 2017	Amount 2016
1. Capital	7,600,000	7,600,000
2. Issue premium	1,300,000	1,300,000
3. Reserves	24,541,333	22,472,602
- retained earnings		
a) legal	1,520,000	1,508,091
b) statutory	1,635,782	1,545,927
c) own shares		
d) other	21,385,551	19,418,584
- other		
4. Capital instruments		
5. (Own shares)		
6. Valuation reserves		
- Financial assets available for sale		
- Tangible assets		
- Intangible assets		
- Foreign investment hedge		
- Cash flow hedge		
- Exchange differences		
- Non-current assets and disposal groups		
- Actuarial gains (losses) relating to defined benefit plans	-139,023	-91,778
- Shares of valuation reserves relating to subsidiaries valued through equity		
- Special revaluation laws		
7. Net income (loss) for the year	1,545,798	2,638,731
Total	**34,848,108**	**33,919,555**

B.4 VALUATION RESERVE RELATING TO DEFINED BENEFIT PLANS: CHANGES FOR THE YEAR

There was a € 47,245 increase in the valuation reserve relating to defined benefit plans, as shown in the table referred to above.

Section 2 - Own funds and regulatory ratios

2.1 Own funds

A. Qualitative disclosure

1. Common Equity Tier 1 (CET1)

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

B. Quantitative disclosure

	2017	**2016**
A. Common Equity Tier 1 (CET1) prior to the application of prudential filters	31,702,216	29,709,227
of which CET1 instruments subject to grandfathering provisions		
B. CET1 (+/-) prudential filters		
C. CET1 gross of items to be deducted and grandfathering provisions (A +/- B)	31,702,216	29,709,227
D. Items to be deducted from CET1		
E. Grandfathering provisions - Impact on CET1 (+/-)		
F. Total Common Equity Tier 1 (CET1) (C – D +/-E)	31,702,216	29,709,227
G. Additional Tier 1 (AT1) capital gross of items to be deducted and effects of grandfathering		
of which AT1 instruments subject to grandfathering provisions		
H. Items to be deducted from AT1		
I. Grandfathering provisions - Impact on AT1 (+/-)		
L. Total Additional Tier 1 Capital (AT1) (G - H +/- I)		
M. Tier 2 (T2) capital gross of items to be deducted and effects of grandfathering		
of which T2 instruments subject to grandfathering provisions		
N. Items to be deducted from T2		
O. Grandfathering provisions - Impact on T2 (+/-)		
P. Total Tier 2 (T2) capital (M - N +/- O)		
Q. Total own funds (F + L + P)	**31,702,216**	**29,709,227**

NB: Aggregate "A. Common Equity Tier 1 prior to the application of prudential filters" does not include the profit for the year in line with the new regulatory framework of Regulation (EU) 575/2013 (CRR) applicable as from 1 January 2014.

2.2 Capital adequacy

A. Qualitative disclosure

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

B. Quantitative disclosure

Categories/Amounts	Non-weighted items		Weighted items/ requirements	
	2017	**2016**	**2017**	**2016**
A. RISK ASSETS				
A.1 Credit and counterparty risk				
1. Standardised approach	44,827,531	45,936,463	10,576,636	10,597,557
2. IRB approach				
2.1 Foundation				
2.2 Advanced				
3. 3. Securitisations				
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			**846,131**	**847,804**
B.2 Credit and counterparty valuation adjustment risk				
B.3 Settlement risk			**40,979**	**1,934**
B.4 Market risk				
1. Standardised approach			**437,520**	**385,589**
2. Internal models				
3. Concentration risk				
B.5 Operational risk				
1. Basic approach			**1,361,605**	**1,361,605**
2. Standardised approach				
3. Advanced approach				
B.6 Other items for calculation				
B.7 Total prudential requirements			**2,686,235**	**2,596,932**
C. RISK ASSETS AND CAPITAL RATIOS				
C.1 Weighted risk assets			33,577,942	32,461,656
C.2 Tier 1 capital/Weighted risk assets (CET 1 capital ratio)			94.41%	91.52%
C.3 Tier 1 capital/Weighted risk assets (Total Capital Ratio)			94.41%	91.52%
C.4 TOTAL own funds/Weighted risk assets (Total Capital Ratio)			94.41%	91.52%

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.

	2017	2016
Directors	332,682	331,378
Statutory Auditors	44,408	44,408
TOTAL	**377,090**	**375,786**

2. Transactions with related parties

This section has been prepared with reference to article 2427, section 1(22-bis) of the Italian Civil Code. However, in that regard, it includes all transactions with related parties, including those that are not relevant or that were concluded at arm's length.
In actual fact, 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.
Moreover, 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.

Related parties have been defined with reference to the definitions as per the international accounting standards adopted by the EU, in particular IAS 24.
Reference was also made to that set forth in Banca d'Italia Circular No. 262/2005 "Financial statements of banks: preparation criteria and format", as amended.

Pursuant to the above provisions (and since the Bank does not belong to a credit group) related parties have been defined as falling within the following categories:

- parties holding an interest such as to exercise a considerable influence;
- "directors with strategic responsibilities" (who include members of the Board of Directors and of the Audit bodies);
- immediate family members of the parties listed above (the related party's cohabiting partner and children, the children of the cohabiting partner and other people dependent upon the related party or upon the related party's cohabiting partner).

Type of related party	*Assets*	*Liabilities*[1]	*Costs*	*Revenues*[2]	*Garantees given*	*Garantees received*
Directors		646,480		31,484		
Statutory Auditors		74,833		2,209		
Family members		242,166		11,075		
Other related parties		2,661		1,809		

[1] Cash balance at 31/12/2017

[2] Fees generated in 2017

Annex 1

Pursuant to art. 2427 point 16bis of the Italian Civil Code the breakdown of the fees for auditing the 2016 Financial Statements and for other services is shown in the table below.

Type of service	*Service provider*	*Fees(1)*
Audit of company accounts	Deloitte & Touche S.p.A.	€ 44,590
Certification (2)	Deloitte & Touche S.p.A.	€ 500
Tax advisory services	-	
Other services		
Total		

(1) Fees net of expenses and VAT.

(2) Signing of the Italian tax declaration forms for 2016

Annex 2

The share structure is as follows:

- 35,5 % Famiglia Barbera
- 35,5 % Famiglia Mello Rella
- 21 % Acciaierie Valbruna S.p.A.
- 8% other shareholders

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

Annex 3

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

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

* * *

Report of the Board of Statutory Auditors

to the Financial Statements for the year ended 31/12/2017

* * *

Dear Shareholders,

The financial statements for the year ended at 31 December 2017, the company's sixteenth year of business, which include the balance sheet, the profit and loss account, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows, the notes to the financial statements and the directors' report, which have been submitted to you by the Board of Directors for approval, have been drawn up in accordance with international accounting standards (IAS/IFRS) as required by Circular No. 262 issued by Banca d'Italia on 22 December 2005 and amended on 15 December 2015.

The financial statements have been audited by Deloitte & Touche S.p.A. who today, 10 April 2018, have certified their compliance with the IAS/IFRS and relevant 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 for the year ended at that date.

The directors' report has also been certified as reflecting the financial statements for the year ended at 31 December 2017 and as being prepared in accordance with all legal requirements.

Said Independent Auditors have also been appointed for the period from 2010 to 2018 to perform the auditing activities pursuant to art. 2409 bis of the Italian Civil Code. Therefore, while approving the general approach of the financial statements and the general conformity of their format and structure, as mentioned above, we are not required to express our opinion on the specific review procedure. In that respect we have nothing particular to report.

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

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

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

As regards our work during 2017, we state the following:

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

Directors were taken in accordance with current legislation and were not manifestly imprudent or capable of damaging the integrity of the company's assets. In actual fact such actions contributed to the achievement of the positive results for the year ended on 31/12/2017, confirming the positive trend of previous years, albeit in the presence of a general decline in trading volumes on the main markets and a further reduction in volatility.

We can also state that there are no circumstances such as to undermine continuity of business.

We examined

- the internal capital adequacy process (ICAAP).
- We met and exchanged information with the independent auditors, together with the control functions. We did not find any significant data and/or information to be included in this report.
- We verified the work of those responsible for internal controls, risk management and compliance, and found nothing significant to report with regard to their activities and reports.
- 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. 21 of the company's bylaws. Our opinion on the company's social report is stated in a separate report.
- We did not receive any complaints pursuant to art. 2408 of the Italian Civil Code.
- We certify that in fulfilling our mandate we did not discover any significant facts worthy of mention in this report
- No critical aspects emerged in acting as the Supervisory Body pursuant to Italian Legislative Decree No. 231/2001.

That stated, and on the basis of the results of the work carried out by the Independent Auditors, we propose that the Meeting should approve the financial statements for the year ended at 31 December 2017 and the relative allocation of profits, as drawn up and submitted for approval by the Directors in their report on operations.

Biella, 10 April 2018

THE BOARD OF STATUTORY AUDITORS

Dr. Mario Rovetti

Mr. Giovanni Spola

Mr. Fabio Daniele

Deloitte & Touche S.p.A.
Via Tortona, 25
20144 Milano
Italia

Tel: +39 02 83322111
Fax: +39 02 83322112
www.deloitte.it

RELAZIONE DELLA SOCIETÀ DI REVISIONE INDIPENDENTE AI SENSI DELL'ART. 14 DEL D.LGS. 27 GENNAIO 2010, N. 39 E DELL'ART. 10 DEL REGOLAMENTO (UE) N. 537/2014

Agli Azionisti di
Banca Simetica S.p.A.

RELAZIONE SULLA REVISIONE CONTABILE DEL BILANCIO D'ESERCIZIO

Giudizio

Abbiamo svolto la revisione contabile del bilancio d'esercizio di Banca Simetica S.p.A. (la "Banca"), costituito dallo stato patrimoniale al 31 dicembre 2017, dal conto economico, dal prospetto della redditività complessiva, dal prospetto delle variazioni del patrimonio netto, dal rendiconto finanziario per l'esercizio chiuso a tale data e dalla nota integrativa.

A nostro giudizio, il bilancio d'esercizio fornisce una rappresentazione veritiera e corretta della situazione patrimoniale e finanziaria di Banca Simetica S.p.A. al 31 dicembre 2017, del risultato economico e dei flussi di cassa per l'esercizio chiuso a tale data in conformità agli International Financial Reporting Standards adottati dall'Unione Europea nonché ai provvedimenti emanati in attuazione dell'art. 43 del D.Lgs. n. 136/15.

Elementi alla base del giudizio

Abbiamo svolto la revisione contabile in conformità ai principi di revisione internazionali (ISA Italia). Le nostre responsabilità ai sensi di tali principi sono ulteriormente descritte nella sezione *Responsabilità della società di revisione per la revisione contabile del bilancio d'esercizio* della presente relazione. Siamo indipendenti rispetto alla Banca in conformità alle norme e ai principi in materia di etica e di indipendenza applicabili nell'ordinamento italiano alla revisione contabile del bilancio. Riteniamo di aver acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio.

Aspetti chiave della revisione contabile

Gli aspetti chiave della revisione contabile sono quegli aspetti che, secondo il nostro giudizio professionale, sono stati maggiormente significativi nell'ambito della revisione contabile del bilancio dell'esercizio in esame. Tali aspetti sono stati da noi affrontati nell'ambito della revisione contabile e nella formazione del nostro giudizio sul bilancio d'esercizio nel suo complesso; pertanto su tali aspetti non esprimiamo un giudizio separato.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

Sede Legale: Via Tortona, 25 - 20144 Milano | Capitale Sociale: Euro 10.328.220,00 i.v.
Codice Fiscale/Registro delle Imprese Milano n. 03049560166 - R.E.A. Milano n. 1720239 | Partita IVA: IT 03049560166

Il nome Deloitte si riferisce a una o più delle seguenti entità: Deloitte Touche Tohmatsu Limited, una società inglese a responsabilità limitata ("DTTL"), le member firm aderenti al suo network e le entità a esse correlate. DTTL e ciascuna delle sue member firm sono entità giuridicamente separate e indipendenti tra loro. DTTL (denominata anche "Deloitte Global") non fornisce servizi ai clienti. Si invita a leggere l'informativa completa relativa alla descrizione della struttura legale di Deloitte Touche Tohmatsu Limited e delle sue member firm all'indirizzo www.deloitte.com/about.

© Deloitte & Touche S.p.A.

Aspetti chiave della revisione contabile – Risultato netto dell'attività di negoziazione	Procedure di revisione in risposta agli aspetti chiave della revisione contabile
La voce 80 "Risultato netto dell'attività di negoziazione" del conto economico del bilancio chiuso al 31 dicembre 2017 risulta pari a Euro 6.088.524 la cui composizione, in termini di utili e perdite da negoziazione e plusvalenze e minusvalenze, quale risultato dell'attività di negoziazione svolta dalla Banca nel corso dell'esercizio 2017, è evidenziata nella nota integrativa "Parte C – Informazioni sul conto economico - sezione 4". In considerazione della rilevanza dell'ammontare degli utili e delle perdite da negoziazione, che determinano nella misura più significativa il suddetto risultato iscritto in bilancio, e della variabilità di tale risultato, che risulta significativamente influenzato dai volumi negoziati nei mercati di riferimento e dalla volatilità degli stessi, abbiamo considerato il risultato netto dell'attività di negoziazione un aspetto chiave della revisione contabile del bilancio della Banca al 31 dicembre 2017.	Le procedure di revisione svolte hanno incluso, tra le altre, le seguenti: • esame delle procedure e dei processi aziendali adottati dalla Banca con riferimento all'attività di negoziazione svolta; • comprensione e rilevazione dei controlli rilevanti posti in essere a presidio del processo di negoziazione degli strumenti finanziari e delle relative conseguenti rilevazioni contabili; • analisi, anche avvalendoci del supporto di esperti appartenenti al nostro network, dell'affidabilità dell'ambiente informatico e verifiche sull'efficacia operativa dei controlli rilevanti a presidio dei sistemi ed applicativi informatici utilizzati; • verifica attraverso esame documentale su base campionaria della contabilizzazione di operazioni di negoziazione su strumenti finanziari regolate nel corso dell'esercizio afferenti il portafoglio titoli di proprietà della Banca; • verifica su base campionaria dell'accuratezza matematica del risultato da negoziazione di strumenti finanziari contabilizzato in bilancio.

Responsabilità degli Amministratori e del Collegio Sindacale per il bilancio d'esercizio

Gli Amministratori sono responsabili per la redazione del bilancio d'esercizio che fornisca una rappresentazione veritiera e corretta in conformità agli International Financial Reporting Standards adottati dall'Unione Europea nonché ai provvedimenti emanati in attuazione dell'art. 43 del D.Lgs. n. 136/15 e, nei termini previsti dalla legge, per quella parte del controllo interno dagli stessi ritenuta necessaria per consentire la redazione di un bilancio che non contenga errori significativi dovuti a frodi o a comportamenti o eventi non intenzionali.

Gli Amministratori sono responsabili per la valutazione della capacità della Banca di continuare ad operare come un'entità in funzionamento e, nella redazione del bilancio d'esercizio, per l'appropriatezza dell'utilizzo del presupposto della continuità aziendale, nonché per una adeguata informativa in materia. Gli Amministratori utilizzano il presupposto della continuità aziendale nella redazione del bilancio d'esercizio a meno che abbiano valutato che sussistono le condizioni per la liquidazione della Banca o per l'interruzione dell'attività o non abbiano alternative realistiche a tali scelte.

Il Collegio Sindacale ha la responsabilità della vigilanza, nei termini previsti dalla legge, sul processo di predisposizione dell'informativa finanziaria della Banca.

Responsabilità della società di revisione per la revisione contabile del bilancio d'esercizio

I nostri obiettivi sono l'acquisizione di una ragionevole sicurezza che il bilancio d'esercizio nel suo complesso non contenga errori significativi, dovuti a frodi o a comportamenti o eventi non intenzionali, e l'emissione di una relazione di revisione che includa il nostro giudizio. Per ragionevole sicurezza si intende un livello elevato di sicurezza che, tuttavia, non fornisce la garanzia che una revisione contabile svolta in conformità ai principi di revisione internazionali (ISA Italia) individui sempre un errore significativo, qualora esistente. Gli errori possono derivare da frodi o da comportamenti o eventi non intenzionali e sono considerati significativi qualora ci si possa ragionevolmente attendere che essi, singolarmente o nel loro insieme, siano in grado di influenzare le decisioni economiche degli utilizzatori prese sulla base del bilancio d'esercizio.

Nell'ambito della revisione contabile svolta in conformità ai principi di revisione internazionali (ISA Italia), abbiamo esercitato il giudizio professionale e abbiamo mantenuto lo scetticismo professionale per tutta la durata della revisione contabile. Inoltre:

- Abbiamo identificato e valutato i rischi di errori significativi nel bilancio d'esercizio, dovuti a frodi o a comportamenti o eventi non intenzionali; abbiamo definito e svolto procedure di revisione in risposta a tali rischi; abbiamo acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio. Il rischio di non individuare un errore significativo dovuto a frodi è più elevato rispetto al rischio di non individuare un errore significativo derivante da comportamenti o eventi non intenzionali, poiché la frode può implicare l'esistenza di collusioni, falsificazioni, omissioni intenzionali, rappresentazioni fuorvianti o forzature del controllo interno.

- Abbiamo acquisito una comprensione del controllo interno rilevante ai fini della revisione contabile allo scopo di definire procedure di revisione appropriate nelle circostanze e non per esprimere un giudizio sull'efficacia del controllo interno della Banca.

- Abbiamo valutato l'appropriatezza dei principi contabili utilizzati nonché la ragionevolezza delle stime contabili effettuate dagli Amministratori, inclusa la relativa informativa.

- Siamo giunti ad una conclusione sull'appropriatezza dell'utilizzo da parte degli Amministratori del presupposto della continuità aziendale e, in base agli elementi probativi acquisiti, sull'eventuale esistenza di una incertezza significativa riguardo a eventi o circostanze che possono far sorgere dubbi significativi sulla capacità della Banca di continuare ad operare come un'entità in funzionamento. In presenza di un'incertezza significativa, siamo tenuti a richiamare l'attenzione nella relazione di revisione sulla relativa informativa di bilancio ovvero, qualora tale informativa sia inadeguata, a riflettere tale circostanza nella formulazione del nostro giudizio. Le nostre conclusioni sono basate sugli elementi probativi acquisiti fino alla data della presente relazione. Tuttavia, eventi o circostanze successivi possono comportare che la Banca cessi di operare come un'entità in funzionamento.

- Abbiamo valutato la presentazione, la struttura e il contenuto del bilancio d'esercizio nel suo complesso, inclusa l'informativa, e se il bilancio d'esercizio rappresenti le operazioni e gli eventi sottostanti in modo da fornire una corretta rappresentazione.

Abbiamo comunicato ai responsabili delle attività di governance, identificati ad un livello appropriato come richiesto dagli ISA Italia, tra gli altri aspetti, la portata e la tempistica pianificate per la revisione contabile e i risultati significativi emersi, incluse le eventuali carenze significative nel controllo interno identificate nel corso della revisione contabile.

Deloitte.

Abbiamo fornito ai responsabili delle attività di governance anche una dichiarazione sul fatto che abbiamo rispettato le norme e i principi in materia di etica e di indipendenza applicabili nell'ordinamento italiano e abbiamo comunicato loro ogni situazione che possa ragionevolmente avere un effetto sulla nostra indipendenza e, ove applicabile, le relative misure di salvaguardia.

Tra gli aspetti comunicati ai responsabili delle attività di governance, abbiamo identificato quelli che sono stati più rilevanti nell'ambito della revisione contabile del bilancio dell'esercizio in esame, che hanno costituito quindi gli aspetti chiave della revisione. Abbiamo descritto tali aspetti nella relazione di revisione.

Altre informazioni comunicate ai sensi dell'art. 10 del Regolamento (UE) 537/2014

L'assemblea degli azionisti di Banca Simetica S.p.A. ci ha conferito in data 29 aprile 2010 l'incarico di revisione legale del bilancio d'esercizio della Banca per gli esercizi dal 31 dicembre 2010 al 31 dicembre 2018.

Dichiariamo che non sono stati prestati servizi diversi dalla revisione contabile vietati ai sensi dell'art. 5, par. 1, del Regolamento (UE) 537/2014 e che siamo rimasti indipendenti rispetto alla Banca nell'esecuzione della revisione legale.

Confermiamo che il giudizio sul bilancio d'esercizio espresso nella presente relazione è in linea con quanto indicato nella relazione aggiuntiva destinata al Collegio Sindacale, nella sua funzione di Comitato per il Controllo Interno e la revisione contabile, predisposta ai sensi dell'art. 11 del citato Regolamento.

RELAZIONE SU ALTRE DISPOSIZIONI DI LEGGE E REGOLAMENTARI

Giudizio ai sensi dell'art. 14, comma 2, lettera e), del D.Lgs. 39/10

Gli Amministratori di Banca Simetica S.p.A. sono responsabili per la predisposizione della relazione sulla gestione di Banca Simetica S.p.A. al 31 dicembre 2017, incluse la sua coerenza con il relativo bilancio d'esercizio e la sua conformità alle norme di legge.

Abbiamo svolto le procedure indicate nel principio di revisione (SA Italia) n. 720B al fine di esprimere un giudizio sulla coerenza della relazione sulla gestione con il bilancio d'esercizio di Banca Simetica S.p.A. al 31 dicembre 2017 e sulla conformità della stessa alle norme di legge, nonché di rilasciare una dichiarazione su eventuali errori significativi.

A nostro giudizio, la relazione sulla gestione è coerente con il bilancio d'esercizio di Banca Simetica S.p.A. al 31 dicembre 2017 ed è redatta in conformità alle norme di legge.

Con riferimento alla dichiarazione di cui all'art. 14, co. 2, lettera e), del D.Lgs. 39/10, rilasciata sulla base delle conoscenze e della comprensione dell'impresa e del relativo contesto acquisite nel corso dell'attività di revisione, non abbiamo nulla da riportare.

DELOITTE & TOUCHE S.p.A.

Paolo Gibello Ribatto
Socio

Milano, 10 aprile 2018

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) and of the
Fondo Interbancario di Tutela dei Depositi (Interbank Deposit Protection Fund)
Head office: Via C. Crosa, 3/c – 13900 BIELLA Tel. +39 015.45 03 300/302 – Fax +39 015.45 03 333/334
website: www.bancasimetica.it – e-mail: info@bancasimetica.it