



Financial statements 2011



# TENTH YEAR

BANCA SIMETICA S.p.A.

Share Capital and Reserves at 31/12/2011 € 26,785,784

Biella Register of Companies No. 02071270025 – R.E.A. (Economic Administrative Index) No. 179386  
at the Biella Chamber of Commerce for Industry, Agriculture and Handicrafts

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

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## Company boards

### Board of Directors

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

#### **Pier Luigi BARBERA**

Chairman

Appointed Chairman on 30 April 2009, he is responsible for the proper functioning of the corporate governance system and for guaranteeing the balance of powers. He acts as a point of contact between the internal supervisory bodies and committees. He is authorised to sign on behalf of the company in dealings with third parties and before the courts of law

#### **Giorgio MELLO RELLA**

Managing Director

Appointed Managing Director on 30 April 2009, he is vested with powers as regards ordinary and extraordinary administration with the exception of the powers pertaining exclusively to the Board of Directors:

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

#### **Mauro BRUNIERA**

Executive Director

With powers, granted on 30 April 2009, as regards the provision of portfolio management services:

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

#### **Andrea PERINI**

Independent Director



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

## Board of Statutory Auditors

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



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

## Independent Auditors

Deloitte & Touche S.p.A.



## Distinguishing factors

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

### Art. 3) Ethical objectives

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

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

The company has been set up to administer the financial resources of families, women, men, organisations, companies of any kind and entities, by using their savings and liquid assets for their own interest provided that is not in conflict with the common interest.

The company shall not enter into financial relations with economic activities that, even indirectly, obstruct human development and contribute to any violation of fundamental human rights. The company shall have an educational role in helping investors to take an interest in how their money is allocated and used and encouraging borrowers to develop their autonomy and entrepreneurship by implementing responsible planning strategies.

### Art. 19) Financial statements and profits

The financial year shall end on 31 December each year, when the financial statements shall be drawn up in accordance with the law.

Net profits shall be allocated as follows:

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

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

### **Art. 20) Ethics Committee**

The General Meeting shall appoint the members of an Ethics Committee. Said Committee shall consist of three members chosen for their ethical standards and who are active in the fields of solidarity, cooperation and scientific research.

The members of the Ethics Committee shall hold office for three years. They shall not receive any remuneration and may only be re-elected once.

The Ethics Committee shall act as an advisory body on ethical matters, overseeing the company's compliance with the principles of ethical conduct as set forth in these bylaws.

The Committee shall elect a Chairman. It shall report on its work to the Shareholders' Meeting at least once a year. Said report shall coincide with the approval of the social or sustainability report.

The organisation and operation of the Committee shall be governed by specific regulations to be approved by the Board of Directors and endorsed by the Shareholders' Meeting.

### **Art. 21) Social or sustainability report**

In addition to the provisions of arts. 2423 et seq. of the Italian Civil Code, the Board of Directors shall prepare a social or sustainability report, to be drawn up in compliance with national and international standards, accounting principles and current legislation.

The social or sustainability report shall explain the company's effective pursuit of the corporate purpose as defined under art. 3 of these bylaws and the social, environmental and cultural impacts of its business activities. Specific reference shall be made to allocations of funds for social purposes and donations by the company during the year.

The social or sustainability report shall be accompanied by a report by the Ethics Committee, in which the latter shall express its opinion as regards the company's compliance with the bylaws and the decisions of the Meetings, and a report by the Board of Statutory Auditors with its opinion concerning the compatibility of the information provided with that contained in the accounts.

The social or sustainability report shall be submitted to the Shareholders' Meeting for approval on the basis of the same terms and conditions applicable for the approval of the financial statements. It shall thus be made an integral part of the financial statements, along with the accompanying reports.

## Directors' Report

Dear Shareholders,

We are extremely pleased to announce that 2011, our tenth year of operation, was another very positive year for us.

A year in which we were able to draw on our professional experience and team spirit to tackle the severe international financial and economic crisis, which affected Italy particularly badly.

The organisational structure bore up extremely well and enabled our business departments to confirm the good economic results of previous years.

Once again I feel it is important to underline that although financial markets around the world have been hit by one of the worst crises in modern history, which has had extremely serious repercussions in Italy, our bank is completely free of toxic assets. We have never had any reservations as to the value of proprietary or third-party securities or in monitoring profit and loss performance and operating limits in real-time.

I wish to thank our internal and external auditors and supervisory boards, which continued to offer their professional support to the business departments and to management, carrying out analyses and proposing well-thought out solutions.

The operational units identified and exploited the best opportunities with the lowest levels of risk, especially in the difficult second half of the year, using well-established arbitrage strategies and at the same time making important contributions to the markets in terms of transparency, efficiency and liquidity.

Once again, clients of Banca Simefica lodged no claims whatsoever.

At the end of the year total assets under management exceeded € 149 million.

Gross income from asset management reached almost 5% (weighted average). This was an excellent result which further boosted our first-rate professional reputation.

In line with our commitment to allocate 10% of profits to social development, as set forth in the bylaws, the company sponsored a number of local schemes, details of which are contained in the accompanying Social Report.

The financial statements for the year ended at 31 December 2011 which you are invited to approve, reflect a net income of € 3,769,239, after depreciation and amortisation for € 77,673 and income tax for € 2,009,888.

The Board of Directors  
Chairman  
Pier Luigi Barbera

## The three pillars of Banca Simeica

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

- High ideals
- High professional standards
- Irreproachable conduct

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

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

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

While remaining focused on its mission, creating and fostering a profitable relationship with all the local players that share its values continues to rank as a priority for the bank.

This concern for the community is also reflected in the fact that the company supports a number of associations involved in socially useful work, in line with article 19 of the bylaws.

Details of all the projects supported in 2011 are contained in the Social Report.

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

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

ASSETS			
VALUES IN EURO	31/12/2011	31/12/2010	CHANGE
CASH AND RECEIVABLES FROM BANKS	42,275,926	22,292,803	19,983,123
FINANCIAL ASSETS HELD FOR TRADING	18,628,608	19,239,237	-610,629
INTANGIBLE AND TANGIBLE	2,525,075	1,371,224	1,153,851
OTHER ASSETS	2,053,386	1,618,140	435,246
<b>TOTAL ASSETS</b>	<b>65,482,995</b>	<b>44,521,404</b>	<b>20,961,591</b>

LIABILITIES			
VALUES IN EURO	31/12/2011	31/12/2010	CHANGE
DUE TO CLIENTS	26,940,459	12,542,521	14,397,938
FINANCIAL LIABILITIES HELD FOR TRADING	7,366,663	4,491,855	2,874,808
SEVERANCE INDEMNITY FUND	422,309	390,679	31,630
OTHER LIABILITIES	3,967,780	3,509,804	457,976
SHAREHOLDERS' EQUITY	26,785,784	23,586,545	3,199,239
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>65,482,995</b>	<b>44,521,404</b>	<b>20,961,591</b>

PROFIT AND LOSS ACCOUNT			
VALUES IN EURO	31/12/2011	31/12/2010	CHANGE
INTEREST MARGIN	614,065	715,161	-101,096
NET FEES AND COMMISSIONS	969,366	1,107,520	-138,154
EARNING MARGIN	10,490,954	9,993,410	497,544
OPERATING COSTS	-4,711,827	-4,352,783	-359,044
INCOME TAX	-2,009,888	-1,911,892	-97,996
<b>PROFIT FOR THE YEAR</b>	<b>3,769,239</b>	<b>3,728,735</b>	<b>40,504</b>

## Operational highlights

### FINANCIAL INDICATORS

	2011	2010	Change %
TOTAL ASSETS	65,482,995	44,521,404	47.08
TOTAL FUNDS USED AND INVESTED (CLIENTS AND BANKS)	22,275,647	22,291,536	-0.07
TOTAL ASSETS UNDER MANAGEMENT	149,664,567	154,509,211	-3.14
SHAREHOLDERS' EQUITY	26,785,784	23,586,545	13.56
INTEREST MARGIN	614,065	715,161	-14.14
EARNING MARGIN	10,490,954	9,993,410	4.98
ADMINISTRATIVE EXPENSES AND PERSONNEL COSTS	-4,634,800	-4,280,286	8.28
GROSS PROFIT FOR THE YEAR	5,856,800	5,711,800	2.54
<b>NET RESULT</b>	<b>3,769,239</b>	<b>3,728,735</b>	<b>1.09</b>

Data expressed in units of Euro

### EFFICIENCY INDEXES

	2011	2010
ROE	15.98	18.25
ADMINISTRATIVE EXPENSES/EARNING MARGIN	44.18	42.83

## The economic scenario

At the beginning of 2011 economic growth in the United States weakened and the Japanese economy contracted sharply following the devastating earthquake in the north-east of the country.

On the other hand, strong growth in some emerging economies combined with specific factors affecting supply triggered increases in the prices of food and energy commodities; the latter were also pushed up as a consequence of the unrest that broke out in a number of Middle Eastern and North African countries.

Starting from the summer, we witnessed a general slowdown in all the main advanced economies, not only as a result of the Japanese earthquake and the hike in energy prices, but also due to a persistently slack employment market and widespread uncertainty over the possibility of finding a solution to the financial imbalances, and in particular the prospects for public finances in the euro area.

After Portugal was forced to officially request economic aid in April, by resorting to the so-called debt support fund, the euro group approved a new bailout package for Greece in July.

Towards the middle of July, tensions that were initially confined to EU crisis countries started to spread to other nations such as Spain and, in particular, Italy. This had repercussions on share prices and the spread between 10-year Italian bonds and German bunds.

The downwards revision of economic growth prospects, combined with failure by the EU authorities to produce any concrete solution to the crisis, caused widespread instability on financial markets and led to stock market crashes, especially in the third quarter of 2011.

<b>GROWTH IN REAL GDP (1)</b>	<b>2011</b>	<b>2010</b>
Italy	0.40%	1.30%
Germany	3.00%	3.70%
EURO area	1.40%	1.80%
US	1.70%	3.00%
Japan	-0.70%	4.10%
China	9.20%	10.30%

(1) year-on-year percentage change

Source: IMF

<b>EQUITY MARKET PERFORMANCE</b>	<b>2011</b>	<b>2010</b>
FTSE MIB	-25.20%	-13.23%
DAX	-14.69%	16.06%
DJ EuroStoxx 50	-17.05%	-5.81%
DJ Industrial	5.53%	11.02%
Nikkei 225	-17.34%	-3.01%
Shanghai Composite	-21.68%	-14.31%

Source: Bloomberg

The Italian Government introduced two budget correction packages for the four-year period 2011-14, aimed at relieving tensions in financial markets; however, the postponement of more incisive interventions until 2013-2014 and weaker prospects for growth in the medium term combined to fuel speculation against Italian bonds. The difference between Italian and German bond yields widened to a record 575 basis points on 9 November; yields on shorter-term 12-month treasury bonds exceeded 6% at the November auction.

Yield spreads narrowed at the beginning of December, following the announcement of a fresh set of corrective measures for 2012-2014 introduced by the new Government led by Mario Monti, but then widened again amidst deepening fears of a systemic crisis.

Following the ECB's three-year refinancing operations, with the allocation of two equal amounts on 21 December 2011 and 29 February 2012, risk premiums on Italian bonds fell substantially, first for short-term bonds and then also on longer term ones.

These operations helped to mitigate concerns over the ability of banks to raise funds, which was reflected in a contraction of the risk premiums implicit in interbank rates and an improvement in bank credit default swap spreads.

<b>BOND MARKET PERFORMANCE</b>	<b>2011</b>	<b>2010</b>
BTP 10-year total return index (MTSlg 7-10yrs)	-7.62%	-0.74%
BUND 10-year total return index (MTSDg 7-10yrs)	12.97%	7.12%

Source: EuroMTS

INTEREST RATES	Dec 2011	Sept 2011	Jun 2011	Mar 2011	Dec 2010
12-month BOTs	5.95%	4.15%	2.15%	2.10%	2.01%
5-year BTPs	6.29%	5.01%	4.03%	3.83%	3.61%
10-year BTPs	6.81%	5.75%	4.82%	4.88%	4.60%
10-year BUNDS	1.99%	2.11%	3.16%	3.54%	3.19%
10-year T NOTES	1.98%	1.98%	3.00%	3.41%	3.29%
ITA/GER spread	4.82%	3.64%	1.66%	1.34%	1.41%

Source: Banca d'Italia, Deutsche Bundesbank and FED

Sovereign debt tensions in the euro area, persistent uncertainty over the consolidation of public finances in the United States and indications of a slowdown in the world economy meant that growth prospects for 2012 were repeatedly lowered by the main international organisations.

In Italy, GDP growth was affected by the slowdown in world trade, the increase in the cost of borrowing, the introduction of restrictive fiscal measures, the high rate of unemployment and rising inflation driven by the increase in indirect tax rates and the hike in energy prices.

The possible scenarios for economic growth in Italy vary considerably and depend on how the sovereign debt crisis evolves and its repercussions on banks' lending ability.

According to calculations by Banca d'Italia, if yield spreads between BTPs and Bunds return to the average levels recorded last summer, GDP will contract, on average, by 1.5% in 2012, before stabilising in the second half of the year with a more rapid return to expansion in 2013.

The implementation of structural measures capable of creating favourable conditions to revive the Italian economy could improve the prospects for growth.

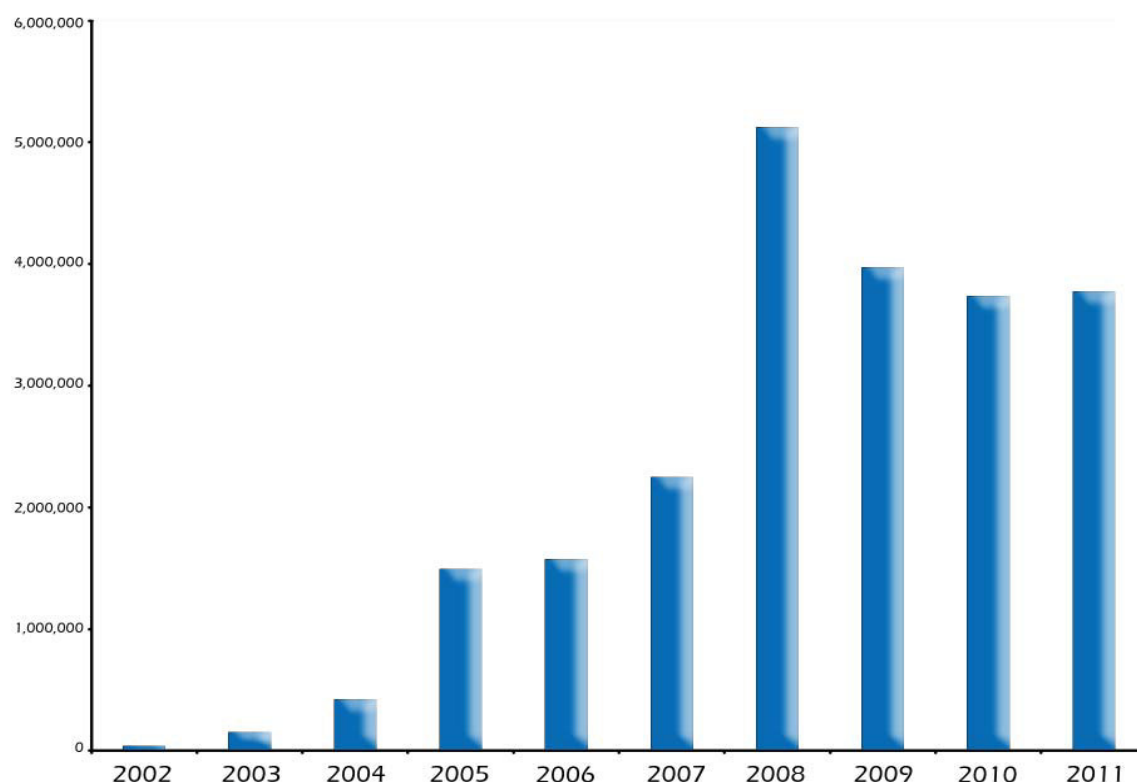
It is of vital importance that policies are also implemented at European level, starting with the EU economic governance framework that recently came into force.

## Profit for the period

Net profit for 2011 amounted to € 3,769,239, up 1 % compared with the previous year (€ 3,728,735). ROE was 15.98%.

This success reflects the continuing ability of the Proprietary Trading department to achieve good results and a further upswing in income from Portfolio Management services.



**Utile netto 2002 - 2011**

Data in euro

**Client services**

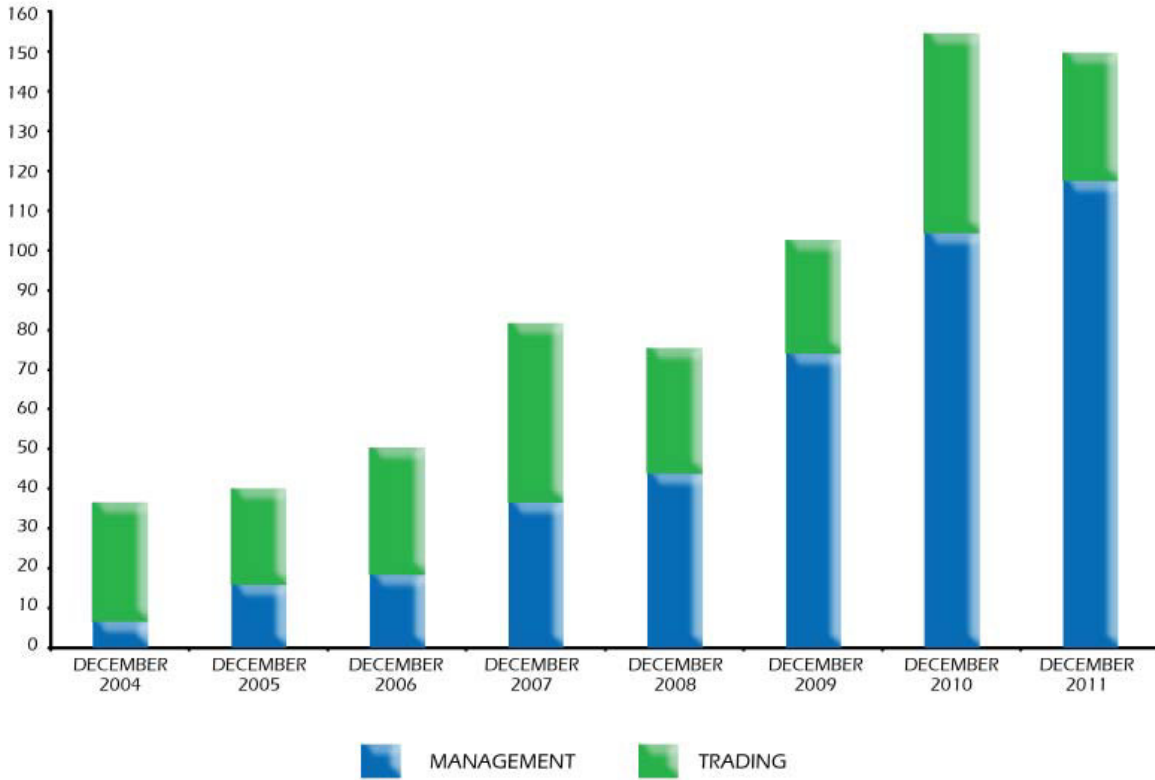
As at 31 December 2011 clients' total equity amounted to € 149.7 million, 3.6% less than at 31 December 2010.

The downturn reflects the € 18.1 million reduction in assets under administration for third-party trading. Assets under management continued to increase. Aggregate assets managed over the year increased by € 12 million, reflecting good returns on the lines managed and net funds of € 7.3 million.

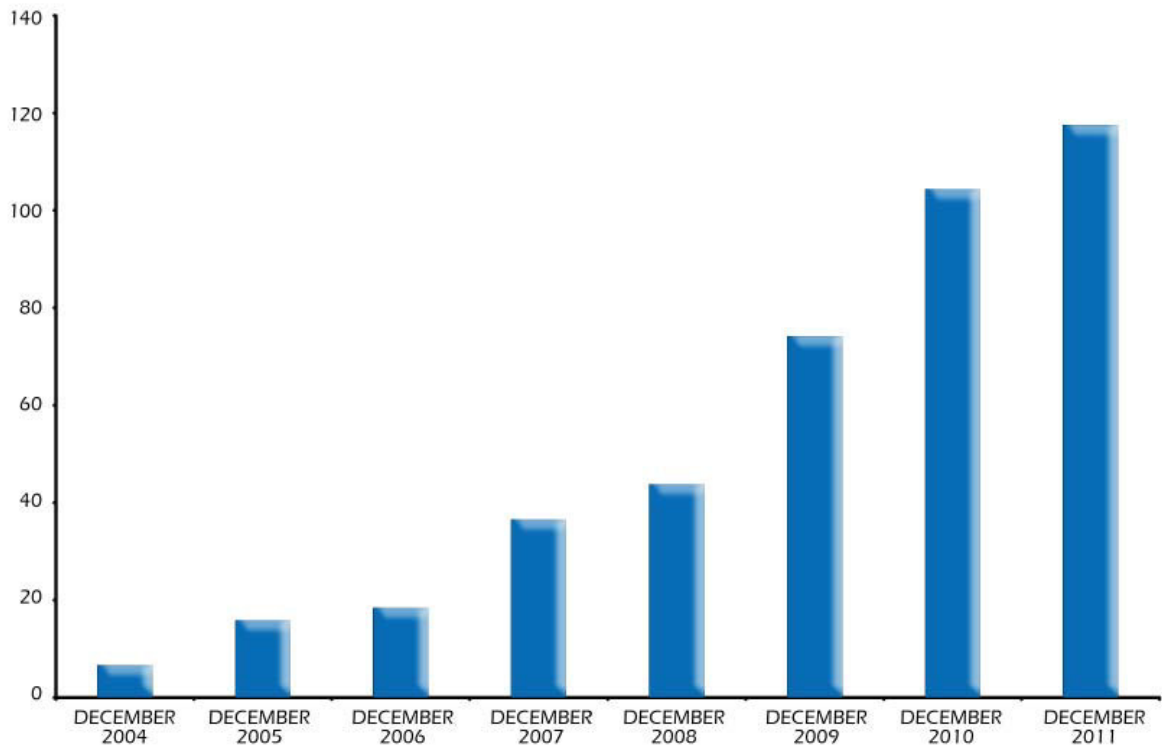
At 31 December 2011 assets under management amounted to € 117.5 million, an increase of 12.7% compared to the end of 2010.

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

**Clients' total equity 2004 - 2011**



Data in euro millions

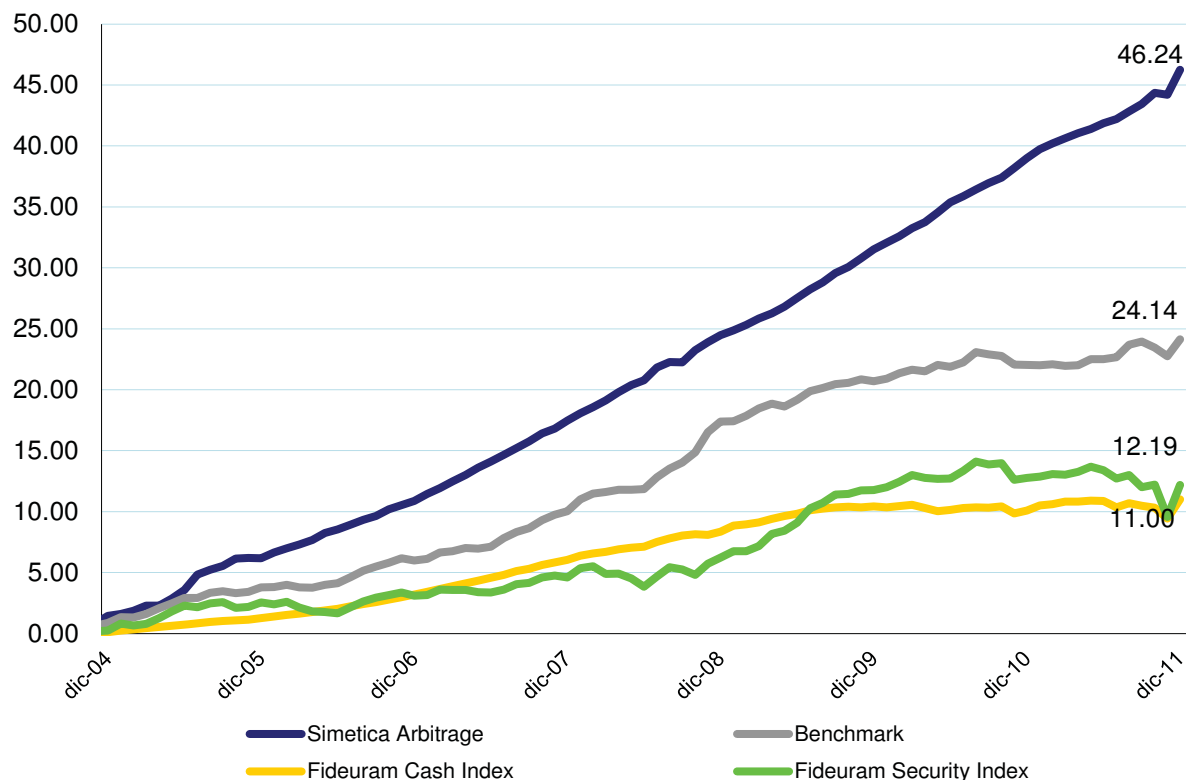
**Assets managed 2004 - 2011**

Data in euro millions

## Analysis of performance as at 31/12/2011 <sup>(1)</sup>

### Simetica Arbitrage

#### ANALYSIS OF PERFORMANCE AT 31/12/2011



#### SIMETICA ARBITRAGE

Performance in last 12 months	5.23%
Performance in last 12 months Fideuram Cash Index	0.82%
Performance in last 12 months Fideuram Security Index	-0.52%
Benchmark performance in last 12 months	1.72%
Performance from 01.10.2004	46.24%
Performance from 01.10.2004 Fideuram Cash Index	11.00%
Performance from 01/10/2004 Fideuram Security index	12.19%
Benchmark performance from 01.10.2004	24.14%

Performance is net of fees and gross of tax

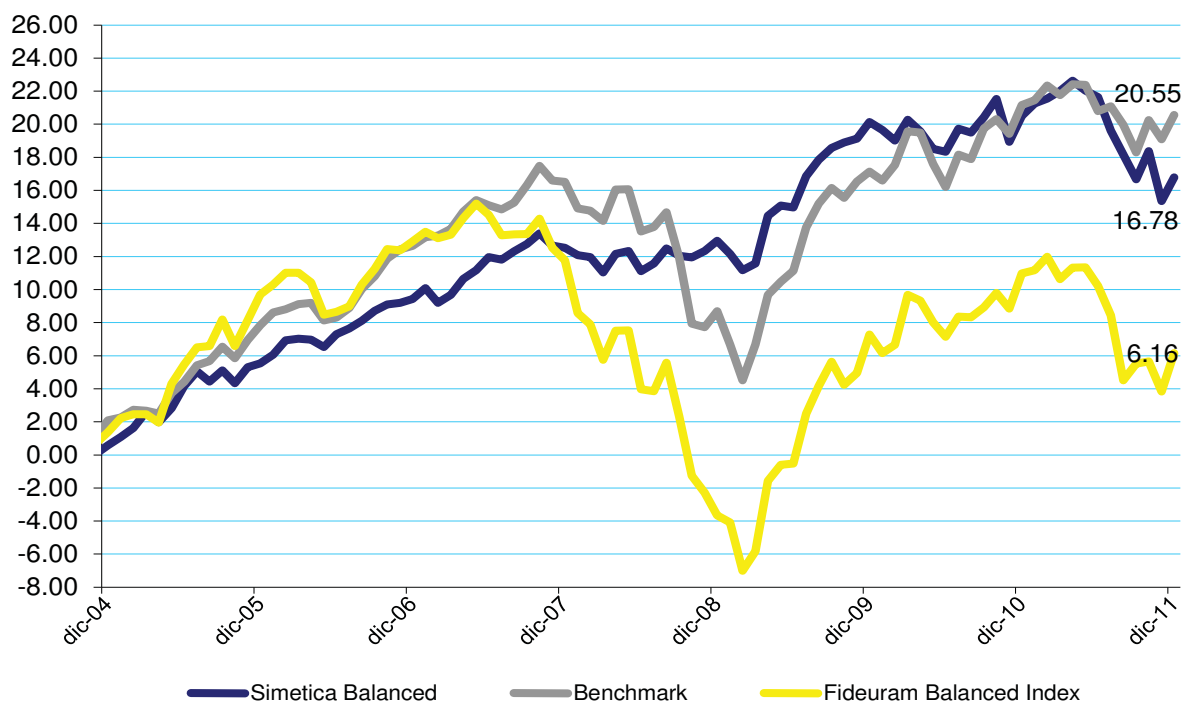
#### BREAKDOWN OF BENCHMARK PERFORMANCE: ARBITRAGE

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

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

**Simetica Balanced**

**ANALYSIS OF PERFORMANCE AT 31/12/2011**



**SIMETICA BALANCED**

Performance in last 12 months	-3.02%
Performance in last 12 months Fideuram Balanced Index	-4.33%
Benchmark performance in last 12 months	-0.47%
Performance from 01.10.2004	16.78%
Performance from 01.10.2004 Fideuram Balanced Index	6.16%
Benchmark performance from 01.10.2004	20.55%

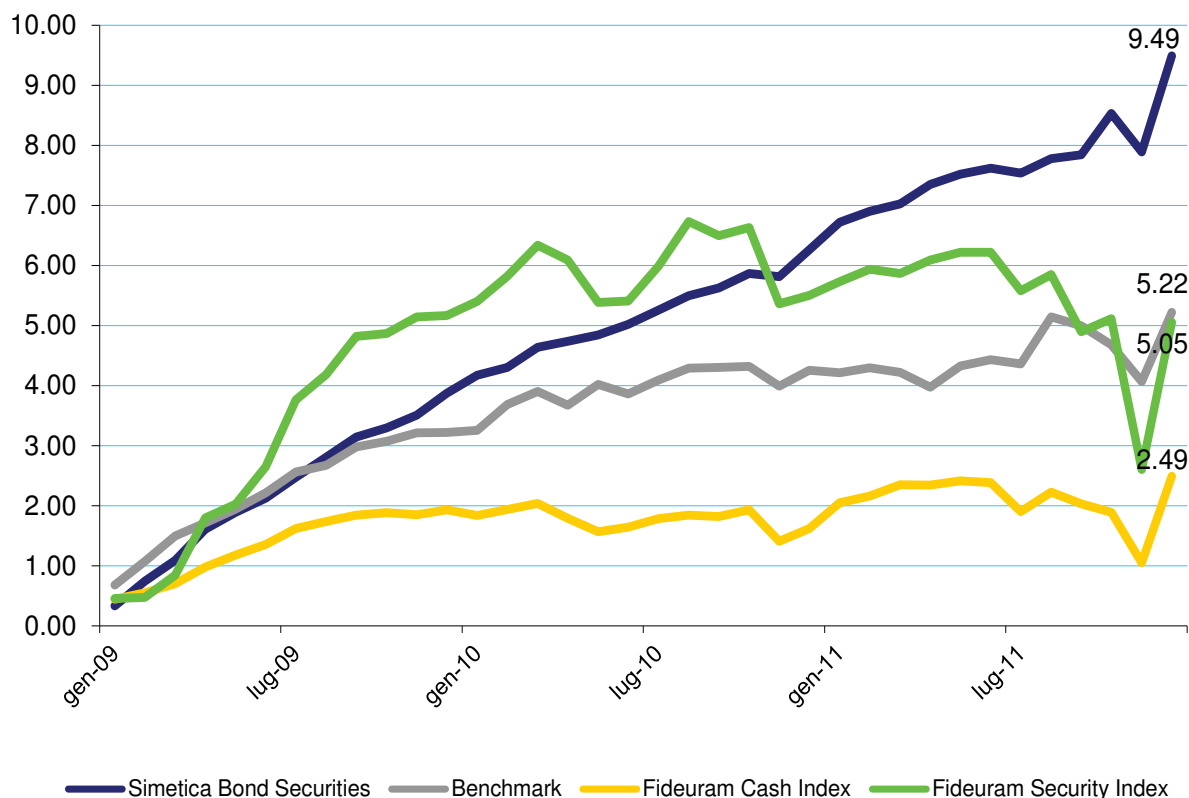
Performance is net of fees and gross of tax

**BREAKDOWN OF BENCHMARK PERFORMANCE: BALANCED**

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

**Simetica Bond Securities**

**ANALYSIS OF PERFORMANCE AT 31/12/2011**



**LSIMETICA BOND SECURITIES**

Performance in last 12 months	3.07%
Performance in last 12 months Fideuram Cash Index	0.86%
Benchmark performance in last 12 months	0.98%
Performance from 01.01.2009	9.49%
Performance from 01.01.2009 Fideuram Cash Index	2.49%
Benchmark performance from 01.01.2009	4.25%

Performance is net of fees and gross of tax

**BREAKDOWN OF BENCHMARK PERFORMANCE: BOND SECURITIES**

Description	Weight	Peso
JP Morgan EMU 1-3 Years	50	
JP Morgan EMU 3 Month	50	

## Management fees and commissions

The application of low management fees in relation to the assets under management reflects our specific commitment to safeguarding the actual performance of clients' investments, especially when short-term interest rates are so low.

We believe that building an honest, open relationship with our clients is the best way of earning their trust over the longer term. That is why we do not apply any additional charges, such as per-line fees, account or security deposit charges, etc.

The increase in management fees, which amounted to € 445,128 (compared to € 355,813 in 2010) reflects the rise in net funds; satisfactory results in terms of performance for clients also generated commissions on performance for € 57,657.

## Capital structure

Banca Simefica is an independent bank. The share capital amounts to € 7,600,000 and consists of 7,600 ordinary shares each with a nominal value of € 1,00.

Details of the share structure are set out in Annex 2.

## Corporate Governance

Corporate governance is based on a traditional system of administration and control.

The main provisions regarding corporate governance are set out in the bylaws, which have been drawn up in accordance with current legislation and in particular with the Supervisory Instructions issued by Banca d'Italia (circular No. 229 of 21 April 1999), the "Supervisory requirements concerning the organisation and corporate governance of banks", issued by Banca d'Italia in regulation No. 264010 on 4 March 2008 and the regulation issued jointly by Banca d'Italia and Consob on 29 October 2007 adopted pursuant to art. 6, sub-section 2-bis of the Consolidated Finance Act.

The Board of Directors is responsible for strategic supervision and management of the company. It is vested with full powers as regards the ordinary and extraordinary administration of the company and is empowered to carry out all the acts considered necessary or appropriate in order to implement and achieve the corporate purposes, with the sole exception of those powers pertaining exclusively to the General Meeting under the provisions of the law and the corporate bylaws.

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

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

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

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

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

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

The Board of Statutory Auditors is the controlling body responsible for overseeing compliance with the law, regulations and bylaws, the principles of correct administration and, in particular, the adequacy of the company's organisational, administrative and accounting system and its correct functioning.

The Supervisory Body is responsible for overseeing operations of the overall internal control system. It monitors the efficiency of all structures and functions involved in the control system and their proper coordination and promotes corrective measures when any shortcomings or irregularities are detected. It works with the company's internal control structures and functions to carry out the necessary tests and checks and the latter provide it with the appropriate information at regular intervals or in relation to specific circumstances or results.

## Internal codes

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

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

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

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

## Control environment

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

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



## Internal controls

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

### 1. Level one (line controls)

These consist of assessments by the heads of the various operational areas.

### 2. Level two controls

Performed by the Risk Management and Compliance departments.

The Risk Management department, led by the Risk Manager, defines, manages and monitors the risks to which the company is exposed, in order to define and control the risk level that can be tolerated.

The Compliance function, which is outsourced, ensures compliance with the rules concerning the supply of services.

In accordance with the regulation issued on organisation, procedures and internal controls to prevent the exploitation of financial intermediaries and terrorism financing pursuant to art. 7 para 2 of Italian Legislative Decree No. 231 of 21 November 2001, issued by Banca d'Italia on 10 March 2011, the Board of Directors appointed an Anti-Money Laundering Manager (who works in conjunction with the outsourced anti-money-laundering function) and a person in charge of reporting any suspect transactions.

It is the duty of the Anti-Money-Laundering function to identify the applicable laws, collaborate in defining the appropriate procedures, prepare a training programme and define the information flows to the corporate bodies;

The person in charge of reporting suspect transactions must evaluate any transactions suspected of violating anti-money-laundering laws, based on all the available objective and subjective elements.

### 3. Level three controls

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

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

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

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

## Risk management

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

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

All risks are monitored on the basis of the internal control system as set out in the "Risk control manual". Pursuant to the fourth revised version (13 December 2010) of "Circular No. 263 of 27 December 2006 "New Regulations for the Prudential Supervision of Banks" enforcing new liquidity risk management and control requirements for banks and banking groups, and adopting the guidelines of the Committee of European Bank Supervisors (CEBS) and of the Basel Committee on the supervision of banks, on 21 December 2010 the Board of Directors set up a working group comprising the Risk Manager (responsible for coordination) and the heads of Internal Audit and Organisation. The group has the task of assessing the impact of the new regulations on the bank's activities and subsequently updating and integrating company procedures and internal controls.

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

In addition to the risks under Pillar 1 of Basel II, the Risk Manager also monitors and manages counterparty and liquidity risk.

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

## Capital requirements to cover risks

Risks are measured and the relative capital requirement is calculated according to the methods defined by the New Regulations for the Prudential Supervision of Banks (Circular No. 263 of 27 December 2006). The regulatory capital of Banca Simeica consists of tier 1 capital only, comprising the share capital, retained earnings (except the statutory reserve) and income for the period (net of dividends paid and amounts allocated to the statutory reserve) as positive items and intangible assets as the negative items.

Banca Simeica does not hold innovative capital instruments and the prime quality constituents of the regulatory capital derive from the company's own means.

The bank's individual solvency (tier ratio) is well above the 8% limit required by Banca d'Italia, and stood at 67.24% on 31 December 2011, with regulatory capital of € 24,730,886.

This ratio is high due to the fact that Banca Simeica performs proprietary trading activities through arbitrage (a low risk operation by definition) and has not yet commenced lending activities.

## Human resources

A detailed analysis of our human resources is provided in the specific section of the Social Report.

The number of employees stood at 24 (one part-time).

All new recruits receive a period of supervised on-the-job training.

Employees' contracts refer to the National Collective Bargaining Agreement for Bank Employees. The company has also adopted and applied all the provisions of Italian Legislative Decree No. 81 of 9 April 2008 implementing Italian law No. 123 of 3 August 2007 concerning health and safety at work.

## R&D

In 2011 Banca Simeica continued to undertake important actions aimed at fostering development and strengthening its position as a fully integrated and specialist operator in the trade and arbitrage sector.

This, together with the continuous and systematic reviewing of our internal production processes and upgrading to ensure compliance with recent changes in the law, were important factors in enabling us to achieve excellent results in the various sectors.

## Other information

The company does not own and has never purchased or sold any own shares or shares in controlling companies, even through trust companies or nominees.

There are no subsidiaries, associated companies, parent companies and enterprises controlled by the latter.

## Social report

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

## Significant events in early 2012

There are no significant events to report.

## Outlook

In the first part of 2012 business operations in general and arbitrage and trading activities in particular were in line with the budget approved by the Board of Directors.

Good results have been achieved in terms of deposits in the portfolio management business. These stood at a total of € 123.9 million at 22 March 2012.

On the basis of these facts the outlook for 2012 is positive.

## Allocation of profits for the year

Dear Shareholders,

You are invited to approve the financial statements for the year ended at 31 December 2011. We propose allocating the net profit for the year, amounting to € 3,769,239 as follows:

€	188,462	legal reserve
€	91,813	statutory social solidarity fund*
€	2,918,964	extraordinary reserve
€	570,000	profits to be allocated

\* The amount to be allocated to the statutory fund was calculated taking into account donations made during the financial year and recorded in the profit and loss account.

In 2011 donations were made for € 285.111.

In 2011 total donations recorded in the profit and loss account and statutory fund allocations amounted to € 376,924.

Biella, 26 march 2012

The Board of Directors  
Chairman  
Pier Luigi Barbera

## Balance Sheet

<b>ASSETS</b>	<b>2011</b>	<b>2010</b>
10. Cash and liquid assets*	20,005,924	6,322
20. Financial assets held for trading	18,628,608	19,239,237
60. Due from banks	22,270,002	22,286,481
70. Due from clients	5,645	5,055
110. Tangible assets	2,507,125	1,366,366
120. Intangible assets	17,950	4,858
130. Tax assets	1,917,972	1,553,144
a) current	1,914,690	1,549,731
b) prepaid	3,282	3,413
150. Other assets	129,769	59,941
<b>Total assets</b>	<b>65,482,995</b>	<b>44,521,404</b>

\* Of which € 20,001,186 deposited with the ECB's overnight deposit facility.

<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>2011</b>	<b>2010</b>
20. Due to clients	26,940,459	12,542,521
40. Financial liabilities held for trading	7,366,663	4,491,855
80. Tax liabilities	2,016,027	1,921,374
a) current	2,013,163	1,915,104
b) deferred	2,864	6,270
100. Other liabilities	1,951,753	1,588,430
110. Severance indemnity fund	422,309	390,679
160. Reserves	14,116,545	10,957,810
170. Issue premium	1,300,000	1,300,000
180. Capital	7,600,000	7,600,000
200. Profit (Loss) for the year (+/-)	3,769,239	3,728,735
<b>Total liabilities and shareholders' equity</b>	<b>65,482,995</b>	<b>44,521,404</b>

### Profit and Loss Account

ITEMS	2011	2010
10. Interest and similar income	618,972	727,257
20. Interest and similar expenses	(4,907)	(12,096)
30. Interest margin	614,065	715,161
40. Income from fees and commissions	1,615,461	1,942,841
50. Costs of fees and commissions	(646,095)	(835,321)
60. Net fees and commissions	969,366	1,107,520
70. Dividends and similar income	83,816	44,038
80. Net profits on trading	8,823,707	8,126,691
120. Earning margin	10,490,954	9,993,410
140. Net operating result	10,490,954	9,993,410
150. Administrative expenses:	(4,634,800)	(4,280,286)
a) personnel costs	(2,197,933)	(2,177,954)
b) other administrative expenses	(2,436,867)	(2,102,332)
170. Adjustments/re-adjustments to net value of tangible assets	(73,124)	(69,028)
180. Adjustments/re-adjustments to net value of intangible assets	(4,549)	(2,145)
190. Other net operating expense/income	646	(1,324)
200. Operating costs	(4,711,827)	(4,352,783)
250. Profit (loss) on current operations before tax	5,779,127	5,640,627
260. Income tax on current operations for the year	(2,009,888)	(1,911,892)
270. Profit (loss) on current operations net of tax	3,769,239	3,728,735
<b>290. Net profit (loss) for the year</b>	<b>3,769,239</b>	<b>3,728,735</b>

### Statement of comprehensive income

ITEMS	2011	2010
10. Net profit (loss) for the year	3,769,239	3,728,735
120. Comprehensive income (Item 10+110)	3,769,239	3,728,735

## Statement of Changes in Shareholders' Equity 2011

	CHANGE IN THE YEAR												Comprehensive income 2011	Shareholders' equity at 31.12.2011	
	Balance at 31.12.2010	Change in opening balance	Balance at 1.1.2011	Allocation of previous year's profit		Operations on shareholders' equity									
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of own shares	Extraordinary distribution of dividends	Change in capital instruments	Derivatives on own shares	Stock options			
Capital:	7,600,000		7,600,000												7,600,000
a) ordinary shares	7,600,000		7,600,000												7,600,000
b) other shares															
Issue premium	1,300,000		1,300,000												1,300,000
Reserves:	10,957,810		10,957,810	3,158,735											14,116,545
a) retained earnings	10,957,810		10,957,810	3,158,735											14,116,545
b) other															
Valuation reserves															
Capital instruments															
Own shares															
Profit (Loss) for the year	3,728,735		3,728,735	(3,158,735)	(570,000)									3,769,239	3,769,239
Shareholders' equity	23,586,545		23,586,545	-	(570,000)									3,769,239	26,785,784

## Statement of Changes in Shareholders' Equity 2010

	CHANGE IN THE YEAR												Shareholders' equity at 31.12.2010	
	Balance at 31.12.2009	Change in opening balance	Balance at 1.1.2010	Allocation of previous year's profit		Operations on shareholders' equity						Comprehensive income 2010		
				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		
Capital:	7,600,000		7,600,000											7,600,000
a) ordinary shares	7,600,000		7,600,000											7,600,000
b) other shares														
Issue premium	1,300,000		1,300,000											1,300,000
Reserves:	7,560,592		7,560,592	3,397,218										10,957,810
a) retained earnings	7,560,592		7,560,592	3,397,218										10,957,810
b) other														
Valuation reserves														
Capital instruments														
Own shares														
Profit (Loss) for the year	3,967,218		3,967,218	(3,397,218)	(570,000)								3,728,735	3,728,735
Shareholders' equity	20,427,810		20,427,810	-	(570,000)								3,728,735	23,586,545



## Statement of Cash Flows – direct method

	2011	2010
<b>A. OPERATIONAL ACTIVITIES</b>		
1. Management	<b>3,900,025</b>	<b>3,940,571</b>
- interest earned (+)	610,360	727,257
- interest paid (-)	(4,907)	(12,096)
- dividends and similar income (+)	83,816	44,038
- net fees and commissions (+/-)	935,488	1,107,520
- personnel costs (-)	(2,086,148)	(2,037,291)
- other costs (-)	(2,453,122)	(2,103,656)
- other revenues (+)	8,824,426	8,126,691
- tax and duties (-)	(2,009,888)	(1,911,892)
- costs/revenues on disposal groups net of tax (+/-)		
2. Cash flow generated/absorbed by financial assets	<b>183,995</b>	<b>646,979</b>
- financial assets held for trading	619,241	391,827
- financial assets at fair value		
- financial assets available for sale		
- due from clients	(590)	37
- due from banks: on demand		
- due from banks: other receivables		
- other assets	(434,656)	255,115
3. Cash flow generated/absorbed by financial liabilities	<b>17,396,528</b>	<b>(2,820,963)</b>
- due to banks: on demand		
- due to banks: other payables		
- due to clients	14,397,938	(6,267,756)
- securities in issue		
- financial liabilities held for trading	2,874,808	2,891,260
- financial liabilities at fair value		
- other liabilities	123,782	555,533
<b>Net cash flow generated/absorbed by operational activities</b>	<b>21,480,548</b>	<b>1,766,587</b>
<b>B. INVESTMENTS</b>		
1. Cash flow generated by		
- sale of equity investments		
- dividends on equity investments		
- sale/repayment of financial assets held to maturity		
- sale of tangible assets		
- sale of intangible assets		
- sale of lines of business		
2. Cash flow absorbed by	<b>(927,425)</b>	<b>(756,280)</b>
- purchase of equity investments		
- purchase of financial assets held to maturity		
- purchase of tangible assets	909,784	756,280
- purchase of intangible assets	17,641	
- purchase of lines of business		
<b>Net cash flow generated/absorbed by investments</b>	<b>(927,425)</b>	<b>(756,280)</b>

	2011	2010
<b>C. FUNDING</b>		
- issue/purchase of own shares		
- issue/purchase of capital instruments		
- distribution of dividends and other allocations	(570,000)	(570,000)
<b>Net cash flow generated/absorbed by funding</b>	<b>(570,000)</b>	<b>(570,000)</b>
Net cash flow generated/absorbed in the year	19,983,123	440,307

KEY: (+) generated; (-) absorbed

<b>RECONCILIATION</b>		
	2011	2010
Cash and liquid assets at 1/01/2011	22,292,803	21,852,496
Total net liquid assets generated/absorbed in the year	19,983,123	440,307
Cash and liquid assets: effect of exchange rate variations		
Cash and liquid assets at 31/12/2011	42,275,926	22,292,803

## **Notes to the Financial Statements**

**Part A – Accounting policies**

**Part B – Information on the balance sheet**

**Part C – Information on the profit and loss account**

**Part D – Comprehensive income**

**Part E – Risks and related risk management policies**

**Part F – Equity**

**Part H – Transactions with related parties**

## Notes to the Financial Statements

### Part A – Accounting policies

#### A.1 General information

- **Section 1**

##### Statement of compliance with international accounting standards

The financial statements of BANCA SIMETICA S.p.A. for the year ended 31 December 2011 have been drawn up in compliance with the IAS/IFRS developed by the IASB, and the relative interpretations of the IFRIC, adopted by the European Commission under Regulation (EC) No. 1606/2002.

- **Section 2**

##### Preparation criteria

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

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

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

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

Unless otherwise specified, the amounts shown in the financial statements, explanatory notes and Directors' Report are in euro.

- **Section 3**

#### Events after the reporting period

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

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

### A.2 Main items in the balance sheet

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

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

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

- it is purchased or held mainly for the purpose of selling or repurchasing it in the short-term;
- it is part of a portfolio of well-identified financial instruments that are managed as a group and in respect of which there is evidence of a recent and effective strategy aimed at obtaining a profit in the short-term.

#### Recognition criteria

Financial instruments classified as "Financial assets and liabilities held for trading" are recognised at the settlement date, at cost intended as the fair value of the instrument, excluding any transaction charges or income directly attributable to the instruments.

#### Classification criteria

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

#### Valuation criteria

Subsequent to initial recognition, the financial instruments in question are measured at fair value, recognising any changes in the profit and loss account under item "80 Net result of trading activities". The fair value of assets or liabilities of a trading portfolio is determined by reference to the prices observed in active markets.

In case of securities listed in active markets, the fair value is determined by reference to market prices. A market is defined as active if the prices reflect normal market transactions, are readily and regularly available and express the price of actual and regular market transactions.

#### Derecognition criteria

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

**Criteria for recognising income items**

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

- **Receivables**

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

**Recognition criteria**

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

**Classification criteria**

Receivables include loans to banks and financial institutions, which provide for fixed or otherwise determinable payments, are not quoted on active markets and not classified at the outset as available for sale or among the financial assets recognised at fair value that impact on profit and loss.

**Valuation criteria**

Receivables are measured at amortised cost using the effective interest rate method.

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

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

The effective interest rate initially recognised is the rate (known as the original rate) that is also always used to discount expected cash flows and to determine the amortised cost after initial recognition.

The presence of objective evidence that a financial asset or group of financial assets may be impaired must be verified at each balance sheet or interim report date.

**Derecognition criteria**

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

**Criteria for recognising income items**

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

**• Tangible assets**

“Operating assets” are tangible assets owned and used by the company to carry on its business activities and the useful life of which extends beyond one financial year.

“Investment property” represents property held with a view to earn rentals or for capital appreciation. Tangible assets (operating assets and investment property) also include leasehold assets (under finance lease contracts) which are recorded even though the legal right to the assets remains with the lessor company.

**Recognition criteria**

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

The cost of a tangible asset is only recognised as an asset if:

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

**Classification criteria**

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

**Valuation criteria**

Subsequent to initial recognition, operating tangible assets are carried at cost, as described above, less any accumulated depreciation and impairment losses. The depreciable amount, equal to the cost less the residual value (i.e. the amount that is expected to be received for the asset at the end of its useful life after deducting disposal costs), is depreciated on a straight-line basis over the residual useful life of the asset. The useful life, which is regularly reviewed in order to assess if significant changes in estimates have occurred, is defined as the period of time over which an asset is expected to be used by the company.

The depreciation of an asset starts when the asset is ready for use and ceases when the asset is disposed of and eliminated from the accounting records. As a result, depreciation does not stop when the asset becomes idle or is retired from active use and held for disposal unless the asset is fully depreciated.

At each balance sheet or interim report date, the company reviews the carrying amounts of its fixed assets to determine whether there is any indication that those assets have suffered an impairment loss. The impairment loss is the difference between the asset's carrying amount and its recoverable amount. The latter is the higher of the fair value, net of selling costs, and the related value in use intended as the

present value of the future cash flows expected to be generated by the asset. The impairment loss is immediately recognised in the profit and loss account under item “170 Adjustments to the net value of tangible assets”. This item also includes any future write-backs that may be recorded if the reasons that gave rise to the original impairment cease to exist.

### **Derecognition criteria**

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

### **Criteria for recognising income items**

Systematic depreciation is recognised in profit and loss under item “170 Adjustments to net value of tangible assets”.

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

### **• Intangible assets**

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

An intangible asset is identifiable when:

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

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

### **Recognition criteria**

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

The cost of an intangible asset includes:

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

### **Classification criteria**

Intangible assets include application software for multi-year use.

### **Valuation criteria**

Subsequent to initial recognition, intangible assets with a definite useful life are recognised at cost less cumulative amortisation and any impairment losses that may have occurred.



The amortisation is allocated systematically over the best estimate of the asset's useful life, using the straight-line method.

The assets start being amortised when they are ready for use and cease being amortised when the assets are eliminated from the accounting records.

Intangible assets with an indefinite useful service life are recognised at cost less any impairment losses. These losses are recorded as a result of the impairment tests carried out on an annual basis. As a result, these assets are not amortised.

Impairment losses that arise from the difference between the carrying value of the assets and their recoverable value are recognised, like write-backs, under item "180 Adjustments to the net value of intangible assets".

#### **Derecognition criteria**

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

#### **Criteria for recognising income items**

Systematic depreciation is recognised in profit and loss under item "180 Adjustments to the net value of intangible assets".

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

#### **• Current and deferred tax assets and liabilities**

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

Differences between the profit defined in accordance with the provisions of the Italian Civil Code and the taxable income may be temporary or permanent, depending on whether the difference between the values for specific income or charge items measured on the basis of the Civil Code or on the basis of tax laws will be re-absorbed in future.

Permanent differences have no impact on subsequent financial periods and there is no need for any adjustment to the tax stated in profit and loss; temporary differences generate a saving or an increase in tax for the year. This difference is made up in subsequent years and results in a difference between the tax due and tax for the year.

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

The provision for income tax is determined on the basis of a prudential forecast of the current tax charge, prepaid tax and deferred tax.

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

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

- **Payables and securities in issue**

**Classification criteria**

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

**Recognition criteria**

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

**Valuation criteria**

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

**Derecognition criteria**

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

- **Transactions in foreign currency**

**Recognition criteria**

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

**Valuation criteria**

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

**Criteria for recognising income items**

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

• **Other information**

**Employee Severance Indemnity**

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

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

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

**Revenue**

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

**Charges**

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

**A.3 FAIR VALUE**

**A.3.1 Portfolio transfers**

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

**A.3.2 Fair value hierarchy**

**A.3.2.1 ACCOUNTING PORTFOLIOS: BREAKDOWN BY FAIR VALUE LEVEL**

Financial assets/liabilities at fair value	Level 1	Level 2	Level 3	Total
1. Financial assets held for trading	18,628,608			18,628,608
2. Financial assets at fair value				
3. Financial assets available for sale				
4. Hedging derivatives				
<b>Total</b>	<b>18,628,608</b>			<b>18,628,608</b>
1. Financial liabilities held for trading	7,366,663			7,366,663
2. Financial liabilities at fair value				
3. Hedging derivatives				
<b>Total</b>	<b>7,366,663</b>			<b>7,366,663</b>

## Part B – Information on the balance sheet - Assets

### Section 1 – Cash and liquid assets – Item 10

#### 1.1 CASH AND LIQUID ASSETS: BREAKDOWN

	2011	2010
a) Cash	4,738	6,322
b) Free deposits with Central Banks	20,001,186	
<b>Total</b>	<b>20,005,924</b>	<b>6,322</b>

### Section 2 – Financial assets held for trading - Item 20

#### 2.1 FINANCIAL ASSETS HELD FOR TRADING: PRODUCT BREAKDOWN

Items/Amounts	2011			2010		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>A Financial assets</b>						
1. Debt securities	7,690,693		14,068,143			
1.1 Structured securities			406,480			
1.2 Other debt securities	7,690,693		13,661,663			
2. Equity instruments	1,376,914		1,756,254			
3. Units in investment funds	7,675,282		2,171,614			
4. Loans						
4.1 Repos						
4.2 Other						
<b>Total A</b>	<b>16,742,889</b>		<b>17,996,011</b>			
<b>B Derivative instruments</b>						
1. Financial derivatives	1,885,719		1,243,226			
1.1 trading	1,885,719		1,243,226			
1.2 fair value option						
1.3 other						
2. Credit derivatives						
2.1 trading						
2.2 fair value option						
2.3 other						
<b>Total B</b>	<b>1,885,719</b>		<b>1,243,226</b>			
<b>Total (A+B)</b>	<b>18,628,608</b>		<b>19,239,237</b>			

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

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

Items/Amounts	Total 2011	Total 2010
<b>A. Financial assets</b>		
1. Debt securities	7,690,693	14,068,143
a) Governments and Central Banks	7,619,922	12,185,148
b) Other public-sector entities		
c) Banks	70,771	1,802,756
d) Other issuers		80,239
2. Equity instruments	1,376,914	1,756,254
a) Banks	197,188	656,525
b) Other issuers :	1,179,726	1,099,729
- insurance companies	115,452	
- financial companies	4,512	4,477
- non-financial institutions	1,059,762	1,095,252
- other		
3. Units in investment funds	7,675,282	2,171,614
4. Loans		
a) Governments and Central Banks		
b) Other public-sector entities		
c) Banks		
d) Other issuers		
<b>Total A</b>	<b>16,742,889</b>	<b>17,996,011</b>
<b>B. Derivative instruments</b>		
a) Banks	3,986	38,200
- fair value	3,986	38,200
- notional value		
b) Clients	1,881,733	1,205,026
- fair value	1,881,733	1,205,026
- notional value		
<b>Total B</b>	<b>1,885,719</b>	<b>1,243,226</b>
<b>Total (A+B)</b>	<b>18,628,608</b>	<b>19,239,237</b>

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

**2.3 FINANCIAL ASSETS HELD FOR TRADING:  
CHANGE IN THE YEAR**

	Debt securities	Equity instruments	Units in investment funds	Loans	Total
<b>A. Opening balance</b>	<b>14,068,143</b>	<b>1,756,254</b>	<b>2,171,614</b>		<b>17,996,011</b>
B. Increases					
B1. Purchases	10,066,420,304	273,490,512	1,181,425,704		11,521,336,520
B2. Increases in fair value	8,096	32,002	14,765		54,863
B3. Other changes	10,727,888	1,950,992	7,495,256		20,174,136
C. Reductions					
C1. Sales	10,058,678,485	273,278,311	1,176,138,873		11,508,095,669
C2. Refunds	21,189,495				21,189,495
C3. Reductions in fair value	46	15,920	152,036		168,002
C4. Transfer to other portfolios					
- Financial assets available for sale					
- Financial assets held to maturity					
- Due from banks					
- Due from clients					
Other changes	3,665,711	2,558,615	7,141,148		13,365,474
<b>D. Closing balance</b>	<b>7,690,693</b>	<b>1,376,914</b>	<b>7,675,282</b>		<b>16,742,889</b>

**Section 6 – Due from banks – Item 60**

<b>6.1 DUE FROM BANKS: PRODUCT BREAKDOWN</b>		
Type of transactions/Amounts	<b>Total 2011</b>	<b>Total 2010</b>
<b>A. Loans to Central Banks</b>		
1. Time deposits		
2. Compulsory reserves		
3. Repos		
4. Other		
<b>B. Loans to banks</b>	<b>22,270,002</b>	<b>22,286,481</b>
1. Current accounts and demand deposits	21,878,414	22,110,766
2. Time deposits	391,588	175,715
3. Other loans:		
3.1 Repos		
3.2 Finance leases		
3.3 Other		
4. Debt securities		
4.1 Structured		
4.2 Other		
<b>Total (carrying amount)</b>	<b>22,270,002</b>	<b>22,286,481</b>
<b>Total (fair value)</b>	<b>22,270,002</b>	<b>22,286,481</b>

The compulsory reserve is set aside through the Istituto Centrale delle Banche Popolari Italiane; this amount is therefore stated on line B. 2 "Time deposits".

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

**Section 7 – Due from clients – Item 70**

**7.1 DUE FROM CLIENTS: PRODUCT BREAKDOWN**

Type of transactions/Amounts	Total 2011		Total 2010	
	Performing	Impaired	Performing	Impaired
1. Current accounts	590			
2. Repos				
3. Mortgages				
4. Credit cards, personal loans and salary-backed loans				
5. Financial leases				
6. Factoring				
7. Other transactions	5,055		5,055	
8. Debt securities				
8.1 Structured securities				
8.2 Other debt securities				
<b>Total (carrying value)</b>	<b>5,645</b>		<b>5,055</b>	
<b>Total (fair value)</b>	<b>5,645</b>		<b>5,055</b>	

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

**7.2 DUE FROM CLIENTS: BREAKDOWN BY BORROWER/ISSUER**

Type of transactions/Amounts	Total 2011		Total 2010	
	Performing	Impaired	Performing	Impaired
<b>1. Debt securities:</b>				
a) Governments				
b) Other public-sector entities				
c) Other issuers				
- non-financial companies				
- financial companies				
- insurance companies				
- other				
<b>2. Loans to:</b>	<b>5,645</b>		<b>5,055</b>	
a) Governments				
b) Other public-sector entities				
c) Other issuers	5,645		5,055	
- non-financial companies				
- financial companies	590			
- insurance companies				
- other	5,055		5,055	
<b>Total</b>	<b>5,645</b>		<b>5,055</b>	

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



**Sezione 11 - Attività materiali – Voce 110**

11.1 SECTION 11 – TANGIBLE ASSETS – ITEM 110		
Assets/Amounts	Total 2011	Total 2010
<b>A. Attività ad uso funzionale</b>		
1.1 owned	2,507,125	1,366,366
a) land		
b) buildings		
c) furniture and fittings	14,711	19,257
d) electronic systems	144,826	187,207
e) other	2,347,588	1,159,902
1.2 leased		
a) land		
b) buildings		
c) furniture and fittings		
d) electronic systems		
e) other		
<b>Total A</b>	<b>2,507,125</b>	<b>1,366,366</b>
<b>B. Held-for-investment assets</b>		
2.1 owned		
a) land		
b) buildings		
2.2 leased		
a) land		
b) buildings		
<b>Total B</b>		
<b>Total (A+B)</b>	<b>2,507,125</b>	<b>1,366,366</b>

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

The increase in the “Other” item in 2011 compared to 2010 consisted of costs incurred for the construction of the new head office that had not been completed at the end of the year.

The following depreciation rates are applied:

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

11.3 TANGIBLE ASSETS FOR OPERATIONAL USE: CHANGES FOR THE YEAR

	Land	Buildings	Furniture & fittings	Electronic systems	Other	Total
A. Gross opening balance			19,257	187,207	1,159,902	<b>1,366,366</b>
A.1 Total net reduction in value						
A.2 Net opening balance			19,257	187,207	1,159,902	<b>1,366,366</b>
B. Increases:			966	25,231	1,187,686	<b>1,213,883</b>
B.1 Purchases			966	25,231	1,187,686	<b>1,213,883</b>
B.2 Capitalised expenditure on improvements						
B.3 Write-backs						
B.4 Increase in fair value						
a) shareholders' equity						
b) profit and loss						
B.5 Positive exchange differences						
B.6 Transfer from properties held for investment						
B.7 Other changes						
C. Reductions:			5,512	67,612		<b>73,124</b>
C.1 Disposals						
C.2 Depreciation			5,512	67,612		<b>73,124</b>
C.3 Impairment losses						
a) in equity						
b) through profit or loss						
C.4 Reductions of fair value						
a) in equity						
b) through profit or loss						
C.5 Negative exchange differences						
C.6 Transfers to:						
a) tangible assets held for investment						
b) assets held for sale						
C.7 Other changes						
<b>D. Net final balance</b>			<b>14,711</b>	<b>144,826</b>	<b>2,347,588</b>	<b>2,507,125</b>
D.1 Total net reduction in value						
<b>D.2 Gross closing balance</b>			<b>14,711</b>	<b>144,826</b>	<b>2,347,588</b>	<b>2,507,125</b>
E. Carried at cost						

**Section 12 – Intangible assets - Item 120**

**12.1 INTANGIBLE ASSETS: BREAKDOWN BY TYPE OF ASSET**

Assets/Values	Total 2011		Total 2010	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill				
A.2 Other intangible assets	17,950		4,858	
A.2.1 Assets carried at cost:	17,950		4,858	
a) internally generated				
b) other	17,950		4,858	
A.2.2 Assets carried at fair value:				
a) internally generated				
b) other				
<b>Total</b>	<b>17,950</b>		<b>4,858</b>	

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

12.2 INTANGIBLE ASSETS: CHANGES FOR THE YEAR

	Good-will	Other intangible as-sets: internally generated		Other intangible as-sets: other		Total
		Finite life	Indefinite life	Finite life	Indefinite life	
A. Opening balance				4,858		<b>4,858</b>
A.1 Total net reductions in value						
A.2 Net opening balance				4,858		<b>4,858</b>
B. Increases				17,641		<b>17,641</b>
B.1 Purchases				17,641		<b>17,641</b>
B.2 Increases in internally generated intangible assets						
B.3 Write-backs						
B.4 Increase in fair value:						
- in equity						
- through profit or loss						
B.5 Positive exchange differences						
B.6 Other changes						
C. Reductions				4,549		<b>4,549</b>
C.1 Disposals						
C.2 Value re-adjustments						
- Depreciations				4,549		<b>4,549</b>
- Write-downs:						
+ in equity						
+ through profit or loss						
C.3 Reduction in fair value:						
- in equity						
- through profit or loss						
C.4 Transfers to non-current assets held for sale						
C.5 Negative exchange differences						
C.6 Other changes						
D. Net closing balance				17,950		<b>17,950</b>
D.1 Total net value re-adjustments						
E. Gross closing balance				17,950		<b>17,950</b>
F. Carried at cost						

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

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

#### 13.1 Prepaid tax assets: breakdown

Prepaid tax assets for temporary differences in taxable income amounted to a total of € 3,282.

#### 13.2 Deferred tax liabilities: breakdown

Deferred tax liabilities for temporary differences in taxable income amounted to a total of € 2,864.

<b>13.3 CHANGES IN PREPAID TAXES (PER CONTRA IN PROFIT AND LOSS)</b>		
	<b>Total 2011</b>	<b>Total 2010</b>
1. Opening balance	2,497	2,581
2. Increases	2,768	2,746
2.1 Prepaid taxes in the year		
a) relating to previous years		
b) due to changes in accounting criteria		
c) write-backs	2,768	2,746
d) other		
2.2 New taxes or increases in applicable tax rates		
2.3 Other increases		
3. Reductions	2,899	2,830
3.1 Prepaid taxes cancelled in the year		
a) reversals	2,899	2,830
b) write-downs for non-recovery		
c) due to changes in accounting criteria		
d) other		
3.2 Reductions in applicable tax rates		
3.3 Other reductions		
4. Closing balance	2,366	2,497

<b>13.4 CHANGES IN DEFERRED TAXES (PER CONTRA IN PROFIT AND LOSS)</b>		
	<b>Total 2011</b>	<b>Total 2010</b>
1. Opening balance	6,270	9,566
2. Increases		
2.1 Deferred taxes for the year		
a) relating to previous years		
b) due to changes in accounting criteria		
c) other		
2.2 New taxes or increases in applicable tax rates		
2.3 Other increases		
3. Reductions	3,406	3,296
3.1 Deferred taxes cancelled in the year		
a) reversals	3,406	3,296
b) due to changes in accounting criteria		
c) other		
3.2 Reductions in applicable tax rates		
3.3 Other reductions		
4. Closing balance	2,864	6,270

At year-end the bank re-examined its tax position and, in compliance with the applicable accounting standards, calculated “prepaid taxes” and “deferred taxes” on the basis of the reasonable certainty of their recovery. IRES was calculated at the rate of 27.50 % and IRAP at 5.57 %.

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

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

	Total 2011	Total 2010
1. Opening balance	916	916
2. Increases		
2.1 Prepaid taxes recognised in the year		
a) relating to previous years		
b) due to changes in accounting criteria		
c) other		
2.2 New taxes or increases in applicable tax rates		
2.3 Other increases		
3. Reductions		
3.1 Prepaid taxes cancelled in the year		
a) reversals		
b) write-downs for non-recovery		
c) due to changes in accounting criteria		
d) other		
3.2 Reductions in applicable tax rates		
3.3 Other reductions		
4. Closing balance	916	916

**13.7 Other information**

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

**Current tax assets**

Description	Total 2011	Total 2010
Prepaid IRES	1.550.862	1.471.491
Prepaid IRAP	363.226	77.223
Withholdings	602	1.017
Other tax credits		
<b>Total</b>	<b>1.914.690</b>	<b>1.549.731</b>

**Current tax liabilities**

Description	Total 2011	Total 2010
Provision for IRES	1.585.730	1.551.878
Provision for IRAP	427.433	363.226
<b>Total</b>	<b>2.013.163</b>	<b>1.915.104</b>

**Section 15 – Other assets – Item 150**

**15.1 Other assets: breakdown**

Description	Total 2011	Total 2010
Prepayments and accrued income	82.521	23.210
Advance payments to suppliers	14.789	34.331
Other minor items	32.459	2.400
<b>Total</b>	<b>129.769</b>	<b>59.941</b>



## Part B – Information on the Balance Sheet: liabilities

### Section 2 – Due to clients – Item 20

2.1 DUE TO CLIENTS: PRODUCT BREAKDOWN			
Type of transactions/Amounts		Total 2011	Total 2010
1. Current accounts and demand deposits	26,940,459 12,542,521	26,940,459	12,542,521
2. Time deposits			
3. Loans			
3.1 Reverse repo agreements			
3.2 Other			
4. Liabilities in respect of commitments to repurchase treasury shares			
5. Other liabilities			
<b>Total</b>		<b>26,940,459</b>	<b>12,542,521</b>
<b>Fair value</b>		<b>26,940,459</b>	<b>12,542,521</b>

**Section 4 – Financial liabilities held for trading – Item 40**

**4.1 FINANCIAL LIABILITIES HELD FOR TRADING: PRODUCT BREAKDOWN**

Type of transactions/ Amounts	Total 2011					Total 2010				
	VN	FV			FV *	VN	FV			FV *
		Level1	Level2	Level3			Level1	Level2	Level3	
A. Financial liabilities										
1. Due to banks										
2. Due to clients										
3. Debt securities										
3.1 Bonds										
3.1.1 Structured										
3.1.2 Other bonds										
3.2 Other securities										
3.2.1 Structured										
3.2.2 Other										
Total A										
B. Derivative instruments										
1. Financial derivatives										
1.1 Trading		7,366,663					4,491,855			
1.2 Fair value option										
1.3 Other										
2. Credit derivatives										
2.1 Trading										
2.2 Fair value option										
2.3 Other										
Total B		7,366,663					4,491,855			
<b>Total (A+B)</b>		<b>7,366,663</b>					<b>4,491,855</b>			

Key

FV = fair value

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

NV = nominal or notional value

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

**Section 8 – Tax liabilities – Item 80**

See section 13 of Assets.

## Section 10 – Other liabilities – Item 100

10.1 OTHER LIABILITIES: BREAKDOWN		
	Total 2011	Total 2010
Due to tax authorities	972,333	867,564
Social security	195,020	216,927
Accrued liabilities	156,279	166,317
Due to suppliers	628,121	334,866
Other minor items		2,756
<b>Total</b>	<b>1,951,753</b>	<b>1,588,430</b>

## Section 11 – Severance indemnity fund – Item 110

11.1 SEVERANCE INDEMNITY FUND: CHANGES FOR THE YEAR		
	Total 2011	Total 2010
A. Opening balance	390,679	373,415
B. Increases		
B.1 Provision for the year	108,263	140,663
B.2 Other changes 136		136
C. Reductions		
C.1 Disbursements made	75,558	123,000
C.2 Other changes	1,075	535
D. Closing balance	422,309	390,679
<b>Total</b>	<b>422,309</b>	<b>390,679</b>

### 11.2 Other information

Actuarial valuations were performed as of 31 December 2011 using analytical data supplied by the employment advisor.

The following demographic and economic and financial assumptions were used for the actuarial valuations:

#### Demographic assumptions

- Mortality rates for the Italian population by age and gender were those published by the Italian Institute of Statistics (ISTAT) in 2000, reduced by 25%.
- The probability of termination of service due to absolute and permanent disability was calculated, by age and gender, according to the disability tables currently used by the insurance sector.
- For retirement age it was assumed that active employees stop working as soon as they reach the minimum pensionable age or length of service in order to qualify for a pension payable through the mandatory general insurance scheme.
- The probability of termination of service due to resignation or dismissal was determined at a rotation rate of 10.00% per annum.
- The assumed rate of requests for advance payment was 3.00% per year (percentage of employees requesting payment of the termination benefit in advance each year), and advances were assumed to be 70.00% of the termination benefit held by the company.

### Economic and financial assumptions

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

The macroeconomic scenario adopted for the valuations is illustrated in the table below:

Parameters	Assumptions rate
Estimated rate of inflation	2,00%

A discount rate of 4.60% was used, as reported at 31 December 2011 for over-ten-year bonds of European issuers with an AA rating.

### 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 is fully subscribed and paid in and consists of 7,600 ordinary shares each with a nominal value of € 1,000 for a total of € 7,600,000.

At the end of the year there were no own shares in the portfolio.

14.2 SHARE CAPITAL – NUMBER OF SHARES: CHANGE FOR THE YEAR

Items/Types	Ordinary	Other
A. Issued shares as at the beginning of the year 7,600	7,600	
- fully paid 7,600	7,600	
- not fully paid		
A.1 Own shares (-)		
A.2 Shares outstanding: opening balance 7,600	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	7,600	
D.1 Own shares (+)		
D.2 Shares outstanding as at the end of the year 7,600	7,600	
- fully paid 7,600	7,600	
- not fully paid		

14.4 Reserves: other information

DESCRIPTION	2011	2010
Legal	936,358	749,921
Statutory	1,375,135	1,139,047
Other	11,805,052	9,068,842
<b>Total</b>	<b>14,116,545</b>	<b>10,957,810</b>

Pursuant to art. 2427, No. 7(b) of the Italian Civil Code:

the legal reserve, amounting to € 936,358, is available for use to cover losses.

The statutory social solidarity fund, for € 1,375,135 is unavailable and will be used for socially useful purposes.

The other reserves item, for € 11,805,052, is available and distributable for use to increase capital, cover losses or distribution to shareholders.

No reserves have ever been used to cover losses.

## Other information

### 1. GUARANTEES GIVEN AND COMMITMENTS

Transactions	2011	2010
1) Financial guarantees given to		
a) Banks	47,921	28,963
b) Clients		
2) Commercial guarantees given to		
a) Banks		
b) Clients		
3) Irrevocable commitments to disburse funds		
a) Banks		
i) for specified use*	2,747,044	21,635,271
ii) for unspecified use		
b) Clients		
i) for specified use*	45,532,396	214,253,204
ii) for unspecified use		
4) Underlying obligations for credit derivatives: sales of protection		
5) Assets used to guarantee others' obligations		
6) Other commitments		
<b>Total</b>	<b>48,328,109</b>	<b>235,888,475</b>

Item 1-a refers to the commitment towards the Interbank Deposit Protection Fund  
 \*regular way purchase and sale of securities, against sales for € 51,449,289

### 4. MANAGEMENT AND TRADING ON BEHALF OF THIRD PARTIES

Type of service	Amount
1. Execution of orders on behalf of clients	
a) Purchases	
1. regulated	1,824,684,661
2. not regulated	12,833,987
b) Sales	
1. regulated	1,611,307,318
2. not regulated	9,565,020
2. Portfolio management	
a) individual	91,547,112
b) collective	
3. Custody and administration of securities	
a) third-party securities held in deposit: in connection with deposit bank activities (excluding portfolio management)	
1. securities issued by the reporting bank	
2. other securities	
b) third-party securities held in deposit (excluding portfolio management): others	
1. securities issued by the reporting bank	
2. other securities	
c) third-party securities deposited with third parties	8,400,000
d) own securities deposited with third parties	22,784,357
4. Other transactions	16,746,878

## Part C – Information on the profit and loss account

### Section 1 – Interest - Items 10 and 20

#### 1.1 INTEREST AND SIMILAR INCOME: BREAKDOWN

Items/Types	Performing financial assets		Impaired financial assets	Other transactions	Total 2011	Total 2010
	Debt securities	Loans				
1 Financial assets held for trading	304,352				304,352	649,546
2 Financial assets available for sale						
3 Financial assets held to maturity						
4 Due from banks		314,620			314,620	77,711
5 Due from clients						
6 Financial assets at fair value						
7 Hedging derivatives						
8 Other assets						
<b>Total</b>	<b>304,352</b>	<b>314,620</b>			<b>618,972</b>	<b>727,257</b>

#### 1.3 Interest and similar income: additional information

##### 1.3.1 Interest income on financial assets denominated in foreign currencies

At 31 December 2011 interest income on financial assets in foreign currencies amounted to € 1,097.

#### 1.4 INTEREST EXPENSE AND SIMILAR CHARGES: BREAKDOWN

Items/Types	Liabilities	Securities	Other transactions	Total 2011	Total 2010
1. Due to central banks					
2. Due to banks	4,907			4,907	12,096
3. Due to clients					
4. Securities in issue					
5. Financial liabilities held for trading					
6. Financial liabilities at fair value					
7. Other liabilities and funds					
8. Hedging derivatives					
<b>Total</b>	<b>4,907</b>			<b>4,907</b>	<b>12,096</b>

## 1.6 Interest expense and similar charges: additional information

### 1.6.1 Interest expense on liabilities in foreign currencies

At 31 December 2011 interest expense on financial liabilities in foreign currencies amounted to € 184.

## Section 2 – Fees and commissions – Items 40 and 50

2.1 INCOME FROM FEES AND COMMISSIONS: BREAKDOWN		
Services/Amounts	Total 2011	Total 2010
a) guarantees given		
b) credit derivatives		
c) management, brokerage and advisory services:		
1. financial instrument trading	841,941	671,465
2. currency trading		
3. portfolio management		
3.1. individual	502,785	483,173
3.2. collective		
4. custody and administration of securities		
5. deposit bank		
6. placement of securities		
7. collection and transmission of orders	270,735	788,203
8. advisory		
8.1. on investments		
8.2. on financial structuring		
9. distribution of third-party services		
9.1. portfolio management		
9.1.1. individual		
9.1.2. collective		
9.2. insurance products		
9.3. other products		
d) collection and payment services		
e) securitisation servicing		
f) factoring		
g) tax collection services		
h) management of multilateral trade systems		
i) management of current accounts		
j) other services		
<b>Total</b>	<b>1,615,461</b>	<b>1,942,841</b>

Asset management fees are inclusive of performance fees for a total of € 57,657.



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

Channels/Amounts	Total 2011	Total 2010
a) through own branches:		
1. asset management	449,283	445,069
2. placement of securities		
3. third-party products and services		
b) off-site:		
1. asset management	53,502	38,104
2. placement of securities		
3. third-party products and services		
c) other distribution channels:		
1. asset management		
2. placement of securities		
3. third-party products and services		
<b>Total</b>	<b>502,785</b>	<b>483,173</b>

**2.3 COSTS OF FEES: BREAKDOWN**

Services/Amounts	Total 2011	Total 2010
a) guarantees received		
b) credit derivatives		
c) management and brokerage:		
1. financial instrument trading	578,747	790,313
2. currency trading		
3. portfolio management		
3.1 own		
3.2 third-party portfolios		
4. custody and administration of securities	8,788	9,390
5. placement of financial instruments		
6. off-site distribution of financial instruments, products and services	58,560	35,618
d) collection and payment services		
e) other services		
<b>Total</b>	<b>646,095</b>	<b>835,321</b>

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

Fees and commissions for financial instrument trading services include the following amounts:

- fees and commissions for disbursements € 28.463;
- fees and commissions for clearing € 388.855;
- other fees and commissions for € 161.429.

**Section 3 – Dividends and similar income - Item 70**

**3.1 DIVIDENDS AND SIMILAR INCOME: BREAKDOWN**

Items/Proceeds	Total 2011		Total 2010	
	dividends	proceeds from investment fund units	dividends	proceeds from investment fund units
A. Financial assets held for trading	53,486	30,330	1,304	42,734
B. Financial assets available for sale				
C. Financial assets at fair value				
D. Shareholdings				
<b>Total</b>	<b>53,486</b>	<b>30,330</b>	<b>1,304</b>	<b>42,734</b>

**Section 4 – Net profits on trading – Item 80**

**4.1 NET PROFITS ON TRADING: BREAKDOWN**

Transaction/P&L item	Gains (A)	Profits from trading (B)	Losses (C)	Losses from trading (D)	Net result [(A+B) - (C+D)]
1. Financial assets held for trading	54,863	20,174,136	168,002	13,365,474	6,695,523
1.1 Debt securities	8,096	10,727,888	46	3,665,711	7,070,227
1.2 Equity instruments	32,002	1,950,992	15,920	2,558,615	-591,541
1.3 Units in investment funds	14,765	7,495,256	152,036	7,141,148	216,837
1.4 Loans					
1.5 Other					
2. Financial liabilities held for trading					
2.1 Debt securities					
2.2 Deposits					
2.3 Other					
3. Financial assets and liabilities: exchange differences					-9,802
4. Derivative instruments	738,340	44,540,300	1,511,149	41,629,505	2,137,986
4.1 Financial derivatives:					
- On debt securities and interest rates		272,370		634,930	-362,560
- On equity securities and share indices	738,340	44,267,930	1,511,149	40,994,575	2,500,546
- On currency and gold					
- Other					
4.2 Credit derivatives					
<b>Total</b>	<b>793,203</b>	<b>64,714,436</b>	<b>1,679,151</b>	<b>54,994,979</b>	<b>8,823,707</b>

**Section 9 – Administrative expenses – Item 150**

<b>9.1 PERSONNEL COSTS: BREAKDOWN</b>		
<b>Expenses/Amounts</b>	<b>Total 2011</b>	<b>Total 2010</b>
1) Employees		
a) salaries and wages	1,480,904	1,436,370
b) social security contributions	282,108	287,464
c) employee severance indemnity		
d) national insurance contributions		
e) allocations to provisions for severance indemnity		
f) provision for retirement payments and similar provisions:	108,263	140,663
- 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	31,447	19,705
2) Other staff		
3) Directors and Statutory Auditors	295,211	293,752
4) Retired employees		
5) Recoveries for employees seconded to other companies		
6) Refunds of costs for third-party employees seconded to the company		
<b>Total</b>	<b>2,197,933</b>	<b>2,177,954</b>

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

Current Service Cost	71.790 euro
Interest Cost	17.191 euro
Actuarial Losses	19.282 euro

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

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

**9.5 OTHER ADMINISTRATIVE EXPENSES: BREAKDOWN**

Breakdown	Total 2011	Total 2010
Rentals and incidental charges	36,086	36,855
ICT expenses	917,407	748,044
Trading activities	481,664	461,108
Advisory and professional services	102,474	101,748
Auditing fees	52,328	58,694
Fees for licences and outsourced IT services	321,906	309,965
Compulsory contributions and market membership fees	91,299	64,679
Telephone and electricity	51,855	50,684
Donations	285,111	136,786
Sundries	96,737	133,769
<b>Total</b>	<b>2,436,867</b>	<b>2,102,332</b>

Some cost items for 2011 were re-classified differently compared to 2010. Data for 2010 have been re-classified in the same way to make the figures for the two years comparable.

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

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

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

Asset/P&L item	Depreciation (a)	Impairment losses (b)	Write-backs (c)	Net result (a + b - c)
A. Property, plant and equipment				
A.1 Owned				
- Used in the business	73,124			73,124
- Held for investment				
A.2 Leased				
- Used in the business				
- Held for investment				
<b>Total</b>	<b>73,124</b>			<b>73,124</b>

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

### 12.1 ADJUSTMENTS/RE-ADJUSTMENTS TO NET VALUE OF INTANGIBLE ASSETS: BREAKDOWN

Asset/P&L item	Amortisation (a)	Impairment losses (b)	Write-backs (c)	Net result (a + b - c)
A. Intangible assets				
A.1 Owned				
- Internally generated				
- Other	4,549			4,549
A.2 Leased				
<b>Total</b>	<b>4,549</b>			<b>4,549</b>

## Section 13 – Other operating expense/income – Item 190

### 13.1 Other operating expense: breakdown

Other operating expense amounted to € 4,315 in 2011, compared to € 5,497 in 2010.

### 13.2 Other operating income: breakdown

Other operating income amounted to € 4,961, compared to € 4.173 in 2010.

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

### 18.1 INCOME TAX ON CURRENT OPERATIONS FOR THE YEAR: BREAKDOWN

P&L items/Amounts	Total 2011	Total 2010
1. Current tax (-)	-2,013,163	-1,915,104
2. Change in current taxes of previous years (+/-)		
3. Reduction in current taxes for the year (+)		
4. Changes in deferred tax assets (+/-)	-131	-84
5. Changes in deferred tax liabilities (+/-)	3,406	3,296
6. Tax expense for the year (-) (-1+/-2+3+/-4+/-5)	-2,009,888	-1,911,892

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**

<b>IRES</b>	<b>2011</b>
Pre-tax profit (loss)	5,779,127
IRES at theoretical rate of 27.50%	1,589,260
Tax on increases	89,349
Tax on reductions	-92,879
IRES at current actual rate of 27.59%	1,585,730
<b>IRAP</b>	<b>2011</b>
Pre-tax profit (loss)	5,779,127
IRAP at theoretical rate of 5.57%	321,897
Tax on non-taxable income	-2,370
Tax on non-deductible expenses	107,906
IRAP at current actual rate of 6.44%	427,433

**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 € 496.

**Part D – Comprehensive income**

**Statement of comprehensive income**

See the statement of comprehensive income on page 32.

## Part E – Risks and related risk management policies

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

### Section 1 – Credit risk

#### • Qualitative disclosure

##### 1. General

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

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

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

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

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

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

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

##### 2. Credit risk management

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

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

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

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

Exposure to settlement risk is also verified daily and Back Office, Risk Management and Front Office areas involved are required to comply with specific reporting procedures.

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

The results of the second-level controls are set out in reports that are submitted to the Managing Director

and the Internal Audit department. If the riskiest limits and/or maximum losses are exceeded, the reports are also submitted to the Board of Directors.

• **Quantitative disclosure**

**A. Credit quality**

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

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

Portfolio/quality	Non-performing loans	Doubtful debts	Restructured exposures	Past-due	Other assets	Total
1. Financial assets held for trading					9,576,412	9,576,412
2. Financial assets available for sale						
3. Financial assets held to maturity						
4. Loans and receivables with banks					22,270,002	22,270,002
5. Loans and receivables with clients					5,645	5,645
6. Financial assets at fair value						
7. Disposal groups						
8. Hedging derivatives						
<b>Total 2011</b>					<b>31,852,059</b>	<b>31,852,059</b>
<b>Total 2010</b>					<b>37,602,906</b>	<b>37,602,906</b>



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

Portfolio/quality	Impaired assets			Performing			Total (net exposure)
	Gross exposure	Specific write downs	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
1. Financial assets held for trading				9,576,412		9,576,412	9,576,412
2. Financial assets available for sale							
3. Financial assets held to maturity							
4. Loans and receivables with banks				22,270,002		22,270,002	22,270,002
5. Loans and receivables with clients				5,645		5,645	5,645
6. Financial assets at fair value							
7. Disposal groups							
8. Hedging derivatives							
<b>Total 2011</b>				<b>31,852,059</b>		<b>31,852,059</b>	<b>31,852,059</b>
<b>Total 2010</b>				<b>37,602,906</b>		<b>37,602,906</b>	<b>37,602,906</b>

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

Exposure types/amounts	Gross exposure	Specific write downs	Portfolio adjustments	Net exposure
A. ESPOSIZIONI PER CASSA				
a) Sofferenze				
b) Incagli				
c) Esposizioni ristrutturate				
d) Esposizioni scadute				
e) Altre attività	22,270,002			22,270,002
<b>TOTALE A</b>	<b>22,270,002</b>			<b>22,270,002</b>
B. BALANCE SHEET AND OFF-BALANCE SHEET EXPOSURE				
a) Impaired				
b) Other				
<b>TOTAL B</b>				

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

Exposure types/amounts	Gross exposure	Specific write downs	Portfolio adjustments	Net exposure
A. BALANCE SHEET EXPOSURE				
a) Non-performing loans				
b) Doubtful debts				
c) Restructured exposures				
d) Past-due				
f) Other assets	5,645			5,645
<b>TOTAL A</b>	<b>5,645</b>			<b>5,645</b>
B. OFF-BALANCE SHEET EXPOSURE				
a) Impaired				
b) Other				
<b>TOTAL B</b>				

A.2 Internal and external ratings

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

Exposures	External rating classes						No rating	Total
	AAA/AA-	A+/A-	BBB+/BBB-	BB+/BB-	B+/B-	Lower than B-		
A. Balance sheet exposures		2,471,896	22,595,938	53,699	10,540		13,886,462	37,829,536
B. Derivatives			3,986				1,881,733	1,885,719
B.1 Financial derivatives			3,986				1,881,733	1,885,719
B.2 Credit derivatives								
C. Guarantees given								
D. Commitments to disburse funds								
<b>Total</b>		<b>2,471,896</b>	<b>22,599,924</b>	<b>53,699</b>	<b>10,540</b>		<b>15,768,195</b>	<b>40,904,255</b>

Ratings by Standard & Poor's and Moody's

**Tabella di raccordo rating**

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

## B. Distribution and concentration of exposure

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

Exposures/ Counterparties	Governments			Other state entities			Financial companies			Insurance companies			Non-financial companies			Other		
	Net exp.	Specific write downs	Portfolio adjustments	Net exp.	Specific write downs	Portfolio adjustments	Net exp.	Specific write downs	Portfolio adjustments	Net exp.	Specific write downs	Portfolio adjustments	Net exp.	Specific write downs	Portfolio adjustments	Net exp.	Specific write downs	Portfolio adjustments
A. Balance sheet exposure																		
A.1 Non-performing loans																		
A.2 Doubtful debts																		
A.3 Restructured exposures																		
A.4 Past-due																		
A.5 Other exposures							590								5,055			
Total A							590								5,055			
B. Off-balance sheet exposure																		
B.1 Non-performing loans																		
B.2 Doubtful debts																		
B.3 Other impaired assets																		
B.4 Other exposures																		
Total B																		
<b>Total (A+B) 2011</b>							<b>590</b>								<b>5,055</b>			
<b>Total (A+B) 2010</b>							-								<b>5,055</b>			

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

Exposures/Geographical areas	Italy		Other European countries		America		Asia		Rest of the world	
	Net exp.	Total write downs	Net exp.	Total write downs	Net exp.	Total write downs	Net exp.	Total write downs	Net exp.	Total write downs
A. Balance sheet exposures										
A.1 Non-performing loans										
A.2 Doubtful debts										
A.3 Restructured exposures										
A.4 Past-due										
A.5 Other exposures	5,055				590					
<b>TOTAL</b>	<b>5,055</b>				<b>590</b>					
B. Off-balance sheet exposures										
B.1 Non-performing loans										
B.2 Doubtful debts										
B.3 Other impaired assets										
B.4 Other exposures										
<b>TOTAL</b>	<b>5,055</b>				<b>590</b>					
<b>Total (A+B) 2010</b>	<b>5,055</b>				<b>-</b>					

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

Exposures/Geographical areas	Italy		Other European countries		America		Asia		Rest of the world	
	Net exp.	Total write downs	Net exp.	Total write downs	Net exp.	Total write downs	Net exp.	Total write downs	Net exp.	Total write downs
A. Balance sheet exposures										
A.1 Non-performing loans										
A.2 Doubtful debts										
A.3 Restructured exposures										
A.4 Past-due										
A.5 Other exposures	20,447,196		1,822,806							
<b>TOTAL A</b>	<b>20,447,196</b>		<b>1,822,806</b>							
B. Off-balance sheet exposures										
B.1 Non-performing loans										
B.2 Doubtful debts										
B.3 Other impaired assets										
B.4 Other exposures										
<b>TOTAL B</b>										
<b>Total (A+B) 2011</b>	<b>20,447,196</b>		<b>1,822,806</b>							
<b>Total (A+B) 2010</b>	<b>21,151,135</b>		<b>1,135,346</b>							

**B.4 MAJOR RISKS**

As at 31 December 2011 the liquid assets held by the bank with Istituto Centrale delle Banche Popolari Italiane amounted to more than 10% of the regulatory capital.

Said assets amounted to € 14,130,451, of which € 6.902.634 constitute the initial margin paid to Cassa di Compensazione e Garanzia by the former. As the overall position with Istituto Centrale delle Banche Popolari Italiane was zero weighted in accordance with the current regulations for prudential supervision it did not constitute a major risk.

## Section 2 – Market risk

### 2.1 Interest rate risk and price risk - Regulatory trading portfolio

#### • Qualitative disclosure

##### A.General

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

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

More specifically, traders perform arbitrage operations on the basis of the specific “Management of own securities portfolio for arbitrage and proprietary trading” procedure, which requires them to:

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

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

The position and main interest and price risk factors (including the Greek letters for options) associated with management of the own securities portfolio for arbitrage transactions involving all instruments that are traded are monitored in real-time using an application software developed internally and made available to all traders, the Proprietary Trading Manager, the Risk Manger and Managing Director.

The Risk Control Manual, approved by the Board of Directors, outlines the limits approved by the latter according to the type of arbitrage transaction and controls required to verify compliance with the limits. These controls are structured on three levels:

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

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

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

A maximum loss has also been defined. Positions must be closed upon reaching this limit.

The Managing Director may authorise operating limits to be exceeded temporarily and define the corrective actions to be taken.

Second level control is performed by the Risk Manager who, in addition to continuous real-time monitoring, uses an internally developed application software to verify compliance with the limits. This control is performed daily.

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

• Quantitative disclosure

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

Type/Residual term	on demand	up to 3 months	from 3 to 6 months	from 6 months to 1 year	from 1 to 5 years	from 5 to 10 years	over 10 years	unspecified
1. Balance sheet assets								
1.1 Debt securities		5,770,444	1,055,084	865,165				
- with prepayment option								
- other								
1.2 Other assets								9,052,196
2. Balance sheet liabilities								
2.1 Reverse repos								
2.2 Other liabilities								
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ long positions		326,176	527,378	1,032,165				
+ short positions		561,348	1,625,173	5,180,143				
- Other derivatives								
+ long positions								
+ short positions								
3.2 Without underlying security								
- Options								
+ long positions								
+ short positions								
- Other derivatives								
+ long positions								
+ short positions								

Currency denominated in €



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

Type of transaction/List index	Listed in Italy	Not listed
A. Equity instruments		
- long positions	1,376,914	
- short positions		
B. Equity instrument transactions awaiting settlement		
- long positions	1,423,370	
- short positions	1,418,482	
C. Other equity derivative instruments		
- long positions		
- short positions		
D. Share index derivatives		
- long positions	1,885,719	
- short positions	7,366,663	

**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 Simeica does not grant loans in the strictest meaning of the term and does not undertake any other activities that involve investments in medium or long-term assets; it is therefore only very marginally exposed to interest rate risk in that the on-demand liabilities in the form of client deposits are invested in liquid and short-term instruments on regulated markets or deposited with the European System of Central Banks and credit institutions with which the bank has established solid and long-term relationships. Therefore the bank does not make use of instruments to measure the interest rate risk in the bank portfolio. It manages this risk by reducing (and in actual fact eliminating) any possible maturity gaps between assets and liabilities by investing liquid funds in assets that can easily be liquidated and any surplus amounts in liquid financial instruments of sound issuers with a life of less than 12 months.

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

• Quantitative disclosure

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

Type/Residual term	on demand	up to 3 months	from 3 to 6 months	from 6 months to 1 year	from 1 to 5 years	from 5 to 10 years	over 10 years	unspecified
1. Balance sheet assets								
1.1 Debt securities								
- with prepayment option								
- other								
1.2 Loans to banks 22,270,002	22,270,002							
1.3 Loans to clients								
- current accounts								
- other loans 5,645	5,645							
- with prepayment option								
- other								
2. Balance sheet liabilities								
2.1 Due to clients								
- current accounts	26,940,459							
- other amounts due								
- with prepayment option								
- other								
2.2 Due to banks								
- current accounts								
- other amounts due								
2.3 Debt securities								
- with prepayment option								
- other								
2.4 Other liabilities								
- with prepayment option								
- other								
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ long positions								
+ short positions								
- Other derivatives								
+ long positions								

+ short positions									
3.2 Without underlying security									
- Options									
+ long positions									
+ short positions									
- Other derivatives									
+ long positions									
+ short positions									

Currency denominated in €

### 2.3 Currency risk

- **Qualitative disclosure**

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

Transactions in foreign currencies are only a marginal part of Banca Simeica’s business.

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

#### B. Currency risk hedging activities

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

- **Quantitative disclosure**

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

Items	Currency					
	USD	GBP	JPY	CAD	CHF	Other
A. Financial assets						
A.1 Debt securities						
A.2 Equities						
A.3 Due from banks						
A.4 Due from clients						
A.5 Other financial assets	201,677	77,206				29,284
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					
<b>Total assets</b>	<b>201,677</b>	<b>77,206</b>			<b>29,284</b>
<b>Total liabilities</b>	-	-			-
<b>Imbalance (+/-)</b>	<b>201,677</b>	<b>77,206</b>			<b>29,284</b>

Amounts in euro at the exchange rate on 31.12.2011

## 2.4 Derivative financial instruments

### A. Financial derivatives

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

Underlying assets/Type of derivatives	2011		2010	
	Over the counter	Central counterparty	Over the counter	Central counterparty
1. Debt securities and interest rates				
a) Options				
b) Interest rate swaps				
c) Forwards				
d) Futures				
e) Other				
2. Equity instruments and share indexes				
a) Options		79,266,100		59,671,875
b) Swaps				
c) Forwards				
d) Futures		7,091,369		13,659,429
e) Other				
3. Currencies and gold				
a) Options				
b) Forwards				
c) Futures				
d) Cross currency swaps				
e) Other				
4. Commodities				
5. Other underlying assets				
<b>Total</b>		<b>86,357,469</b>		<b>73,331,304</b>
<b>Average values</b>		<b>131,728,630</b>		<b>76,510,117</b>

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

Portfolios/Derivative types	Positive fair value			
	2011		2010	
	Over the counter	Central counterparty	Over the counter	Central counterparty
A. Regulatory trading portfolio				
a) Options		1,885,719		1,243,226
b) Interest rate swaps				
c) Cross currency swaps				
d) Equity swaps				
e) Forwards				
f) Futures				
g) Other				
B. Bank portfolio - hedging				
a) Options				
b) Interest rate swaps				
c) Cross currency swaps				
d) Equity swaps				
e) Forwards				
f) Futures				
e) Other				
C. Bank portfolio - other derivatives				
a) Options				
b) Interest rate swaps				
c) Cross currency swaps				
d) Equity swaps				
e) Forwards				
f) Futures				
e) Other				
<b>Total</b>		<b>1,885,719</b>		<b>1,243,226</b>

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

Portfolios/Derivative types	Negative fair value			
	2011		2010	
	Over the counter	Central counterparty	Over the counter	Central counterparty
A. Regulatory trading portfolio				
a) Options		7,366,663		4,491,855
b) Interest rate swaps				
c) Cross currency swaps				
d) Equity swaps				
e) Forwards				
f) Futures				
g) Other				
B. Bank portfolio - hedging				
a) Options				
b) Interest rate swaps				
c) Cross currency swaps				
d) Equity swaps				
e) Forwards				
f) Futures				
e) Other				
C. Bank portfolio - other derivatives				
a) Options				
b) Interest rate swaps				
c) Cross currency swaps				
d) Equity swaps				
e) Forwards				
f) Futures				
e) Other				
<b>Total</b>		<b>7,366,663</b>		<b>4,491,855</b>

### Section 3 – Liquidity risk

- **Qualitative disclosure**

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

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

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

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

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

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

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

• Quantitative disclosure

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

Items/Maturities	on demand	from 1 to 7 days	from 7 to 15 days	from 15 days to 1 month	from 1 to 3 months	from 3 to 6 months	from 6 months to 1 year	from 1 to 5 years	More than 5 years	Unspecified
<b>Balance sheet assets</b>										
A.1 Government securities				5,582,010	117,663	1,055,084	865,165			
A.2 Other debt securities				70,771						
A.3 Units in investment funds										7,675,282
A.4 Loans										
- banks	21,961,835									
- clients	5,645									
<b>Balance sheet liabilities</b>										
B.1 Deposits and current accounts										
- banks										
- clients	26,940,459									
B.2 Debt securities										
B.3 Other liabilities										
<b>Off-balance sheet transactions</b>										
C.1 Financial derivatives with exchange of principal										
- long positions										
- short positions										
C.2 Financial derivatives without exchange of principal										
- long positions				49,438	276,738	527,378	1,032,165			
- short positions				71,720	489,628	1,625,173	5,180,143			
C.3 Deposits and borrowings to be received										
- long positions										
- short positions										
C.4 Irrevocable commitments to disburse funds *										
- long positions	48,280,188									
- short positions	51,449,289									
C.5 Financial guarantees given										

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



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

Items/Maturities	on demand	from 1 to 7 days	from 7 to 15 days	from 15 days to 1 month	from 1 to 3 months	from 3 to 6 months	from 6 months to 1 year	from 1 to 5 years	More than 5 years	Unspecified
<b>Balance sheet assets</b>										
A.1 Government securities										
A.2 Other debt securities										
A.3 Units in investment funds										
A.4 Loans										
- banks	201,677									
- clients										
<b>Balance sheet liabilities</b>										
B.1 Deposits and current accounts										
- banks										
- clients										
B.2 Debt securities										
B.3 Other liabilities										
<b>Off-balance sheet transactions</b>										
C.1 Financial derivatives with exchange of principal										
- long positions										
- short positions										
C.2 Financial derivatives without exchange of principal										
- long positions										
- short positions										
C.3 Deposits and borrowings to be received										
- long positions										
- short positions										
C.4 Irrevocable commitments to disburse funds										
- long positions										
- short positions										
C.5 Financial guarantees given										

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

Items/Maturities	on demand	from 1 to 7 days	from 7 to 15 days	from 15 days to 1 month	from 1 to 3 months	from 3 to 6 months	from 6 months to 1 year	from 1 to 5 years	More than 5 years	Unspecified
<b>Balance sheet assets</b>										
A.1 Government securities										
A.2 Other debt securities										
A.3 Units in investment funds										
A.4 Loans										
- banks	77,206									
- clients										
<b>Balance sheet liabilities</b>										
B.1 Deposits and current accounts										
- banks										
- clients										
B.2 Debt securities										
B.3 Other liabilities										
<b>Off-balance sheet transactions</b>										
C.1 Financial derivatives with exchange of principal										
- long positions										
- short positions										
C.2 Financial derivatives without exchange of principal										
- long positions										
- short positions										
C.3 Deposits and borrowings to be received										
- long positions										
- short positions										
C.4 Irrevocable commitments to disburse funds										
- long positions										
- short positions										
C.5 Financial guarantees given										

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

Items/Maturities	on demand	from 1 to 7 days	from 7 to 15 days	from 15 days to 1 month	from 1 to 3 months	from 3 to 6 months	from 6 months to 1 year	from 1 to 5 years	More than 5 years	Unspecified
<b>Balance sheet assets</b>										
A.1 Government securities										
A.2 Other debt securities										
A.3 Units in investment funds										
A.4 Loans										
- banks	27,513									
- clients										
<b>Balance sheet liabilities</b>										
B.1 Deposits and current accounts										
- banks										
- clients										
B.2 Debt securities										
B.3 Other liabilities										
<b>Off-balance sheet transactions</b>										
C.1 Financial derivatives with exchange of principal										
- long positions										
- short positions										
C.2 Financial derivatives without exchange of principal										
- long positions										
- short positions										
C.3 Deposits and borrowings to be received										
- long positions										
- short positions										
C.4 Irrevocable commitments to disburse funds										
- long positions										
- short positions										
C.5 Financial guarantees given										

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

Items/Maturities	on demand	from 1 to 7 days	from 7 to 15 days	from 15 days to 1 month	from 1 to 3 months	from 3 to 6 months	from 6 months to 1 year	from 1 to 5 years	More than 5 years	Unspecified
<b>Balance sheet assets</b>										
A.1 Government securities										
A.2 Other debt securities										
A.3 Units in investment funds										
A.4 Loans										
- banks	1,771									
- clients										
<b>Balance sheet liabilities</b>										
B.1 Deposits and current accounts										
- banks										
- clients										
B.2 Debt securities										
B.3 Other liabilities										
<b>Off-balance sheet transactions</b>										
C.1 Financial derivatives with exchange of principal										
- long positions										
- short positions										
C.2 Financial derivatives without exchange of principal										
- long positions										
- short positions										
C.3 Deposits and borrowings to be received										
- long positions										
- short positions										
C.4 Irrevocable commitments to disburse funds										
- long positions										
- short positions										
C.5 Financial guarantees given										

## Section 4 – Operational risk

### • Qualitative disclosure

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

Operational risk is defined in Banca d'Italia Circular No. 263 of 27 December 2006 "New Regulations for the Prudential Supervision of Banks" as "the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events".

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

The Risk Mapping Manual contains an analysis of the various causes of loss associated with operational risk.

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

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

Banca Simetica's code of procedure, which is constantly reviewed in order to regulate the various management-related aspects in the best possible way, includes several rules concerning operational risk and compliance with legal and regulatory requirements (for instance, the Consolidated Finance Act, Consolidated Banking Law, regulations issued by Banca d'Italia and CONSOB, regulations governing the markets and clearing systems with which Banca Simetica operates, and regulations governing conflicts of interest, market abuse, personal transactions by anyone having access to privileged information, anti-money-laundering laws, health and safety at work and privacy laws).

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

The Risk Manager monitors and manages the operational risk, assisted by Compliance on matters regarding legal risks.

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

• **Quantitative disclosure**

Pursuant to Banca d'Italia Circular No. 263 of 27 December 2006 "New Regulations for the Prudential Supervision of Banks", Banca Simeica is required to use the Basic Indicator Approach described in the new 2001 Basel Accord (Basel II) to calculate the capital for operational risk.

This method of calculation consists of applying a fixed 15% percentage to positive values of the intermediation margin for the previous three years to calculate the capital requirement to cover operational risk.

This ratio is calculated using the following formula:

$$KBIA = [ \sum (GI_{1...n} \times \square) ] / n$$

where

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

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

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

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

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

The following formula was used to calculate Banca Simeica's level of capital for operational risk coverage for 2011:

$$KBIA, 31/12/2011 = [(9.496.937 + 9.993.410 + 10.490.954) \times 15\%] / 3 = 1.499.065 \text{ EUR}$$

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

## Part F – Information on shareholders’ equity

### Section 1 – Shareholders’ equity

#### A. Qualitative disclosure

Given its business and growth strategies, Banca Simeica 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	2011	2010
1. Capital	7,600,000	7,600,000
2. Issue premium	1,300,000	1,300,000
3. Reserves	14,116,545	10,957,810
- retained earnings		
a) legal	936,358	749,921
b) statutory	1,375,135	1,139,047
c) own shares		
d) other	11,805,051	9,068,842
- other		
4. Capital instruments		
5. (Own shares)		
6. Valuation reserves		
- Financial assets available for sale		
- Tangible assets		
- Intangible assets		
- Foreign investment hedges		
- Cash flow hedges		
- Exchange differences		
- Non-current disposal groups		
- Actuarial gains (losses) relating to defined benefit schemes		
- Shares of valuation reserves relating to subsidiaries valued using the equity method		
- Special revaluation laws		
7. Gains (losses) for the year	3,769,239	3,728,735
<b>Total</b>	<b>26,785,784</b>	<b>23,586,545</b>

## Section 2 – Shareholders’ equity and regulatory ratios

### 2.1 Regulatory capital

#### A. Qualitative disclosure

##### 1. Core capital

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

#### B. Quantitative disclosure

2.1 REGULATORY CAPITAL		
	2011	2010
A. Core capital prior to the application of prudential filters	24,730,886	21,636,552
B. Core capital prudential filters:		
B1 - positive IAS/IFRS prudential filters (+)		
B2 - negative IAS/IFRS prudential filters (-)		
C. Core capital gross of amounts to be deducted (A+B)	24,730,886	21,636,552
D. Amounts to be deducted from core capital	-	-
E. Total core capital (TIER 1) (C-D)	24,730,886	21,636,552
F. Supplementary capital prior to the application of prudential filters	-	-
G. Supplementary capital prudential filters:		
G1- positive IAS/IFRS prudential filters (+)		
G2- negative IAS/IFRS prudential filters (-)		
H. Supplementary capital gross of amounts to be deducted (F+G)	-	-
I. Amounts to be deducted from supplementary capital		
L. Total supplementary capital (TIER 2) (H-I)	-	-
M. Amounts to be deducted from the total of core and supplementary capital	-	-
N. Regulatory capital (E + L - M)	24,730,886	21,636,552
O. TIER 3 capital	-	-
P. Regulatory capital including TIER 3 (N + O)	24,730,886	21,636,552



## 2.2 Capital adequacy

### A. Qualitative disclosure

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

### B. Quantitative disclosure

<b>B. QUANTITATIVE DISCLOSURE</b>				
Categories/Amounts	Non-weighted items		Weighted items/requirements	
	2011	2010	2011	2010
<b>A. RISK ASSETS</b>				
<b>A.1 CREDIT AND COUNTERPARTY RISK</b>				
1. Standardised approach	6,385,200	5,836,063	510,816	466,885
2. IRB approach				
2.1 Foundation				
2.2 Advanced				
3. Securitisations				
<b>B. REGULATORY CAPITAL REQUIREMENTS</b>				
<b>B.1 CREDIT AND COUNTERPARTY RISK</b>				
<b>B.2 MARKET RISK</b>				
1. Standard method			932,668	1,100,044
2. Internal models				
3. Concentration risk				
<b>B.3 OPERATIONAL RISK</b>				
1. Basic approach			1,499,062	1,514,390
2. Standardised approach				
3. Advanced approach				
<b>B.4 OTHER PRUDENTIAL REQUIREMENTS</b>				
<b>B.5 TOTAL PRUDENTIAL REQUIREMENTS</b>			2,942,546	3,081,319
<b>C. RISK ASSETS AND CAPITAL RATIOS</b>				
C.1 Weighted risk assets			36,781,821	38,516,485
C.2 Tier 1 capital/Weighted risk assets (Tier 1 capital ratio)			67.24%	56.17%
C.3 Regulatory capital TIER 3/Weighted risk assets (Total capital ratio)			67.24%	56.17%

## 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) are shown in the table below (in € thousand).

	2011	2010
Directors	259,976	259,463
Statutory Auditors	35,235	34,289
<b>TOTAL</b>	<b>295,211</b>	<b>293,752</b>

### 2. Transactions with related parties

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

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

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

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

TYPE OF RELATED PARTY	ASSETS	LIABILITIES	COSTS	REVENUES	GUARANTEES GIVEN	GUARANTEES RECEIVED
Directors		780,163		32,886		
Statutory Auditors		18,341		843		
Directors with strategic responsibilities						
Other related parties		444,355		16,512		

## Annex 1

Pursuant to art. 2427 point 16 bis of the Italian Civil Code and art. 149 duodecies of Consob Issuers Regulation, the fees for auditing the 2011 Financial Statements and for other services are shown in the table below.

Type of service	Service provider	Fees(1)
Audit of company accounts	Deloitte & Touche S.p.A.	€ 40,633
Certification (2)	Deloitte & Touche S.p.A.	€ 500
Tax advisory services	-	
Other services		
<b>Total</b>		<b>€ 41,133</b>

(1) Fees net of expenses and VAT.

(2) Signing of the Italian tax declaration forms for 2011.

## Annex 2

The share structure is as follows:

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

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

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

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

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

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

## **Report of the Board of Statutory Auditors to the Financial Statements for the year ended 31/12/2011**

Dear Shareholders,

The financial statements for the year ended at 31/12/2011, the company's tenth year of business, which include the balance sheet, the profit and loss account, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows, the notes to the financial statements and the Directors' Report, which have been submitted to you by the Board of Directors for approval, have been drawn up in accordance with international accounting standards (IAS/IFRS) as required by Circular No. 262 issued by Banca d'Italia on 22 December 2005 and amended on 18 November 2009.

The financial statements have been audited by Deloitte & Touche S.p.A. who, on 10 April 2012 certified their compliance with the IAS/IFRS and relative laws implementing said rules. The Independent Auditors have also confirmed that the financial statements give a true and fair view of the company's state of affairs and of the financial position, profit, changes in shareholders' equity and cash flows.

The Directors' Report has also been certified as reflecting the financial statements for the year ended 31 December 2011.

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

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

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

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

As regards our work during 2011, we state the following:

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

legislation and were not manifestly imprudent or capable of damaging the integrity of the company's assets. In actual fact such actions contributed to the achievement of the positive results for the year ended on 31 December 2011, confirming the trend of previous years.

- we examined the internal capital adequacy process (ICAAP);
- we met and exchanged information with the independent auditors. We did not find any significant data and/or information to be included in this report;
- we verified the work of those responsible for internal controls, risk management and compliance, and found nothing significant to report;
- we assessed and continuously monitored the adequacy of the company's organisational structure, also by gathering information from the respective department managers, and have nothing particular to report;
- we assessed and monitored the adequacy of the administrative and accounting systems, and the reliability of the latter in correctly representing management events, by obtaining information from the department managers, and have nothing particular to report;
- we monitored the activities of the Ethics Committee, established under art. 20 of the bylaws. Our opinion on the company's Social Report is stated in a separate report;
- we did not receive any complaints pursuant to art. 2408 of the Italian Civil Code;
- we certify that in fulfilling our mandate we did not discover any significant facts worthy of mention in this report.

That stated, and on the basis of the results of the work carried out by the audit department, we propose that the Meeting should approve the financial statements for the year ended at 31 December 2011 and the relative allocation of profits, as drawn up and submitted for approval by the Directors.

Biella, 10.4.2012

THE BOARD OF STATUTORY AUDITORS

dr. Mario Rovetti

dr. Enzo Mario Napolitano

mr. Giovanni Spola

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

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

1. Abbiamo svolto la revisione contabile del bilancio d'esercizio, costituito dallo stato patrimoniale, dal conto economico, dal prospetto della redditività complessiva, dal prospetto delle variazioni del patrimonio netto, dal rendiconto finanziario e dalla relativa nota integrativa, di Banca Simetica S.p.A. chiuso al 31 dicembre 2011. La responsabilità della redazione del bilancio d'esercizio in conformità agli International Financial Reporting Standards adottati dall'Unione Europea, nonché ai provvedimenti emanati in attuazione dell'art. 9 del D. Lgs. 28 febbraio 2005, n. 38, compete agli Amministratori di Banca Simetica S.p.A.. È nostra la responsabilità del giudizio professionale espresso sul bilancio d'esercizio e basato sulla revisione contabile.
2. Il nostro esame è stato condotto secondo i principi e i criteri per la revisione contabile raccomandati dalla CONSOB. In conformità ai predetti principi e criteri, la revisione è stata pianificata e svolta al fine di acquisire ogni elemento necessario per accertare se il bilancio d'esercizio sia viziato da errori significativi e se risulti, nel suo complesso, attendibile. Il procedimento di revisione comprende l'esame, sulla base di verifiche a campione, degli elementi probativi a supporto dei saldi e delle informazioni contenuti nel bilancio d'esercizio, nonché la valutazione dell'adeguatezza e della correttezza dei criteri contabili utilizzati e della ragionevolezza delle stime effettuate dagli Amministratori. Riteniamo che il lavoro svolto fornisca una ragionevole base per l'espressione del nostro giudizio professionale.

Per il giudizio relativo al bilancio dell'esercizio precedente, i cui dati sono presentati ai fini comparativi, si fa riferimento alla relazione da noi emessa in data 12 aprile 2011.

3. A nostro giudizio, il bilancio d'esercizio di Banca Simetica S.p.A. al 31 dicembre 2011 è conforme agli International Financial Reporting Standards adottati dall'Unione Europea, nonché ai provvedimenti emanati in attuazione dell'art. 9 del D. Lgs. 28 febbraio 2005, n. 38; esso pertanto è redatto con chiarezza e rappresenta in modo veritiero e corretto la situazione patrimoniale e finanziaria, il risultato economico ed i flussi di cassa di Banca Simetica S.p.A. per l'esercizio chiuso a tale data.

4. La responsabilità della redazione della relazione sulla gestione in conformità a quanto previsto dalle norme di legge e dai regolamenti compete agli Amministratori di Banca Simetica S.p.A. È di nostra competenza l'espressione del giudizio sulla coerenza della relazione sulla gestione con il bilancio, come richiesto dalla legge. A tal fine, abbiamo svolto le procedure indicate dal principio di revisione n. 001 emanato dal Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili e raccomandato dalla CONSOB. A nostro giudizio la relazione sulla gestione è coerente con il bilancio d'esercizio di Banca Simetica S.p.A. al 31 dicembre 2011.

DELOITTE & TOUCHE S.p.A.

  
Andrea Paola  
Socio

Torino, 10 aprile 2012









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)

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