



# Financial Statements 2019





*“keep your eyes on the stars,  
and your feet on the ground”*





**18th YEAR**

**BANCA SIMETICA S.p.A.**

Share Capital and Reserves at 31/12/2019 € 37,623,209

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

Tax code/VAT No. 02071270025

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

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

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## Company boards

### Board of Directors

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

#### **Pier Luigi Barbera**

Chairman

Appointed on 26 April 2018, the Chairman fosters the exchange of information within the company, promotes the proper functioning of the system of corporate governance, guaranteeing the balance of powers in respect of the CEO and the other executive directors. He liaises with the internal control bodies and board committees. He works with the CEO and the General Manager, to oversee the company's external institutional relations.

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

#### **Giorgio Mello Rella**

Chief Executive Officer

Appointed on 26 April 2018, the CEO is at the head of the Bank's internal structure; he oversees the management of the company within the scope of the powers granted to him and in accordance with the general guidelines defined by the Board of Directors. The CEO is responsible for exercising the powers granted to him and for overseeing the execution of the resolutions passed by the Board of Directors.

The CEO is responsible for the implementation of strategic guidelines, the risk appetite framework and risk management policies defined by the body responsible for strategic supervision. He is also responsible for taking all the necessary measures in order to guarantee the compliance of the organisation and of the system of internal controls with the principles and requirements set forth in the regulations on prudential supervision, and for monitoring such compliance on a continual basis. The CEO is operationally responsible for ensuring the completeness, adequacy, functionality (in terms of efficacy and efficiency) and reliability of the information system.

#### **Mauro Bruniera**

Executive Director

With powers, granted on 26 April 2018, as regards the provision of portfolio management services:

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

#### **Andrea Perini**

Independent Director

Appointed on 26 April 2018:

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

## Board of Statutory Auditors

MARIO ROVETTI	Chairman
GIOVANNI SPOLA	Standing Auditors
FABIO DANIELE	Standing Auditors

LORENZO MAULA	Alternate Auditor
SEBASTIANO BARUSCO	Alternate Auditor

## Società di revisione

Baker Tilly Revisa S.p.A.

## Distinguishing factors

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

### Art. 3) Ethical objectives

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

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

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

### Art. 20) Financial statements and profits

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

- initially, an amount of not less than 5% (five per cent) to the legal reserve, until this amounts to one fifth of the share capital;
- a portion, to be determined by the Meeting and in any case not less than 10% (ten per cent), for social purposes or allocated to a specific provision, in accordance with the purposes set forth in art. 3 above, to:
  - non-profit-making organisations;
  - public bodies;
  - associations, committees, foundations, cooperative societies, other private entities, incorporated or not, provided they are not-for-profit organisation.

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

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

## **Art. 21) Ethics Committee**

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

The members of the Ethics Committee shall hold office for three years. They shall not receive any remuneration and may not be re-elected for more than two consecutive terms.

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

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

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

## **Art. 22) Social or sustainability report**

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

The social or sustainability report shall explain the company's effective pursuit of the corporate purpose as defined under art. 3 of these bylaws and the social, environmental and cultural impacts of its business activities. Specific reference shall be made to allocations of funds for social purposes and donations by the company during the year. The social or sustainability report shall be accompanied by a report by the Ethics Committee, in which the latter shall express its opinion as regards the company's compliance with the bylaws and the decisions of the Meetings, and a report by the Board of Statutory Auditors with its opinion concerning the compatibility of the information provided with that contained in the accounts.

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

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

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

This concern for the community is also reflected in the fact that the company supports a number of associations involved in socially useful work, in line with article 20 of the bylaws.

Details of all the projects supported in 2019 are contained in the Social Report.



## Directors' Report

Dear Shareholders,

2019, our eighteenth year of business, was a positive year for us.

The year that has just ended was characterised by a weakening of global economic activity, reflecting a number of uncertainties including trade tensions between the USA and China and developments related to Brexit. In bond markets, the opening of an excessive deficit procedure against Italy and the government crisis in August caused volatility to spike in the summer months.

Against this backdrop, our traders continued to work with their usual professionalism to attain excellent results while always keeping risks under control.

All this further strengthens the standing of our Bank despite the challenges currently facing the finance and banking sectors. I wish to thank our internal business and control functions for their extremely professional support to the business units and to management, and for their analyses and constructive proposals.

I also commend the diligence with which the changes imposed by the new regulatory framework have been addressed.

With regard to client services, total assets under management amounted to € 159 million.

Despite low interest rates and turbulence in financial markets fuelled by the uncertainties referred to above, pre-tax returns on assets managed stood at 1.37% (weighted average). This result underpins our first-rate professional reputation.

It is also worth noting that, once again, clients of Banca Simefica lodged no claims whatsoever.

At the beginning of March this year, the company itself and we, as individuals, found ourselves confronted with something entirely new. The Covid-19 pandemic is changing the way we work and interact with colleagues and with clients and suppliers. But it has not changed our values. We have organised ourselves so that everyone can work in safety, either at the office or from home, allowing us to maintain operational continuity.

The Bank is paying the greatest attention to the emergency situation caused by the Covid-19 outbreak and has confirmed that its priority is to protect the health of everyone concerned, workers and clients alike. We are therefore taking all the necessary steps as advised by the government, and doing everything we possibly can to reduce the risk of infection.

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

The financial statements for the year ended at 31 December 2019 which you are invited to approve, reflect a net profit of € 1,823,958, after depreciation and amortisation for € 164,048 and income tax for € 939,319.

The Board of Directors  
Chairman  
Pier Luigi Barbera

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

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

### Balance Sheet

ASSETS			
AMOUNTS IN EUROS	31/12/2019	31/12/2018	VARIAZIONE
CASH AND RECEIVABLES	68,741,816	95,482,256	-26,740,440
FINANCIAL ASSETS HELD FOR TRADING	17,180,793	7,845,885	9,334,908
INTANGIBLE AND TANGIBLE ASSETS	2,081,479	2,015,164	66,315
OTHER ASSETS AND TAX ASSETS	6,210,704	2,949,522	3,261,182
<b>TOTAL ASSETS</b>	<b>94,214,792</b>	<b>108,292,827</b>	<b>-14,078,035</b>

The Cash and receivables heading includes item 10. Cash and cash equivalents, for € 40,158,274, and item 40. Financial assets measured at amortised cost - a) Loans to banks, for € 28,583,542. This aggregate amount decreased with respect to 2018 also due to the lower liquidity of clients' assets managed and deposited in accounts with the ECB.

Item 40. Financial assets measured at amortised cost - a) Loans to banks, includes the total amount of excess liquid funds (almost all consisting of demand deposits) held in current accounts with leading credit institutions; these include our settlement banks DEPObank (for € 6,755,362) and Intesa Sanpaolo (for € 12,957,680), Banco BPM (for € 4,578,592) and MPS (for € 4,037,080). This item also includes receivables for initial margins from clearing houses with the intermediation of DEPObank and Intesa SanPaolo; such initial margins are required against positions on held-for-trading financial instruments listed on regulated markets.

The Financial assets held for trading heading includes own securities for € 17,180,793 (compared with € 7,845,885 in the previous year) stated under item 20. Financial assets measured at fair value through profit and loss. All financial instruments held in the Own securities portfolio are bonds. The breakdown of this item is shown in the table below:

Financial assets held for trading			
Debt securities	2019	2018	change
Central banks			
Public-sector entities	15,562,509	7,050,310	121%
Banks	284,158	284,476	0%
Other financial undertakings	360,085	246,676	46%
Non-financial undertakings	974,041	264,423	268%
<b>Total</b>	<b>17,180,793</b>	<b>7,845,885</b>	<b>119%</b>

The main item under Intangible and tangible assets is item 80. Tangible assets, for € 2,018,901 (in relation to € 2,008,939 in the previous year), comprising the value of the property used as the company's registered office and operational headquarters and the value of the land on which it stands, for a total of € 1,733,723. The increase compared with the previous year mainly reflects purchases made during the year.

The main item under Other assets is item 120. Other assets, for € 5,075,688 (€ 2,178,061 at year-end 2018), which comprise regular way purchase and sale transactions the original settlement value of which expired on 31 December 2019 and which were settled at their original price after that date, for a total of € 4,569,228 compared with € 1,662,987 at the end of 2018.

## LIABILITIES

<i>AMOUNTS IN EUROS</i>	<i>31/12/2019</i>	<i>31/12/2018</i>	<i>VARIAZIONE</i>
DUE TO BANKS	528,916	85,273	443,643
DUE TO CLIENTS	47,911,740	66,701,680	-18,789,940
FINANCIAL LIABILITIES HELD FOR TRADING	3,107,948		3,107,948
SEVERANCE INDEMNITY FUND	1,245,223	1,010,454	234,769
OTHER LIABILITIES AND TAX LIABILITIES	3,797,756	4,032,189	-234,433
SHAREHOLDERS' EQUITY	37,623,209	36,463,231	1,159,978
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>94,214,792</b>	<b>108,292,827</b>	<b>-14,078,035</b>

The Due to banks heading includes negative cash balances on current accounts held at banks.

Due to clients includes clients' cash balances (under administration and management) at 31 December 2019 for € 47,911,740. The decrease in respect of the € 66,701,680 posted at the end of the previous year was mainly attributable to the lower liquidity of clients' assets managed as a consequence of investment in asset management lines during the year.

The Severance indemnity fund item increased from € 1,010,454 in 2018 to € 1,245,223 at the end of 2019, reflecting the provision for the year, disbursements made and actuarial gains and losses determined in accordance with the revised IAS 19.

The main item under Other liabilities is item 80. Other liabilities for € 2,858,033 (€ 2,984,462 at year-end 2018), which comprise regular way purchase and sale transactions the original settlement value of which expired on 31 December 2019 and which were settled at their original price after that date, for a total of € 1,075,210 compared with € 1,418,582 at the end of 2018.

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

## Profit and Loss Account

### PROFIT AND LOSS ACCOUNT

<i>AMOUNTS IN EUROS</i>	<i>31/12/2019</i>	<i>31/12/2018</i>	<i>VARIAZIONE</i>
INTEREST MARGIN	-54,412	28,629	-83,041
NET FEES AND COMMISSIONS	393,948	434,607	-40,659
EARNING MARGIN	7,585,631	8,204,804	-619,173
NET INCOME FROM FINANCIAL MANAGEMENT	7,585,631	8,204,804	-619,173
OPERATING COSTS	-4,822,354	-4,970,787	-148,433
INCOME TAX	-939,319	-1,047,098	-107,779
<b>PROFIT FOR THE YEAR</b>	<b>1,823,958</b>	<b>2,186,919</b>	<b>-362,961</b>



The interest margin, equal to -€ 54,412, decreased with respect to the € 28,629 of the previous year.

The result was determined as follows:

	<b>2019</b>	<b>2018</b>	<b>change</b>
Interest receivable and similar income	243.327	263.897	-8%
Interest payable and similar expenses	-297.739	-235.268	27%
<b>Total</b>	<b>-54.412</b>	<b>28.629</b>	<b>-290%</b>

Interest receivable includes coupon payments received in 2019 on debt securities held for trading (€ 209,027) and interest received for cash deposits at banks (€ 34,300).

Interest payable refers to interest paid on cash deposits held by the ECB, by the Cassa di Compensazione e Garanzia through the settlement bank DEPObank and by DEPObank itself.

Net fees and commissions, for € 393,948, decreased by around 9% with respect to the previous year when this item amounted to € 434,607. The result was determined as follows:

	<b>2019</b>	<b>2018</b>	<b>change</b>
Commission income	723.800	864.668	-16%
Commission expense	-329.852	-430.061	-23%
<b>Total</b>	<b>393.948</b>	<b>434.607</b>	<b>-9%</b>

The drop in commission income was partly due to the decrease in management fees (-€ 36,478) as a result of the reduction in assets managed in 2019 compared with the previous year and partly to the decrease in trading commissions (-€ 88,342).

The decrease in commission expense mainly reflects the reduction in the number of purchase and sale transactions through brokers.

Net income from trading, equal to € 7,246,095, decreased by around 6% with respect to the previous year when it amounted to € 7,751,703.

In 2019 the Bank continued to carry out market making (and arbitrage) activities, mainly on the EuroTLX market and fixed-income markets operated by Borsa Italiana. The securities traded were the same as in the previous year: bonds issued by governments, supranational organisations and corporate entities.

The breakdown of net income from trading for 2019 and for the previous year is provided below.

**FINANCIAL 2019**

<b>Transaction/Income item</b>	<b>Gains (A)</b>	<b>Income from trading (B)</b>	<b>Losses (C)</b>	<b>Losses from trading (D)</b>	<b>Net income [(A+B) - (C+D)]</b>
1. Financial assets held for trading	37,283	10,525,890	92,118	2,731,339	7,739,716
1.1 Debt securities	37,283	10,525,890	92,118	2,731,339	7,739,716
1.2 Equity securities					
1.3 Shares of UCIs					
1.4 Loans					
1.5 Other					
2. Financial liabilities held for trading					
2.1 Debt securities					
2.2 Liabilities					
2.3 Other					
3. Financial assets and liabilities: exchange differences		53,158			53,158
4. Derivatives		951,488		1,498,267	-546,779
4.1 Financial derivatives:					
- On debt securities and interest rates		951,488		1,498,267	-546,779
- On equity securities and share indexes					
- On currency and gold					
- Other					
4.2 Credit derivatives					
<b>Total</b>	<b>37,283</b>	<b>11,477,378</b>	<b>92,118</b>	<b>4,229,606</b>	<b>7,246,095</b>

**FINANCIAL 2018**

<b>Transaction/Income item</b>	<b>Gains (A)</b>	<b>Income from trading (B)</b>	<b>Losses (C)</b>	<b>Losses from trading (D)</b>	<b>Net income [(A+B) - (C+D)]</b>
1. Financial assets held for trading	26,778	11,061,422	34,709	3,493,390	7,560,101
1.1 Debt securities	26,778	11,061,422	34,709	3,493,390	7,560,101
1.2 Equity securities					
1.3 Shares of UCIs					
1.4 Loans					
1.5 Other					
2. Financial liabilities held for trading					
2.1 Debt securities					
2.2 Liabilities					
2.3 Other					
3. Financial assets and liabilities: exchange differences				31,607	-31,607
4. Derivatives		768,207		544,998	223,209
4.1 Financial derivatives:					
- On debt securities and interest rates		768,207		544,998	223,209
- On equity securities and share indexes					
- On currency and gold					
- Other					
4.2 Credit derivatives					
<b>Total</b>	<b>26,778</b>	<b>11,829,629</b>	<b>34,709</b>	<b>4,069,995</b>	<b>7,751,703</b>

Operating costs amounted to € 4,822,395, about 3% less than in the previous year (€ 4,970,787), mainly reflecting the change in item 160. a) Personnel expenses and 160. b) Other administrative expenses.

In detail, personnel expenses decreased owing to a reduction in the variable component of salaries.

The overall workforce has increased from 13 in 2005 to 27 in 2019. One new employee was hired in 2019 and one left.

The average age of employees is 37.9.

**AGE**

	<b>2019</b>		<b>2018</b>		<b>2017</b>		<b>2016</b>		<b>2015</b>	
	<b>N°</b>	<b>%</b>	<b>N°</b>	<b>%</b>	<b>N°</b>	<b>%</b>	<b>N°</b>	<b>%</b>	<b>N°</b>	<b>%</b>
under 25	-	-	1	4	-	-	-	-	-	-
25 - 30	2	7	1	4	3	11	6	22	6	23
31 - 40	18	67	21	78	20	77	19	71	18	69
40 +	7	26	4	15	3	12	2	7	2	8

**GENDER**

	2019		2018		2017		2016		2015	
	N°	%	N°	%	N°	%	N°	%	N°	%
Male	19	70	19	70	18	69	19	70	18	69
Female	8	30	8	30	8	31	8	30	8	31

Income tax for the year on current operations amounted to € 939,319. The breakdown is as follows:

Income item/Amount	2019
Current income tax (-)	(939,723)
Change in prepaid taxes (+/-)	404
<b>Tax for the year (-) (-1+/-2+3+3(b)+/-4+/-5)</b>	<b>(939,319)</b>

IRES	2019
Pre-tax profit (loss)	2,763,277
IRES at theoretical rate of 24.00%	663,186
Additional IRES at theoretical rate of 3.50%	96,715
Tax on increases	58,138
Tax on reductions	-64,274
IRES at current actual rate of 27.28%	753,765

IRAP	2019
Pre-tax profit (loss)	2,763,277
IRAP at theoretical rate of 5.57%	153,915
Tax on non-taxable income	-16,084
Tax on non-deductible expenses	48,127
IRAP at current actual rate of 6.73%	185,958

## Operational highlights

### FINANCIAL INDICATORS

	2019	2018	VARIAZIONE %
TOTAL ASSETS	94,214,792	108,292,827	-13.00
TOTAL FUNDS USED AND INVESTED (BANKS)	28,583,542	30,608,816	-6.62
TOTAL ASSETS UNDER MANAGEMENT	158,983,291	166,178,829	-4.33
SHAREHOLDERS' EQUITY	37,623,209	36,463,231	3.18
INTEREST MARGIN	-54,412	28,629	-290.06
EARNING MARGIN	7,585,631	8,204,804	-7.55
ADMINISTRATIVE EXPENSES AND PERSONNEL COSTS	-4,795,116	-4,911,221	-2.36
GROSS OPERATING INCOME	2,927,325	3,417,480	-14.34
NET INCOME	1,823,958	2,186,919	-16.60

Amounts expressed in euro units

### EFFICIENCY RATIOS

	2019	2018
ROE <sup>(1)</sup>	4.92%	6.13%
ROA <sup>(2)</sup>	1.94%	2.02%
ADMINISTRATIVE EXPENSES/EARNING MARGIN	63.21%	59.86%
COST/INCOME RATIO (3)	63.57%	60.58%

(1) Net income / Average shareholders' equity

(2) Net income / Total assets

(3) Operating costs / Earning margin

## The general situation

Survey indicators pointed to a weakening of global economic activity in the first quarter of 2019, reflecting a maturing business cycle and heightened trade tensions.

These uncertainties weighed particularly heavily on the manufacturing industry in the euro area, whereas services and construction held up well and labour market conditions continued to improve.

Inflation also declined in the first quarter, pulled down by muted energy prices and the weakness of the economy.

In view of the situation, the main central banks signalled their intention to maintain an expansionary monetary policy stance for longer: this led to a decrease in ten-year bond yields and a rise in equity prices.

In May, the escalation of trade tensions triggering a further drop in long-term rates: the United States announced tariffs on USD 200 billion of imports from China, which retaliated by raising its tariffs on US imports.

Government bond yield spreads remained broadly stable for all countries except Italy where, after rising towards the end of the first half of the year, these narrowed significantly on the back of the decision by the European Commission not to launch an excessive deficit procedure against the country.

Later, in August, Italian government bonds rallied in the light of developments in the political crisis, the outcome of which contributed to further reducing credit risk and the risk of redenomination of the country's debt.

As a result of the events described above, the ten-year rate fell to below 1% for the first time ever, and the yield spread against the German benchmark returned to early-2018 levels.

Trade tensions rose again in August, when the US President announced that he would impose a 10% tariff on a further USD 300 billion of Chinese imports.

Against a backdrop of considerable uncertainty surrounding trade relations and macroeconomic prospects, in September the European Central Bank announced an extensive package of monetary policy measures. These include a 10 basis point cut in the ECB deposit rate, the resumption of net asset purchases and the introduction of a two-tiered system for reserve remuneration.

Taking a similar stance, the Federal Reserve also decided to adopt an accommodative monetary policy, lowering interest rates by a further quarter of a point.

In the weeks that followed, the United States announced its decision to delay the increase in tariffs on Chinese imports originally planned for October, and to put off imposing tariffs on vehicles imported from the EU, originally scheduled to start in mid-November.

These decisions contributed to a slight improvement in long-term euro area government bond yields and an overall reduction in the equity risk premium.

In terms of macroeconomic developments, towards the end of the year, expansion in the US continued, at a moderate pace, the European economy contracted slightly (mainly related to weaker activity in the manufacturing sector) and Japan experienced a marked slowdown as a result of natural disasters as well as a drop in consumption owing to a hike in indirect taxes.

At the same time, countries that belong to the Organisation for Economic Cooperation and Development (OECD) saw a rise in consumer price inflation driven, in particular, by high food price inflation in certain developing markets, including China and India.

<b>GROWTH IN REAL GDP in 2019 (%) <sup>(1)</sup></b>	<b>1Q</b>	<b>2Q</b>	<b>3Q</b>	<b>4Q</b>
Italy	0.2	0.1	0.1	-0.3
Euro area	0.4	0.2	0.3	0.1
UK	0.6	-0.1	0.5	0
US	0.8	0.5	0.5	0.5
Japan	0.6	0.5	0.1	-1.8
China	1.4	1.6	1.4	1.5
India	1.3	1	1.1	
Brazil	0	0.5	0.6	0.5
Russia	-0.3	0.7	0.8	

(1) %quarter-over-quarter percentage change Source:

Source: Bloomberg

<b>TRENDS IN INFLATION (%)</b>	<b>1Q</b>	<b>2Q</b>	<b>3Q</b>	<b>4Q</b>
Italy	1	0.7	0.3	0.5
Euro area	1.4	1.3	0.8	1.3
UK	1.9	2	1.7	1.3
US	1.9	1.8	1.7	2.3
Japan	0.5	0.7	0.2	0.8
China	2.3	2.7	3	4.5
India	2.9	3.2	4	7.3

Source: Bloomberg

In mid-December, developments in the trade disputes reached a turning point as the United States and China agreed on a first package of measures. The deal included a commitment by China to buy significant amounts of a wide range of US agricultural and other products and services in exchange for a reduction in certain tariffs already in place and the deferral of others that were scheduled.

In December there was also a further significant easing of uncertainty around Brexit: with the result of the general election in December, in which Prime Minister Boris Johnson won a large majority, the short-term risk of the UK leaving the EU at the end of January without a deal was averted.

Once these uncertainties had been overcome, there were further increases in ten-year government bond yields and equity market returns.

These trends were briefly interrupted when tensions between the US and Iran flared up at the beginning of January; this also led to a temporary spike in oil prices, which soon returned to their previous level as the two countries ironed out their differences.

Towards the end of January, the markets started to feel the effects of news about the spread of the new coronavirus responsible for the respiratory disease called "COVID-19", first in China and then in the rest of the world.

At first, fears over the virus spreading led to a surge in government bonds and safe-haven assets while, on the other hand, driving down industrial commodities and equities, especially in Chinese markets.

Following a phase in which share prices continued to rise, with equities on American and some European markets hitting record highs, at the end of February, news that the spread of the virus was escalating dealt a significant blow to global financial markets and resulted in a significant upsurge in volatility.

Equity and oil markets fell sharply and government bond rates around the world dropped, with yields on ten-year US treasury bonds falling to below 1% for the first time ever.

Yields on Italian government bonds, instead, moved in the opposite direction in response to the rapid rise in the number of coronavirus cases in this country and the threats posed to the economy: one consequence of this situation was a significant rise in BTP-Bund spreads.

In an attempt to tackle this situation, Italy and other countries badly affected by the epidemic introduced measures to limit the spread of the virus and support the economy.

The European Commission announced that it would use all the instruments at its disposal to mitigate the consequences of the public health emergency including, for example, by allowing member states to use the full flexibility foreseen under state aid rules and the stability and growth pact.

The main central banks also introduced urgent monetary measures. In particular, the ECB announced a new temporary asset purchase programme (pandemic emergency purchase programme - PEPP) worth € 750 billion and the Fed cut interest rates twice (to 0-0.25%), launched a programme of unlimited quantitative easing and approved new tools to support the flow of credit.

<b>EQUITY MARKET TRENDS (%)</b>	<b>1Q</b>	<b>2Q</b>	<b>3Q</b>	<b>4Q</b>	<b>First 2 months of 2020</b>
FTSE MIB (Italy)	16.17	-0.24	4.11	6.33	-6.48
EUROSTOXX50 (Euro Area)	11.67	3.64	2.76	4.92	-11.1
FTSE 100 (UK)	8.19	2.01	-0.23	1.81	-12.75
S&P 500 (US)	13.07	3.79	1.19	8.53	-8.56
NIKKEI 225 (Japan)	5.95	0.33	2.26	8.74	-10.63
SHANGHAI COMPOSITE (China)	23.93	-3.62	-2.47	4.99	-5.57
SENSEX (India)	7.22	1.87	-1.85	6.69	-7.17
BOVESPA (Brazil)	8.56	5.82	3.74	10.41	-9.92
MOEX (Russia)	5.39	10.76	-0.68	10.87	-8.56
MSCI World Euro All Country Weighted TR	12.28	3.23	1.11	7.73	-8.17

Source: Bloomberg

<b>INTEREST RATES(%)</b>	<b>Mar. 19</b>	<b>June 19</b>	<b>Sept. 19</b>	<b>Dec. 19</b>	<b>Feb. 20</b>
12-month BOT	0.06	0.07	-0.23	-0.19	-0.32
5-year BTP	1.59	1.81	0.32	0.64	0.31
10-year BTP	2.81	2.18	0.96	1.29	0.94
10-year BUND	-0.07	-0.31	-0.57	-0.19	-0.61
10-year T-NOTE	2.57	2.07	1.70	1.86	1.50
ITA-GER spread in basis points	288	249	153	148	155

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

<b>TRENDS IN COMMODITY PRICES (%)</b>	<b>1Q</b>	<b>2Q</b>	<b>3Q</b>	<b>4Q</b>	<b>First 2 months of 2020</b>
WTI Crude Oil	32.44	-2.78	-7.53	12.93	-26.7
Gold	0.41	10.22	3.82	3.36	2.45

Source: Bloomberg



## Net profit for the year

Net profit at 31 December 2019, for € 1,823,958, decreased compared with that posted at 31 December 2018 (€ 2,186,919).

The decrease compared with the previous year was mainly due to a reduction in the earning margin.

In 2019, the Bank continued to carry out market making (and arbitrage) activities, mainly on the EuroTLX market and fixed-income markets operated by Borsa Italiana. The securities traded were the same as in the previous year: bonds issued by governments, supranational organisations and corporate entities.

It should also be noted that the net profit was achieved in a context characterised by a further overall decline in trading volumes across the main trading venues where the Bank operates directly. The company continues to have an effective cost management system in place.

## Client services

Clients' total equity amounted to € 159 million at 31 December 2019.

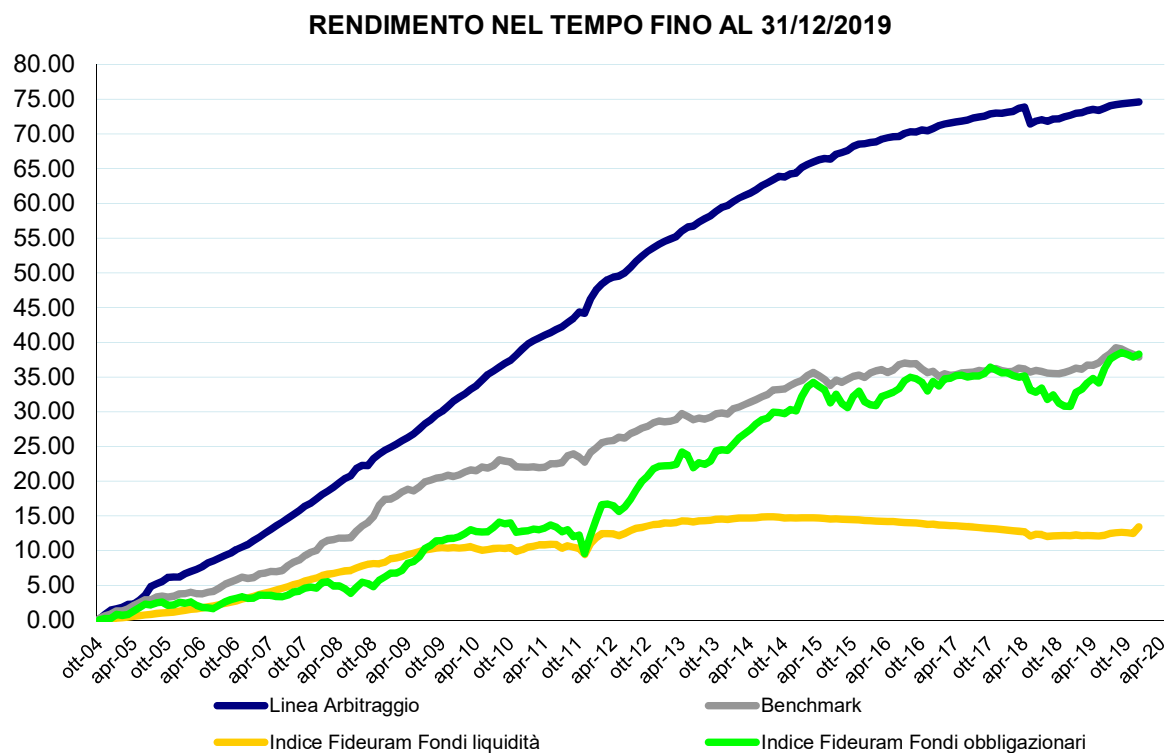
The analysis of aggregate data shows a decrease in assets under management, which totalled € 95.5 million, compared with € 102.84 million at the end of 2018. This reflected a drop in net funds.

Assets under administration amounted to € 63.45 million, unchanged with respect to the previous year.

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

## Analysis of performance at 31/12/2019 <sup>(1)</sup>

### Simetica Arbitrage <sup>(2)</sup>



#### SIMETICA ARBITRAGE

Performance in last 12 months	1.12%
Performance in last 12 months Fideuram Cash Index	1.12%
Performance in last 12 months Fideuram Security Index	5.75%
Benchmark performance in last 12 months	1.44%
Performance from 01/10/2004	74.60%
Performance from 01/10/2004 Fideuram Cash Index	13.42%
Performance from 01/10/2004 Fideuram Security index	38.29%
Benchmark performance from 01/10/2004	37.88%

#### BREAKDOWN OF BENCHMARK PERFORMANCE: ARBITRAGE

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

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

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

## Management fees and commissions

Management fees amounted to € 390,094 in 2019.

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

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

## Capital structure

Banca Simetica is an independent bank. The share capital amounts to € 7,600,000 and consists of 7,600 ordinary shares each with a nominal value of € 1,000. Details of the share structure are set out in Annex 2.

Shareholders' equity amounted to € 37,623,209 at 31 December 2019.

## Corporate governance

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

The main provisions regarding corporate governance are set out in the bylaws, which have been drawn up in accordance with current legislation.

In detail, the bylaws establish that the company is managed by a Board of Directors, responsible for strategic supervision. The Board may have between three and eleven members, as determined by the Meeting at the time of appointing the company office-holders.

The bylaws further establish that at least one quarter of the members of the Board of Directors must meet the independence criteria as established by art. 148(3) of Legislative Decree No. 58 of 24 February 1998. In detail, they must have the necessary professionalism and authority to foster high-level dialogue among Board members and make a significant contribution to serving the will of the Board. The Board must also include at least one non-executive member.

The Board of Directors defines the company's overall strategy, its risk objectives, the system of corporate governance, the organisational structure and system of internal controls. It oversees the correct implementation of these and takes timely action in the event of any shortcomings or inadequacies.

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

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

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

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

The Board of Statutory Auditors also has responsibility for overseeing:

- the completeness, adequacy, functionality and reliability of the system of internal controls, of the system of risk control and management and the risk appetite framework;
- the completeness, adequacy, functionality and reliability of the business continuity plan;
- the adequacy of the method used to calculate the internal capital and its compliance with the requirements established by the regulations on prudential supervision.

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

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

## Internal codes

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

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

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

Furthermore, the company has adopted provisions regulating its internal systems for reporting of breaches (whistleblowing requirements). These set out the internal procedures that allow employees to report any events or actions that could constitute:

- a breach of the rules governing the provision of investment services and activities;
- a breach of provisions regarding the prevention of money laundering and financing of terrorism;
- a breach of any of the provisions established under the Organisational, Management and Control Model.

## Control environment

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

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

## The system of internal controls

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

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

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

In addition to that stated with regard to the company bodies, the Bank has the following permanent and independent control functions, appointed by the Board to perform strategic supervision under the guidance of the control body:

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

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

### 1. Level one (line controls)

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

### 2. Level two controls

Performed by the Risk Management, Compliance and Anti-money laundering functions.

The Risk Management function assists with the definition and implementation of the RAF and of the relevant risk management policies and processes (issuing its opinion on the consistency of any significant transactions with the RAF). It is responsible for the development, validation and maintenance of the risk measurement and control systems. It is also charged with checking and monitoring the actual levels of risk assumed by the Bank.

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

The tasks of the Anti-Money Laundering function (also outsourced) are to identify the applicable laws, support the definition of appropriate procedures, verify the suitability of the system of internal controls and of the procedures used, carry out the annual anti-money laundering assessment exercise (in conjunction with the other company functions involved), assess the potential risk of money-laundering in relation to the offering of new products and services, draw up a training programme and define information flows to company bodies.

### 3. Level three controls

These are performed by the Internal Audit function.

The duties of this function, with regard to level three controls, are to verify the correct performance of operations and evolution of risks. It also evaluates the completeness, adequacy, functionality and reliability of the organisational structure and of the

other components of the system of internal controls.

It makes recommendations to the company bodies on the basis of its findings and verifies compliance of the initiatives undertaken.

## Risk management and uncertainty

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

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

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

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

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

Reference should be made to part E of the notes for a more detailed description of each type of risk and the relative procedures in place for monitoring and managing these.

Additional information is provided in the Disclosure as at 31 December 2019, prepared in accordance with European Regulation 575/2013 (CRR - Capital Requirements Regulation). This document sets out the main results obtained with regard to the internal procedures for calculating capital adequacy (ICAAP). Its purpose is to provide transparent information to the public about the risks to which the Bank is exposed, the procedures it adopts to control and manage these and its financial stability.

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

## Capital requirements to cover risks

Risks are measured and the relative capital requirement is calculated according to the regulations for prudential supervision that implement EU law containing the reforms of the agreements of the Basel Committee (“Basel III”).

The Own Funds of Banca Simeica consist entirely of common equity tier 1 (CET 1) capital, comprising the share capital, retained earnings (except the statutory reserve) and income for the period (net of dividends paid and amounts allocated to the statutory reserve) as positive items and intangible assets as the negative items.

Banca Simeica does not hold innovative capital instruments and the prime quality constituents of its Own Funds derive from its own means.

The bank’s individual solvency (total capital ratio) is well above the 8% limit required by law and stood at 121.52% at 31 December 2019.

This ratio is also well above the 14.60% limit that takes into account the additional requirements determined in light of the regular prudential review of Banca Simeica.

These high ratios are due to the fact that Banca Simeica performs proprietary trading activities through arbitrage (a low risk operation by definition) and market making, it has not yet commenced lending activities and its high net worth.

## **Business continuity**

The Directors have carried out a detailed examination of the events that could cast significant doubt on the ability of the Bank to continue operating as a going concern, also in relation to the guidance provided by the Supervisory Authorities in the joint document issued on 6 February 2009.

During their analysis they paid particular attention to financial and management indicators which, if not given due consideration, could undermine the stability and continuity of business. Since the Bank does not fall within any of the aforesaid indicators, also thanks to its capital strength and capacity to generate income, these financial statements have been prepared on a going concern basis.

At present, there are no business tensions such as to undermine company activities.

Front and back-office system programs run on our servers and so continue to function even if the provider is temporarily down.

Our management software is outsourced to Cabel industry S.p.A., whose business continuity plan is closely monitored by the Bank.

## **The information system**

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

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

A number of important documents have also been approved. These include:

- Information system architecture reference model;
- Cyber security policy;
- Data governance standard;
- Change management procedure.

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

## Human Resources

A more detailed analysis of our human resources is provided in the specific section of the Social Report. The number of employees stood at 27 (two part-time) at 31 December 2019.

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

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

## R&D

In 2019 Banca Simetica continued to undertake important actions aimed at fostering development and strengthening its position as a fully integrated and specialist operator in the trade (including algorithmic trading), arbitrage and market making sector. This, together with the continuous and systematic reviewing of our internal production processes and upgrading to ensure compliance with recent changes in the law, were important factors in enabling us to achieve the results reported in the current financial statements. As at 31 December 2019, no capitalised costs were included among the Bank's intangible assets related to R&D activities.

## Other information

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

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

IFRS 16 providing guidance on accounting of leases came into effect on 1 January 2019. The application of IFRS 16 essentially eliminates the distinction between financial and operating leases: this introduces important changes to the recognition of leases in the balance sheet.

The previous standard, IAS 17, required entities to distinguish between financial and operating leases: information about operating leases only had to be disclosed in the notes, whereas financial leases had to be shown in the balance sheet. IFRS 16 removes this distinction and also requires liabilities arising from operating leases to be recognised in the balance sheet.

Since the Bank currently has no leases, first-time application did not result in any material quantitative impact in the financial statements for the year ending on 31 December 2019.

Legislative Decree No. 254/2016 implemented Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 on the disclosure of non-financial and diversity information – linked to the impact of organisations' activities on society and the environment, respect for human rights and their policies related to these matters and diversity policies in relation to their administrative and management bodies.

The decree came into effect on 25 January 2017 and applies for financial years starting on or after 1 January 2017.

Entities like Banca Simetica that are not subject to the new disclosure requirements in that they do not meet the criteria established by the aforesaid Decree, may publish non-financial disclosures on a voluntary basis that can be certified as meeting the requirements of the Directive (art. 7 of the Decree).

Banca Simetica has chosen not to publish this statement for financial 2019.



## **Social Report**

In accordance with art. 22 of the bylaws, Banca Simetica has drawn up a Social Report. Once approved, this will be attached to the Directors' Report.

## **Significant events in early 2020**

Towards the end of January, markets started to feel the effects of news about the new coronavirus responsible for the respiratory disease called "COVID-19", which broke out in China and then spread to the rest of the world. By the beginning of March, the epidemic had spread so rapidly in Italy that the government and the regions were forced to introduce restrictive measures in a bid to limit the effects of the outbreak.

## **Outlook**

In the first part of the year, business operations in general and arbitrage and market making activities in particular have exceeded the budget approved by the Board of Directors, owing to increased market volatility.

Notwithstanding the public health emergency linked to the Covid-19 outbreak, the 2020-2022 Business Plan will be approved in the coming months.

## Allocation of the profit for the year

Dear Shareholders,

You are invited to approve the financial statements for the year ended at 31 December 2019. We propose allocating the net profit for the year, amounting to € 1,823,958 as follows

€	40.035	to the statutory social solidarity fund*
€	1.213.923	to the extraordinary reserve
€	570.000	to retained earnings

\* The amount to be allocated to the statutory fund has been calculated taking into account donations made during the financial year and recorded in the profit and loss account, for € 142,361.

Biella, 06 April 2020

The Board of Directors  
Chairman  
Pier Luigi Barbera

## Balance Sheet

## ASSETS

	2019	2018
10. Cash and cash equivalents	40,158,274	64,873,440
20. Financial assets measured at fair value through profit or loss	17,180,793	7,845,885
a) financial assets held for trading;	17,180,793	7,845,885
40. Financial assets measured at amortised cost	28,583,542	30,608,816
a) due from banks	28,583,542	30,608,816
80. Tangible assets	2,018,901	2,008,939
90. Intangible assets	62,578	6,225
100. Tax assets	1,135,016	771,461
a) current	1,047,727	722,984
b) prepaid	87,289	48,477
120. Other assets	5,075,688	2,178,061
<b>Total assets</b>	<b>94,214,792</b>	<b>108,292,827</b>

## LIABILITIES AND SHAREHOLDERS' EQUITY

	2019	2018
10. Financial liabilities measured at amortised cost	48,440,656	66,786,953
a) due to banks	528,916	85,273
b) due to clients	47,911,740	66,701,680
20. Financial liabilities held for trading	3,107,948	
60. Tax liabilities	939,723	1,047,727
a) current	939,723	1,047,727
80. Other liabilities	2,858,033	2,984,462
90. Severance indemnity fund	1,245,223	1,010,454
110. Valuation reserves	(217,554)	(123,574)
140. Reserves	27,116,805	25,499,886
150. Issue premium	1,300,000	1,300,000
160. Capital	7,600,000	7,600,000
180. Net Profit (Loss) for the year (+/-)	1,823,958	2,186,919
<b>Total liabilities and shareholders' equity</b>	<b>94,214,792</b>	<b>108,292,827</b>

## Profit and Loss Account

Item	2019	2018
10. Interest receivable and similar income	243,327	263,897
20. Interest payable and similar expenses	(297,739)	(235,268)
<b>30. Interest margin</b>	<b>-54,412</b>	<b>28,629</b>
40. Commission income	723,800	864,668
50. Commission expense	(329,852)	(430,061)
<b>60. Net commissions</b>	<b>393,948</b>	<b>434,607</b>
80. Net income from trading	7,246,095	7,751,703
110. Net income from other financial assets and liabilities measured at fair value through profit or loss		(10,134)
b) other financial assets mandatorily measured at fair value		(10,134)
<b>120. Earning margin</b>	<b>7,585,631</b>	<b>8,204,804</b>
<b>150. Net income from financial management</b>	<b>7,585,631</b>	<b>8,204,804</b>
160. Administrative expenses:	(4,795,116)	(4,911,221)
a) spese per il personale	(2,640,147)	(2,711,639)
b) altre spese amministrative	(2,154,969)	(2,199,582)
180. Net value adjustments in respect of tangible assets	(159,858)	(180,565)
190. Net value adjustments in respect of intangible assets	(4,190)	(2,898)
200. Other operating expense/income	136,770	123,897
<b>210. Operating costs</b>	<b>-4,822,395</b>	<b>-4,970,787</b>
250. Profit (Loss) on sale of investments	41	
<b>260. Profit (Loss) on current operations before tax</b>	<b>2,763,277</b>	<b>3,234,017</b>
270. Income tax for the year on current operations	(939,319)	(1,047,098)
<b>280. Profit (Loss) on current operations net of tax</b>	<b>1,823,958</b>	<b>2,186,919</b>
<b>300. Profit (Loss) for the year</b>	<b>1,823,958</b>	<b>2,186,919</b>

## Statement of comprehensive income

Voci	2019	2018
<b>10. Profit (Loss) for the year</b>	<b>1,823,958</b>	<b>2,186,919</b>
<b>Other income components net of tax not reclassified through profit or loss</b>		
70. Defined benefit plans	(93,980)	15,449
<b>170. Total other income components net of tax</b>	<b>(93,980)</b>	<b>15,449</b>
<b>180. Comprehensive income (Item 10+170)</b>	<b>1,729,978</b>	<b>2,202,368</b>

## Change in the year

	Balance at 31.12.2018	Change in opening balance	Balance at 1.1.2019	Allocation of previous year's profit		Change in the year							Shareholders' equity at 31.12..2019	
				Reserves	Dividends and other allocations	Changes in reserves	Operations on shareholders' equity					Comprehensive income for 2019		
							Issue of new shares	Purchase of own shares	Extraordinary distribution of dividends	Change in capital instruments	Derivatives on own shares			Stock options
Capital:														
a) ordinary shares	7,600,000		7,600,000											7,600,000
b) other shares														
Issue premium	1,300,000		1,300,000											1,300,000
Reserves:	25,499,886		25,499,886	1,616,919										27,116,805
a) retained earnings	25,499,886		25,499,886	1,616,919										27,116,805
b) other														
Valuation reserves	(123,574)		(123,574)									(93,980)		(217,554)
Capital instruments														
Own shares														
Profit (Loss) for the year	2,186,919		2,186,919	(1,616,919)	(570,000)							1,823,958		1,823,958
Shareholders' equity	36,463,231		36,463,231		(570,000)							1,729,978		37,623,209

Change in the year 2019

## Change in the year

	Balance at 31.12.2017	Change in opening balance	Balance at 1.1.2018	Allocation of previous year's profit		Change in the year							Shareholders' equity at 31.12.2018
				Reserves	Dividends and other allocations	Changes in reserves	Operations on shareholders' equity					Comprehensive income for 2018	
							Issue of new shares	Purchase of own shares	Extraordinary distribution of dividends	Change in capital instruments	Derivatives on own shares		
Capital:													
a) ordinary shares	7,600,000		7,600,000										7,600,000
b) other shares													
Issue premium	1,300,000		1,300,000										1,300,000
Reserves:	24,541,333		24,541,333	975,798		(17,245)							25,499,886
a) retained earnings	24,541,333		24,541,333	975,798		(17,245)							25,499,886
b) other													
Valuation reserves	(139,023)		(139,023)								15,449		(123,574)
Capital instruments													
Own shares													
Profit (Loss) for the year	1,545,798		1,545,798	(975,798)	(570,000)						2,186,919		2,186,919
Shareholders' equity	34,848,108		34,848,108		(570,000)						2,202,368		36,463,231

Change in the year 2018

## Cash flow statement – direct method

A. OPERATING ACTIVITIES	Amount	
	2019	2018
<b>1. Management</b>	<b>1,389,111</b>	<b>2,750,279</b>
- interest earned (+)	122,151	205,572
- interest paid (-)	(297,739)	(235,268)
- net fees and commissions (+/-)	380,479	429,711
- personnel costs (-)	(2,568,051)	(2,628,301)
- other costs (-)	(2,246,955)	(2,263,428)
- other revenues (+)	7,371,696	7,808,484
- tax and duties (-)	(1,372,470)	(566,491)
<b>2. Cash flow generated/absorbed by financial assets</b>	<b>(12,090,461)</b>	<b>9,240,123</b>
- financial assets held for trading	(9,199,010)	4,441,278
- other assets	(2,891,451)	4,798,845
<b>3. Cash flow generated/absorbed by financial liabilities</b>	<b>(15,682,370)</b>	<b>43,781,648</b>
- financial liabilities measured at amortised cost	(18,789,940)	48,618,255
- financial liabilities held for trading	3,093,226	
- other liabilities	14,344	(4,836,607)
<b>Net cash flow generated/absorbed by operating activities</b>	<b>(26,383,720)</b>	<b>55,772,050</b>
<b>B. INVESTMENT ACTIVITIES</b>		
<b>2. Cash flow absorbed by</b>	<b>(230,363)</b>	<b>(64,703)</b>
- purchase of tangible assets	169,820	64,703
- purchase of intangible assets	60,543	
<b>Net cash flow generated/absorbed by investment activities</b>	<b>(230,363)</b>	<b>(64,703)</b>
<b>C. FINANCING ACTIVITIES</b>		
- distribution of dividends and other allocations	(570,000)	(570,000)
<b>Net cash flow generated/absorbed by financing activities</b>	<b>-570,000.00</b>	<b>-570,000.00</b>
<b>NET CASH FLOW GENERATED/ABSORBED DURING THE YEAR</b>	<b>-27,184,083</b>	<b>55,137,347</b>

## RECONCILIATION

Balance sheet item	Amount	
	2019	2018
Cash and cash equivalents at start of year	95,396,983	40,259,636
Total net cash flow generated/absorbed during the year	-27,184,083	55,137,347
<b>Cash and cash equivalents at the end of the year</b>	<b>68,212,900</b>	<b>95,396,983</b>

## **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**

**Parte 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 at 31 December 2019 have been drawn up in compliance with the IAS/IFRS developed by the IASB, and the relative interpretations of the IFRIC, adopted by the European Commission under Regulation (EC) No. 1606/2002.

- **Section 2**

##### **Basis of preparation**

These financial statements have been prepared using the same accounting policies and methods as those as at 31 December 2018, to which reference should be made for further details. They also include the following information which refers to IAS/IFRS and relevant SIC/IFRIC interpretations approved by the European Commission up to the date of these accounts.

These financial statements have been drawn up according to the instructions issued by Banca d'Italia in circular No. 262 of 22 December 2005 "Financial statements of banks: preparation criteria and format" as amended on 30 November 2018 (6th update).

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

The financial statements have been prepared with reference to the generally accepted accounting principles listed below:

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

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

The financial statements have been prepared on a going concern basis. Specifically, the Directors confirmed the appropriateness of the going concern assumption used in preparing these financial statements, also in light of the events referred to below in the section on events after the reporting date and their impact on the business outlook.

- **Section 3**

**Events after the reporting date**

As already mentioned in the Directors' report, the period between the end of the year and the date of approval of these financial statements was characterised by the outbreak, in January, of the new coronavirus responsible for the respiratory disease known as "COVID-19", first in China and then in the rest of the world.

At first, fears over the virus spreading led to a surge in government bonds and safe-haven assets while, on the other hand, driving down industrial commodities and equities, especially in Chinese markets.

Following a phase in which share prices continued to rise, with equities on American and some European markets hitting record highs, at the end of February, news that the spread of the virus was escalating dealt a significant blow to global financial markets and resulted in a significant upsurge in volatility.

Equity and oil markets fell sharply and government bond rates around the world dropped, with yields on ten-year US treasury bonds falling to below 1% for the first time ever. Yields on Italian government bonds, instead, moved in the opposite direction in response to the rapid rise in the number of coronavirus cases in this country and the threats posed to the economy: one consequence of this situation was a significant rise in BTP-Bund spreads in the first half of March (which subsequently fell again in the second half of the month).

In an attempt to tackle this situation, Italy and other countries badly affected by the epidemic introduced measures to limit the spread of the virus and support the economy. The main central banks introduced urgent monetary measures. In particular, the ECB announced a new temporary asset purchase programme (pandemic emergency purchase programme - PEPP) worth € 750 billion and the Fed cut interest rates twice (to 0-0.25%), launched a programme of unlimited quantitative easing and approved new tools to support the flow of credit.

Here at Banca Simetica, we immediately set about organising ourselves to enable everyone to work in safety, either at the office or from home, and so maintain operational continuity. A number of smart working schemes were launched and the work of staff at our head office has been organised in shifts to limit the number of employees present at any one time. All face-to-face meetings were cancelled straight away and the use of video-conferencing tools was introduced instead.

At present, there are no business tensions such as to undermine company activities or continuity.

In that respect, while it is too early to measure the exact effects of this situation, for our Bank, the surge in volatility, especially in March, resulted in an increase in market making and arbitrage activities with earnings that, as things currently stand, exceed those set out in the budget approved by the Board of Directors.

- **Section 4**

**Other aspects**

Nothing to report.

**Use of estimates and assumptions in preparing financial statements**

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

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

The main items requiring the greatest use of subjective evaluations are:

- quantification of impairment losses on financial assets;
- determination of the fair value of financial instruments used for reporting purposes;
- quantification of employee funds;
- estimates and assumptions regarding the recoverability of deferred tax assets.

The description of the accounting policies used for the main aggregates in the accounts includes the details necessary in order

to identify the main subjective assumptions and evaluations that have been used to draw up these financial statements.

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

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

- **Financial assets and liabilities measured at fair value through profit or loss**

A financial asset or liability is classified as held for trading, and included under item 20 “Financial assets measured at fair value through profit or loss” or item 20 “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 “assets and liabilities measured at fair value through profit or loss” are recognised at the settlement date, for an amount equal to the 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 income from 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**

Income from the sale of financial assets or liabilities held for trading is recorded in the profit and loss account under item 80 “Net income from trading activities”.

- **Financial assets measured at amortised cost**

Financial assets measured at amortised cost are non-derivative financial assets which provide for fixed or otherwise determinable payments and are not quoted on an active market.

### **Recognition criteria**

Financial assets measured at amortised cost 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.

**Classification criteria**

Financial assets measured at amortised cost include loans to banks and financial institutions, which provide for fixed or otherwise determinable payments, are not quoted on active markets and were not classified at the outset as financial assets measured at fair value through other comprehensive income or financial assets recognised at fair value that impact on profit or loss.

**Valuation criteria**

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

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

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

**Derecognition criteria**

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

**Criteria for recognising income items**

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

- **Tangible assets**

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

“Investment property” represents property held with a view to earning rentals or for capital appreciation.

Tangible assets (operating assets and investment property) also include leasehold assets 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 80 “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 estimated amount that would currently be obtained from disposal of the asset at the end of its useful life, after deducting the estimated costs of disposal, if the asset were already in the condition, including obsolescence, expected at the end of its useful life), 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 180 "Net value adjustments in respect 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 "180 Net value adjustments in respect of tangible assets".

Any gains or losses 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, are included in the profit and loss account under item 250 "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 90 “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 190 “Net value adjustments in respect 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 “190 Net value adjustments in respect 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 250 “Gains (Losses) from sale of investments”.

**• Current and deferred taxes**

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

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

For this reason, the financial statements must not only include “current” tax, i.e. tax calculated according to tax laws, but also “deferred” tax, i.e. tax due on the basis of the timing differences described above, to be paid or recovered in subsequent years. The provision for income tax is determined on the basis of a prudential forecast of the current tax charge, prepaid tax and deferred tax.

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

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

- **Financial liabilities measured at amortised cost**

**Classification criteria**

Amounts due to clients and to banks consist of financial instruments (other than trade liabilities) which represent the typical form of funding through clients and other banks.

**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 measured at their amortised cost using the effective interest rate method. Short-term liabilities continue to be carried at the repayable amount.

**Derecognition criteria**

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

- **Transactions in foreign currency**

**Recognition criteria**

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

**Valuation criteria**

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

**Criteria for recognising income items**

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

- **Other information**

**Employee severance indemnity**

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

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

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

**Revenues**

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

reliably, as defined by IFRS 15.

### **Charges**

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

### **Criteria for measuring the fair value of financial instruments**

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

IFRS 13 defines fair value as: “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”.

Therefore, according to the definition provided by IFRS 13, the fair value of financial liabilities is the amount that would be paid for the transfer of that liability (exit price), rather than the amounts necessary to settle it.

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

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

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

The fair value of non-listed bonds is calculated by discounting expected cash flows - using interest rate structures that take into consideration the issuer’s sector of business and rating, where available.

The fair value of units in investment pools not listed on active markets is determined on the basis of the published net asset value, adjusted where necessary in view of possible changes in value between the date of request for repayment and the actual repayment date.

Equity securities not traded on an active market, for which the fair value cannot be reliably determined on the basis of the most commonly-used methods (especially discounted cash flow analysis) are valued at cost and adjusted to take into account any significant value reductions.

For financial entries (assets and liabilities) other than FVO derivative contracts, securities and financial instruments, with a residual duration of not more than 18 months, the fair value is assumed to be reasonably close to their carrying value.

## **A.4 FAIR VALUE disclosure**

### **Qualitative disclosure**

When quoted prices in active markets are not available, the determination of their fair value is based on generally accepted and used valuation models.

Financial assets are the only items measured at fair value on a recurring basis. When quoted prices in active markets are not available, the following methods are used to measure the fair value of financial instruments:



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

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

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

When assets and liabilities measured at fair value on a recurring basis are not quoted on active markets, their fair value is determined with reference to generally accepted and used valuation models.

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

#### **A.4.2 Valuation processes and sensitivity**

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

#### **A.4.3 Fair value hierarchy**

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

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

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

Their fair value is classified as level 2 or level 3 depending on the degree of observability of the valuation model inputs.

Level 2 inputs include:

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

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

#### **A.4.4 Other information**

The bank does not manage groups of financial assets or liabilities on the basis of its net exposure to market risks or credit risk. As at 31 December 2019 there is no information to report pursuant to IFRS 13 paragraph 93(i).

Reference should be made to the sections concerning the various accounting categories in part “A.1 General” and specifically “Criteria for measuring the fair value of financial instruments” in part A.2. “Main items in the balance sheet - Other information”.

## Quantitative disclosure

### A.4.5 Fair value hierarchy

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

	2019			2018		
	L1	L2	L3	L1	L2	L3
1. Financial assets measured at fair value through profit or loss						
a) financial assets held for trading	17,180,793			7,845,885		
b) financial assets designated at fair value						
c) other financial assets mandatorily measured at fair value						
2. Financial assets measured at fair value through other comprehensive income						
3. Hedging derivatives						
4. Tangible assets			2,018,901			2,008,939
5. Intangible assets			62,578			6,225
<b>Total</b>	<b>17,180,793</b>		<b>2,081,479</b>	<b>7,845,885</b>		<b>2,015,164</b>
1. Financial liabilities held for trading	3,107,948					
2. Financial assets designated at fair value						
3. Hedging derivatives						
<b>Total</b>	<b>3,107,948</b>					

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

	2019				2018			
	VB	L1	L2	L3	VB	L1	L2	L3
1. Financial assets measured at amortised cost	28,583,542			28,583,542	30,608,816			30,608,816
2. Tangible assets held for investment								
3. Non-current assets and disposal groups								
<b>Total</b>	<b>28,583,542</b>			<b>28,583,542</b>	<b>30,608,816</b>			<b>30,608,816</b>
1. Financial liabilities measured at amortised cost	48,440,656			48,440,656	66,786,953			66,786,953
2. Liabilities associated with a disposal group								
<b>Total</b>	<b>48,440,656</b>			<b>48,440,656</b>	<b>66,786,953</b>			<b>66,786,953</b>

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

Key:

VB= Book Value

L2= Level 2

L1= Level 1

L3= Level 3

### A.5 Day One Profit/Loss disclosure

The Bank did not undertake any transactions involving financial instruments for which the fair value was not based on observable market data.

## Part B - Information on the balance sheet - assets

### Section 1 - Cash and cash equivalents - Item 10

#### 1.1. CASH AND CASH EQUIVALENTS: BREAKDOWN

	2019	2018
a) Cash	3,589	2,919
b) Demand deposits with Central banks	40,154,685	64,870,521
<b>Total</b>	<b>40,158,274</b>	<b>64,873,440</b>

### Section 2 - Financial assets measured at fair value through profit or loss - Item 20

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

Item/Amount	2019			2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>A Balance sheet assets</b>						
1. Debt securities						
1.1 Structured securities						
1.2 Other debt securities	17,180,793			7,845,885		
2. Equity securities						
3. Shares of UCIs						
4. Loans						
4.1 Repos						
4.2 Other						
<b>Total (A)</b>	<b>17,180,793</b>			<b>7,845,885</b>		
<b>B Derivatives</b>						
1. Financial derivatives						
1.1 trading						
1.2 fair value option						
1.3 other						
2. Credit derivatives						
2.1 trading						
2.2 fair value option						
2.3 other						
<b>Total (B)</b>						
<b>Total (A+B)</b>	<b>17,180,793</b>			<b>7,845,885</b>		

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

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

Item/Amount	2019	2018
<b>A. Balance sheet assets</b>		
<b>1. Debt securities</b>	<b>17,180,793</b>	<b>7,845,885</b>
a) Central banks		
b) Public-sector entities	15,562,509	7,050,310
c) Banks	284,158	284,476
d) Other financial undertakings	360,085	246,676
of which: insurance undertakings		
e) Non-financial undertakings	974,041	264,423
<b>2. Equity securities</b>		
a) Banks		
b) Other financial undertakings		
of which: insurance undertakings		
c) Non-financial undertakings		
d) Other issuers		
<b>3. Shares of UCIs</b>		
<b>4. Loans</b>		
a) Central banks		
b) Public-sector entities		
c) Banks		
d) Other financial undertakings		
of which: insurance undertakings		
e) Non-financial undertakings		
f) Households		
<b>Total (A)</b>	<b>17,180,793</b>	<b>7,845,885</b>
<b>B. Derivatives</b>		
a) Central counterparties		
b) Other		
<b>Total (B)</b>		
<b>Total (A+B)</b>	<b>17,180,793</b>	<b>7,845,885</b>

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

## Section 4 – Financial assets measured at amortised cost – Item 40

### 4.1 FINANCIAL ASSETS MEASURED AT AMORTISED COST: DUE FROM BANKS: PRODUCT BREAKDOWN

Type of transaction/ Amount	2019						2018					
	Book value			Fair value			Book value			Fair value		
	Stage 1 and 2	Stage 3	of which: purchased or originated credit-impaired	L1	L2	L3	Stage 1 and 2	Stage 3	of which: purchased or originated credit-impaired	L1	L2	L3
<b>A. Loans to Central Banks</b>												
1. Time deposits												
2. Compulsory reserves												
3. Repos												
4. Other												
<b>B. Loans to banks</b>												
1. Loans												
1.1 Current accounts and demand deposits	28,179,406					28,179,406	30,026,978					30,026,978
1.2. Time deposits	404,136					404,136	581,838					581,838
1.3. Other loans:												
- Reverse repurchase agreement assets												
- Finance leases												
- Other												
2. Debt securities												
2.1 Structured securities												
2.2 Other debt securities												
<b>Total</b>	<b>28,583,542</b>					<b>28,583,542</b>	<b>30,608,816</b>					<b>30,608,816</b>

Key:

L1= Level 1

L2= Level 2

L3= Level 3

The compulsory reserve is set aside through DEPObank; this amount is therefore stated on line B.1.2 “Time deposits”. Sub-item “B.1.1 current accounts and free deposits” includes the company’s liquid assets held with banks at the end of the year subject to ordinary market conditions and inclusive of accruals at the end of the year; it includes receivables for initial margins from clearing houses with the intermediation of DEPObank and Intesa Sanpaolo; such initial margins are required against positions on held-for-trading financial instruments listed on regulated markets.

## Section 8 - Tangible assets - Item 80

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

Asset/Amount	2019	2018
<b>1. Assets owned</b>	<b>2,018,901</b>	<b>2,008,939</b>
a) land	42,000	42,000
b) buildings	1,691,724	1,755,965
c) furniture and fittings	1,232	34,149
d) electronic systems	283,945	176,825
e) other		
<b>2. Leased</b>		
a) land		
b) buildings		
c) furniture and fittings		
d) electronic systems		
e) other		
<b>Total</b>	<b>2,018,901</b>	<b>2,008,939</b>
of which: assets acquired through the enforcement of security		

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

The following depreciation rates are applied:

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

## 8.6 TANGIBLE ASSETS FOR OPERATIONAL USE: CHANGES FOR THE YEAR

	Land	Buildings	Furniture	Electronic systems	Other	Total
<b>A. Gross opening balance</b>	42,000	2,141,370	376,337	1,678,006		<b>4,237,713</b>
A.1 Total net reductions in value		385,405	342,188	1,501,181		2,228,774
<b>A.2 Net opening balance</b>	<b>42,000</b>	<b>1,755,965</b>	<b>34,149</b>	<b>176,825</b>		<b>2,008,939</b>
<b>B. Increases:</b>			<b>258</b>	<b>169,562</b>		<b>169,820</b>
B.1 Purchases			258	169,562		
B.2 Capitalised expenditure on improvements						
B.3 Write-backs						
B.4 Increases in fair value						
a) equity						
b) profit or loss						
B.5 Positive exchange differences						
B.6 Transfer from properties held for investment						
B.7 Other changes						
<b>C. Reductions:</b>		<b>64,241</b>	<b>33,176</b>	<b>62,441</b>		<b>159,858</b>
C.1 Disposals			2,340			
C.2 Depreciation		64,241	33,176	62,441		
C.3 Impairment losses recognised in:						
a) equity						
b) profit or loss						
<b>C.4 Reductions of fair value recognised in</b>						
a) equity						
b) profit or loss						
C.5 Negative exchange differences						
C.6 Transfers to:						
a) tangible assets held for investment						
b) non-current assets and disposal groups						
C.7 Other changes			-2,340			
<b>D. Net closing balance</b>	<b>42,000</b>	<b>1,691,724</b>	<b>1,231</b>	<b>283,946</b>		<b>2,018,901</b>
D.1 Total net reduction in value		449,646	373,024	1,563,622		
<b>D.2 Gross closing balance</b>	<b>42,000</b>	<b>2,141,370</b>	<b>374,255</b>	<b>1,847,568</b>		<b>4,405,193</b>
<b>E. Carried at cost</b>						



## Section 9 - Intangible assets - Item 90

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

## 9.1 INTANGIBLE ASSETS: BREAKDOWN BY TYPE OF ASSET

Asset/Amount	2019		2018	
	Finite life	Indefinite life	Finite life	Indefinite life
<b>A.1 Goodwill</b>				
<b>A.2 Other intangible assets</b>	<b>62,578</b>		<b>6,225</b>	
A.2.1 Assets carried at cost:	62,578		6,225	
a) internally generated				
b) other	62,578		6,225	
A.2.2 Assets measured at fair value:				
a) internally generated				
b) other				
<b>Totale</b>	<b>62,578</b>		<b>6,225</b>	

## 9.2 INTANGIBLE ASSETS: CHANGES FOR THE YEAR

	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		Finite life	Indefinite life	Finite life	Indefinite life	
<b>A. Opening balance</b>				6,225		<b>6,225</b>
A.1 Total net reductions in value						
<b>A.2 Net opening balance</b>				<b>6,225</b>		<b>6,225</b>
<b>B. Increases</b>				60,543		<b>60,543</b>
B.1 Purchases				60,543		<b>60,543</b>
B.2 Increases in internally generated intangible assets						
B.3 Write-backs						
B.4 Increases in fair value:						
- through equity						
- through profit or loss						
B.5 Positive exchange differences						
B.6 Other changes						
<b>C. Reductions</b>				<b>4,190</b>		<b>4,190</b>
C.1 Disposals						
C.2 Value re-adjustments						
- Depreciation				4,190		<b>4,190</b>
- Write-downs:						
+ through equity						
+ through profit or loss						

C.3 Reduction in fair value:						
- through equity						
- through profit or loss						
C.4 Transfers to non-current assets held for sale						
C.5 Negative exchange differences						
C.6 Other changes						
<b>D. Net closing balance</b>				<b>62,578</b>		<b>62,578</b>
D.1 Total net value re-adjustments						
<b>E Gross closing balance</b>				<b>62,578</b>		<b>62,578</b>
F. Carried at cost						

## Section 10 - Tax assets and tax liabilities - Item 100 on the assets side and Item 60 on the liabilities side

This section includes tax assets (current and prepaid) and tax liabilities (current and deferred) stated, respectively, under item 100 in assets and 60 in liabilities.

### 10.1 Prepaid tax assets: breakdown

Prepaid tax assets for temporary differences in taxable income amounted to a total of € 87,289, mainly reflecting prepaid taxes on actuarial losses relating to defined benefit plans.

## 10.3 CHANGES IN PREPAID TAXES (PER CONTRA IN PROFIT AND LOSS)

	2019	2018
<b>1. Opening balance</b>	<b>5,177</b>	<b>4,548</b>
<b>2. Increases</b>	<b>3,893</b>	<b>4,118</b>
2.1 Prepaid taxes recognised in the year		
a) relating to previous years		
b) due to changes in accounting criteria		
c) write-backs	3,893	4,118
d) other		
2.2 New taxes or increases in applicable tax rates		
2.3 Other increases		
<b>3. Reductions</b>	<b>3,489</b>	<b>3,489</b>
3.1 Prepaid taxes cancelled in the year		
a) reversals	3,489	3,489
b) write-downs for non-recovery		
c) due to changes in accounting criteria		
d) other		
3.2 Reductions in applicable tax rates		
3.3 Other reductions:		
a) conversion to tax credit pursuant to Law No. 214/2011		
b) other		
<b>4. Closing balance</b>	<b>5,581</b>	<b>5,177</b>

At year-end the Bank re-examined its tax position and, in compliance with the applicable accounting standards, calculated “prepaid taxes” and “deferred taxes” on the basis of the reasonable certainty of their recovery. The imbalance of prepaid taxes and deferred taxes calculated/cancelled in the year was recorded in profit and loss under item 270 “Income tax on current operations for the year”.

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

	2019	2018
<b>1. Opening balance</b>	<b>43,300</b>	<b>53,053</b>
<b>2. Increases</b>	<b>80,792</b>	<b>42,384</b>
2.1 Prepaid taxes recognised in the year		
a) relating to previous years		
b) due to changes in accounting criteria		
c) other	80,792	42,384
2.2 New taxes or increases in applicable tax rates		
2.3 Other increases		
<b>3. Reductions</b>	<b>42,384</b>	<b>52,137</b>
3.1 Prepaid taxes cancelled in the year		
a) reversals	42,384	52,137
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		
<b>4. Closing balance</b>	<b>81,708</b>	<b>43,300</b>

## 10.7 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	2019	2018
Prepaid IRES	833,768	568,456
Prepaid IRAP	213,959	154,528
<b>Total</b>	<b>1,047,727</b>	<b>722,984</b>

### Current tax liabilities

Description	2019	2018
Provision for IRES	753,765	833,768
Provision for IRAP	185,958	213,959
<b>Total</b>	<b>939,723</b>	<b>1,047,727</b>

## Section 12 – Other assets – Item 120

### 12.1 OTHER ASSETS: BREAKDOWN

Description	2019	2018
Prepayments and accrued income	90,949	45,984
Other minor items	8,285	3,978
Transactions in securities to be credited*	4,569,228	1,662,987
Advanced tax payment on savings managed	116,357	118,132
Other receivables from the tax authorities	22,110	56,518
Advance payment of stamp duty	268,759	290,462
<b>Total</b>	<b>5,075,688</b>	<b>2,178,061</b>

\* These are regular way transactions the original settlement value of which expired on 31/12/2019 and which were settled at their original price after 31/12/2019.

## Part B - Information on the balance sheet - liabilities

### Section 1 – Financial liabilities measured at amortised cost – Item 10

#### 1.1 FINANCIAL LIABILITIES MEASURED AT AMORTISED COST: DUE TO BANKS: PRODUCT BREAKDOWN

Type of transaction/Amount	2019				2018			
	Book value	Fair Value			Book value	Fair Value		
		L1	L2	L3		L1	L2	L3
<b>1. Due to central banks</b>								
<b>2. Due to banks</b>								
2.1 Current accounts and demand deposits	528,916			528,916	85,273			85,273
2.2 Time deposits								
2.3 Loans								
2.3.1 Reverse sale agreements								
2.3.2 Other								
2.4 Liabilities in respect of commitments to repurchase treasury shares								
2.5 Other liabilities								
<b>Total</b>	<b>528,916</b>			<b>528,916</b>	<b>85,273</b>			<b>85,273</b>

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

Key:

L1= Livello 1

L2= Livello 2

L3= Livello 3

#### 1.2 FINANCIAL LIABILITIES MEASURED AT AMORTISED COST: DUE TO CLIENTS: PRODUCT BREAKDOWN

Type of transaction/Amount	2019				2018			
	Book value	Fair Value			Book value	Fair Value		
		L1	L2	L3		L1	L2	L3
1 Current accounts and demand deposits	47,911,740			47,911,740	66,701,680			66,701,680
2 Time deposits								
3 Loans								
3.1 Reverse sale agreements								
3.2 Other								
4 Liabilities in respect of commitments to repurchase treasury shares								
5 Other liabilities								
<b>Total</b>	<b>47,911,740</b>			<b>47,911,740</b>	<b>66,701,680</b>			<b>66,701,680</b>

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

Key:

L1= Level 1

L2= Level 2

L3= Level 3

## Section 2 - Financial liabilities held for trading - Item 20

## 2.1 FINANCIAL LIABILITIES HELD FOR TRADING: PRODUCT BREAKDOWN

Type of transaction/Amount	2019				Fair Value (*)	2018			
	Nominal or notional value	Fair Value				Nominal or notional value	Fair Value		
		L1	L2	L3			L1	L2	L3
<b>A. Balance sheet liabilities</b>									
<b>1. Due to banks</b>									
2. Due to clients									
3. Debt securities									
3.1 Bonds									
3.1.1 Structured									
3.1.2 Other bonds	3,107,948	3,107,948							
3.2 Other securities									
3.2.1 Structured									
3.2.2 Other									
<b>TOTAL A</b>	<b>3,107,948</b>	<b>3,107,948</b>							
<b>B. Derivatives</b>									
1. Financial derivatives									
1.1 Trading									
1.2 Fair value option									
1.3 Other									
2. Credit derivatives									
2.1 Trading									
2.2 Fair value option									
2.3 Other									
<b>TOTAL B</b>									
<b>TOTAL A+B</b>	<b>3,107,948</b>	<b>3,107,948</b>							

Key:

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

L1 = Level 1

L2 = Level 2

L3 = Level 3

## Section 6 – Tax liabilities – Item 60

See section 10 of Assets.

## Section 8 – Other liabilities – Item 80

### 8.1 OTHER LIABILITIES: BREAKDOWN

	2019	2018
Due to tax authorities	341,637	272,636
Social security	145,433	156,508
Accrued liabilities	881,854	956,221
Due to suppliers	386,016	149,070
Transactions in securities to be settled*	1,075,210	1,418,582
Other minor items	27,882	31,445
<b>Total</b>	<b>2,858,033</b>	<b>2,984,462</b>

\*See note of table 12.1

In detail, “Accrued liabilities” mainly comprise amounts due to employees for € 860,587 in the form of leave due and not taken, contributions, additional monthly payments and allocations to bonuses; € 16,758 for accrued commission expenses and € 4,509 for accrued administrative charges and other expenses.

## Section 9 - Severance indemnity fund - Item 90

### 9.1 SEVERANCE INDEMNITY FUND: CHANGES FOR THE YEAR

	2019	2018
<b>A. Opening balance</b>	<b>1,010,454</b>	<b>932,116</b>
<b>B. Increases</b>	<b>261,138</b>	<b>126,978</b>
B.1 Provision for the year	128,750	99,526
B.2 Other changes	132,388	27,452
<b>C. Reductions</b>	<b>26,369</b>	<b>48,640</b>
C.1 Disbursements made	22,953	20,500
C.2 Other changes	3,416	28,140
<b>D. Closing balance</b>	<b>1,245,223</b>	<b>1,010,454</b>
<b>Total</b>	<b>1,245,223</b>	<b>1,010,454</b>



### 9.2.9.2 Other information

Actuarial valuations were performed as of 31 December 2019 by an external actuary specifically appointed for the purpose, who used analytical data supplied by the employment advisor.

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

#### Demographic assumptions

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

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

#### Economic and financial assumptions

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

#### Sensitivity analysis of the main valuation parameters using data as at 31 December 2019

Turnover rate +1%	1.241.412,09
Turnover rate -1%	1.304.866,13
Inflation rate +0.25%	1.300.743,98
Inflation rate -0.25%	1.241.794,25
Discount rate +0.25%	1.233.900,80
Discount rate -0.25%	1.309.436,45
Pro Futuro annual service cost	123.188,96
Duration of plan	16,10
Expected disbursements in the 1st year	117.346,82
Expected disbursements in the 2nd year	85.404,44
Expected disbursements in the 3rd year	88.280,61
Expected disbursements in the 4th year	90.574,81
Expected disbursements in the 5th year	92.351,95

## Section 12 – Equity - Items 110, 130, 140, 150, 160, 170 and 180

This section describes the breakdown of the Bank's share capital and reserves.

### 12.1 “Share capital” and “Own shares”: breakdown

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

#### 12.2 SHARE CAPITAL - NUMBER OF SHARES: CHANGES FOR THE YEAR

Item/Type	Ordinary	Other
<b>A. Issued shares as at the beginning of the year</b>	<b>7,600</b>	
- fully paid	7,600	
- not fully paid		
A.1 Own shares (-)		
<b>A.2 Shares outstanding: opening balance</b>	<b>7,600</b>	
<b>B. Increases</b>		
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		
<b>C. Reductions</b>		
C.1 Cancellation		
C.2 Purchase of own shares		
C.3 Business transferred		
C.4 Other changes		
<b>D. Shares outstanding: closing balance</b>	<b>7,600</b>	
D.1 Own shares (+)		
D.2 Shares outstanding as at the end of the year	7,600	
- fully paid	7,600	
- not fully paid		

### 12.4 Reserves: other information

Description	2019	2018
Legal	1,520,000	1,520,000
Statutory	1,641,968	1,641,493
Other	23,954,837	22,338,393
Valuation reserves	-217,554	-123,574
<b>Total</b>	<b>26,899,251</b>	<b>25,376,312</b>

Pursuant to art. 2427(7-bis) of the Italian Civil Code:

the legal reserve of € 1,520,000 is available for use to cover losses. The statutory reserve, for € 1,641,968, is unavailable and will be used for socially useful purposes.

The other reserves item, for € 23,954,837, is available and distributable for use to increase capital, cover losses or distribution to shareholders.

No reserves have ever been used to cover losses.

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

<b>Net profit for the year</b>	<b>1,823,958</b>
To the legal reserve	
To the statutory social solidarity fund	40,035
<b>Distributable net profit</b>	<b>1,783,923</b>
Retained earnings	570,000
To the extraordinary reserve	1,213,923

## Other information

### 2. OTHER COMMITMENTS AND GUARANTEES ISSUED

	Nominal value	
	2019	2018
<b>Other guarantees given</b>		
of which: impaired loans		
a) Central banks		
b) Public-sector entities	58,978	70,742
c) Banks		
d) Other financial undertakings		
e) Non-financial undertakings		
<b>f) Households</b>		
Other commitments		
of which: impaired loans		
a) Central banks		
b) Public-sector entities		
c) Banks		
d) Other financial undertakings		
e) Non-financial undertakings		
f) Households		

Item b) of Guarantees refers to the share (for € 58,978) of the commitment towards the Interbank Deposit Protection Fund for extraordinary contributions and is stated for information purposes only, since no events that would give rise to the conditions for repayment of extraordinary contributions are forecast.

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

Type of service	Amount
<b>1. Execution of orders on behalf of clients</b>	
a) Purchases	
1. regulated	387,263,491
2. not regulated	1,041,476
b) Sales	
1. regulated	345,715,342
2. not regulated	897,709
<b>2. Individual portfolio management</b>	<b>56,972,885</b>
<b>3. Custody and administration of securities</b>	
a) third-party securities held in deposit: in connection with deposit bank activities (excluding portfolio management)	
1. securities issued by the reporting bank	
2. other securities	
b) third-party securities held in deposit (excluding portfolio management): other	
1. securities issued by the reporting bank	
2. other securities	
c) third party securities deposited with third parties	54,105,666
d) own securities deposited with third parties	14,072,845
<b>4. Other transactions</b>	<b>36,235,184</b>

\* Item 4 refers to the sum of purchases (€ 20,452,831) and sales (€ 15,782,353) relating to the "Receipt and issue of orders"

## Parte C - Information on the profit and loss account

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

#### 1.1. INTEREST AND SIMILAR INCOME: BREAKDOWN

Item/Type	Debt securities	Loans	Other transactions	2019	2018
<b>1. Financial assets measured at fair value through profit or loss:</b>					
1.1 Financial assets held for trading	209,027			209,027	227,460
1.2 Financial assets designated at fair value					
1.3 Other financial assets mandatorily measured at fair value					
<b>2. Financial assets measured at fair value through other comprehensive income</b>					
<b>3. Financial assets measured at amortised cost:</b>					
3.1 Due from banks		34,300		34,300	36,437
3.2 Due from customers					
<b>4. Hedging derivatives</b>					
<b>5. Other assets</b>					
<b>6. Financial liabilities</b>					
<b>Total</b>	<b>209,027</b>	<b>34,300</b>		<b>243,327</b>	<b>263,897</b>
of which: interest income on impaired financial assets					

#### 1.2 Interest and similar income: other information

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

At 31 December 2019 interest income on amounts due from banks in foreign currencies amounted to € 33,381.

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

Item/Type	Liabilities	Securities	Other transactions	2019	2018
<b>1. Financial liabilities measured at amortised cost</b>					
1.1 Due to central banks					
1.2. Due to banks	297,385			297,385	234,290
1.3. Due to clients					
1.4. Notes outstanding					
2. Financial liabilities held for trading	354			354	978
3. Financial liabilities designated at fair value					
4. Other liabilities and funds					
5. Hedging derivatives					
6. Financial assets					
<b>Total</b>	<b>297,739</b>			<b>297,739</b>	<b>235,268</b>

#### 1.4 1.4 Interest expense and similar charges: other information

##### 1.4.1 Interest expense on liabilities in foreign currencies

At 31 December 2019 interest expense on amounts due to banks in foreign currencies amounted to € 9,860.

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

##### 2.1 COMMISSION INCOME: BREAKDOWN

Service/Amount	2019	2018
a) guarantees given		
b) credit derivatives		
c) management, brokerage and advisory services:		
1. financial instrument trading	315,546	403,888
2. currency trading		
3. individual portfolio management	390,094	426,572
4. custody and administration of securities		
5. custodian bank		
6. placement of securities		
7. receipt and issue of orders	18,145	18,218
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) servicing of securitisation transactions		
f) services for factoring transactions		
g) tax collection services		
h) management of multilateral trading systems		
i) administration and management of current accounts		
j) other services	15	15,990
<b>Total</b>	<b>723,800</b>	<b>864,668</b>

## 2.2 COMMISSION INCOME: PRODUCT AND SERVICE DISTRIBUTION CHANNELS

Channel/Amount	2019	2018
<b>a) through own branches:</b>		
1. portfolio management	385,086	384,523
2. placement of securities		
3. third-party products and services		
<b>b) off-site:</b>		
1. portfolio management	5,008	42,049
2. placement of securities		
3. third-party products and services		
<b>c) other distribution channels:</b>		
1. portfolio management		
2. placement of securities		
3. third-party products and services		

## 2.3 COMMISSION EXPENSE: BREAKDOWN

Service/Amount	2019	2018
a) guarantees received		
b) credit derivatives		
<b>c) management and brokerage:</b>		
1. financial instrument trading	228,720	268,320
2. currency trading		
3. portfolio management:		
3.1 own		
3.2 third-party portfolios		
4. custody and administration of securities	14,897	12,209
5. placement of financial instruments		
6. off-site distribution of financial instruments, products and services	6,318	55,089
d) collection and payment services		
e) other services	79,917	94,443
<b>Total</b>	<b>329,852</b>	<b>430,061</b>

Trading commissions refer exclusively to markets on which the Bank operates through brokers.

Payments of commissions to promoters are included in commission expense under item "c) 6 off-site distribution of financial instruments, products and services".

## Section 4 - Net income from trading - Item 80

### 4.1. NET INCOME FROM TRADING: BREAKDOWN

Transaction/Income item	Gains (A)	Profits from trading (B)	Losses (C)	Losses from trading (D)	Net income [(A+B) - (C+D)]
<b>1. Financial assets held for trading</b>	<b>37,283</b>	<b>10,525,890</b>	<b>92,118</b>	<b>2,731,339</b>	<b>7,739,716</b>
1.1. Debt securities	37,283	10,525,890	92,118	2,731,339	7,739,716
1.2 Equity instruments					
1.3 Shares of UCIs					
1.4 Loans					
1.5 Other					
<b>2. Financial liabilities held for trading</b>					
2.1. Debt securities					
2.2 Liabilities					
2.3 Other					
<b>3. Financial assets and liabilities: exchange differences</b>		<b>53,158</b>			<b>53,158</b>
<b>4. Derivatives</b>		<b>951,488</b>		<b>1,498,267</b>	<b>-546,779</b>
4.1 Financial derivatives:					
- On debt securities and interest rates		951,488		1,498,267	-546,779
- On equity securities and share indices					
- On currency and gold					
- Other					
4.2 Credit derivatives					
<b>Total</b>	<b>37,283</b>	<b>11,477,378</b>	<b>92,118</b>	<b>4,229,606</b>	<b>7,246,095</b>

In 2019 the Bank continued to carry out market making (and arbitrage) activities, mainly on the EuroTLX market and fixed-income markets operated by Borsa Italiana. The securities traded were bonds issued by governments, supranational organisations and corporate entities.



## Section 10 – Administrative expenses – Item 160

## 10.1. PERSONNEL EXPENSES: BREAKDOWN

Expense/Amount	2019	2018
1) Employees		
a) salaries and wages	1,794,521	1,886,237
b) social security contributions	321,451	309,428
c) employee severance indemnity		
d) national insurance contributions		
e) allocations to provisions for severance indemnity	106,239	99,526
f) provision for retirement payments and similar provisions:		
- defined contribution		
- defined benefit		
g) payments to external pension funds:		
- defined contribution		
- defined benefit		
h) costs related to share-based payments		
i) other employee benefits	39,099	38,045
2) Other staff		
3) Directors and statutory auditors	378,836	378,403
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>2,640,147</b>	<b>2,711,639</b>

Sub-item a) decreased owing to the lower variable component of salaries.

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

Service costs for	€ 116.209
Interest costs for	€ 12.541
Other adjustments for	€ -22.511

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

## 10.2 AVERAGE NUMBER OF EMPLOYEES BY CATEGORY

Employees:	
a) directors	
b) middle management	7
c) other employees	20
Other personnel	

### 10.5 OTHER ADMINISTRATIVE EXPENSES: BREAKDOWN

Detail	2019	2018
ICT expenses	571,065	576,760
Trading activities	315,098	335,582
Advisory and professional services	118,484	112,328
Auditing fees	39,843	60,264
Fees for licences and outsourced IT services	459,589	433,634
Compulsory contributions and market membership fees	194,619	203,798
Telephone and electricity	75,009	87,559
Virtual stamp duty	275,494	279,104
Sundries	105,768	110,552
<b>Total</b>	<b>2,154,969</b>	<b>2,199,582</b>

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

## Section 12 - Net value adjustments in respect of tangible assets - Item 180

### 12.1. NET VALUE ADJUSTMENTS IN RESPECT OF TANGIBLE ASSETS: BREAKDOWN

Attività/Componente reddituale	Depreciation (a)	Impairment losses (b)	Write-backs (c)	Net income (a + b - c)
A. Attivi Tangible assets				
A.1 Owned				
- Used in the business	-159,858			-159,858
- For investment				
- Inventory				
A.2 Leased				
- Used in the business				
- For investment				
<b>Total</b>	<b>-159,858</b>			<b>-159,858</b>

## Section 13 – Net value adjustments/write-backs in respect of intangible assets - Item 190

## 13.1 NET VALUE ADJUSTMENTS IN RESPECT OF INTANGIBLE ASSETS: BREAKDOWN

Asset/Income item	Amortisation (a)	Impairment losses (b)	Write-backs (c)	Net income (a + b - c)
<b>A. Intangible assets</b>				
A.1 Owned				
- Internally generated				
- Other	-4,190			-4,190
A.2 Leased				
<b>Total</b>	<b>-4,190</b>			<b>-4,190</b>

## Section 14 – Other operating expense/income – Item 200

## 14.1 Other operating expense: breakdown

Other operating expense amounted to € 151,942 in 2019. This item mainly referred to donations made during the year for € 142,361.

## 14.2 Other operating income: breakdown

Other operating income amounted to € 288,712 in 2019. The main component was the stamp duty refund for a total of € 275,494.

## Section 18 - Gains (losses) from sale of investments - Item 250

## 18.1 GAINS (LOSSES) FROM SALE OF INVESTMENTS: BREAKDOWN

Income item/Amount	2019	2018
A. Property		
- Gains from disposal		
- Losses from disposal		
B. Other assets		
- Gains from disposal	41	
- Losses from disposal		
<b>Net income</b>	<b>41</b>	

## Section 19 - Income tax on current operations for the year - Item 270

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

Income item/Amount	2019	2018
1. Current income tax (-)	(939,723)	(1,047,727)
2. Changes relating to prior years (+/-)		
3. Reduction in current taxes for the year (+)		
3 (b) Reduction in current income tax for the year due to tax credits pursuant to Law No. 214/2011 (+)		
4. Change in prepaid taxes (+/-)	404	629
5. Change in deferred taxes (+/-)		
<b>6. Tax for the year (-) (-1+/-2+3+3(b)+/-4+/-5)</b>	<b>(939,319)</b>	<b>(1,047,098)</b>

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

### 19.2 RECONCILIATION BETWEEN THEORETICAL AND ACTUAL TAX LIABILITY

IRES	2019
Pre-tax profit (loss)	2,763,277
IRES at theoretical rate of 24.00%	663,186
Additional IRES at theoretical rate of 3.50%	96,715
Tax on increases	58,138
Tax on reductions	-64,274
IRES at current actual rate of 27.28%	753,765

IRAP	2019
Pre-tax profit (loss)	2,763,277
IRAP at theoretical rate of 5.57%	153,915
Tax on non-taxable income	-16,084
Tax on non-deductible expenses	48,127
IRAP at current actual rate of 6.73%	185,958

## 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 € 240.

## Part D – Comprehensive income

## STATEMENT OF COMPREHENSIVE INCOME

Item	2019	2018
<b>10 Profit (Loss) for the year</b>	<b>1,823,958</b>	<b>2,186,919</b>
<b>Other income components not reclassified through profit or loss</b>		
20 Equity instruments designated at fair value through other comprehensive income:		
a) Changes in fair value		
b) Transfers to other equity		
30 Financial liabilities designated at fair value through profit or loss (changes to credit standing):		
a) Changes in fair value		
b) Transfers to other equity		
40. Equity instrument hedges designated at fair value through other comprehensive income:		
a) Changes in fair value (hedged instrument)		
b) Changes in fair value (hedging instrument)		
50. Tangible assets		
60. Intangible assets		
70. Defined benefit plans	(93,980)	15,449
80. Non-current assets and disposal groups		
90. Portion of valuation reserves of equity investments valued through equity		
100. Income tax on other comprehensive income not reclassified through profit or loss		
<b>Other income components reclassified through profit or loss</b>		
110. Hedges of foreign investments:		
a) changes in fair value		
b) reclassification through profit or loss		
c) other changes		
120. Exchange differences:		
a) changes in fair value		
b) reclassification through profit or loss		
c) other changes		
130. Cash flow hedges:		
a) changes in fair value		
b) reclassification through profit or loss		
c) other changes		
of which: result of net positions		
140. Hedging instruments: (undesignated items)		
a) changes in fair value		
b) reclassification through profit or loss		
c) other changes		
150. Financial assets (other than equity instruments) measured at fair value through other comprehensive income:		
a) changes in fair value		
b) reclassification through profit or loss		

	- adjustments for credit risk		
	- gains/losses from disposal		
	c) other changes		
160.	Non-current assets and disposal groups		
	a) changes in fair value		
	b) reclassification through profit or loss		
	c) other changes		
170.	Portion of valuation reserves of equity investments valued through equity:		
	a) changes in fair value		
	b) reclassification through profit or loss		
	- impairment losses		
	- gains/losses from disposal		
	c) other changes		
180.	Imposte sul reddito relative alle altre componenti reddituali con rigiro a conto economico		
<b>190.</b>	<b>Total other income components</b>	<b>(93,980)</b>	<b>15,449</b>
<b>200.</b>	<b>Comprehensive income (Item 10+190)</b>	<b>1,729,978</b>	<b>2,202,368</b>

## Part E – Risks and related risk management policies

### Foreword

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

The risks inherent in the specific activities of Banca Simetica are:

- market risk;
- pre-settlement and settlement risk;
- liquidity risk;
- concentration risk;
- operational risk;
- legal risk;
- reputational risk;
- strategic risk.

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

The Bank pursues a prudent business approach aimed at maintaining risk exposure within acceptable parameters, in line with a number of guiding principles which are at the heart of its risk management policies, namely:

- working to achieve net returns of between 3 and 5%, maintaining a business mix with a low risk profile;
- adopting a prudent approach towards new activities and a logic of “knowledge-based business”, which has always characterised its method of operation;
- fostering a culture of risk and the involvement of everyone at the company in matters concerning risks;
- a remuneration policy that does not encourage the taking of excessive risks;
- independence and authority of the functions responsible for the system of internal controls;
- efficiency, integrity and stability of information systems;
- maintaining an extremely prudent approach as far as liquidity risk is concerned;
- maintaining a conservative approach towards operational risk management;
- maintaining an approach aimed at reducing exposure to legal risk to a minimum.

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

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

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

Risks are monitored and managed in accordance with the Risk Mapping Manual and Risk Control Manual.

The Risk Mapping Manual contains the map of the risks associated with each of the Bank's processes, with an assessment of the “gross risk”, in terms of probability and severity, and “net risk”, based on the standard of existing controls.

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

The Risk management procedure manual defines the operational limits approved by the CEO and the respective control

mechanisms, procedures for assessing compliance with the applicable regulatory provisions and procedures for reporting to Senior Management and the Bank's governing bodies.

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

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

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

Level I limits represent an initial critical threshold for the various kinds of risk; these mainly involve the implementation of level one and level two controls.

Level II limits, if exceeded, could potentially give rise to a higher risk of loss; any cases in which such limits are exceeded are immediately reported to the CEO. Level III limits are the maximum limits defined by the Board as acceptable and represent another threshold that, if exceeded, must be the subject of a specific and detailed report to the body responsible for strategic supervision.

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

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

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

The Compliance function, which is outsourced, is responsible for the ongoing identification of the applicable regulations and appropriate risk prevention procedures. It also verifies the efficacy of planned organisational changes in order to prevent the risk of non-compliance.

Its tasks are graduated according to the presence of specialist areas concerning specific regulations (e.g. tax laws, occupational health and safety, privacy, etc.).

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

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

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

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



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

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

It draws up reports for the company bodies in which it illustrates its findings and makes recommendations.

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

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

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

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

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

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

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

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

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

Reputational risk is associated with the way third parties perceive the Bank.

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

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

## Section 1 – Credit risk

### • Qualitative disclosure

#### 1. General

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

#### 2. Credit risk management

##### 2.1 Organisational aspects

Since Banca Simetica does not engage in lending activities in the strictest meaning of the term, it does not have an organisational unit responsible for managing this type of risk either individually or at the level of the portfolio. The only exception regards the credit risk linked to short-term deposits of excess liquid funds held in bank accounts, for which maximum exposure limits have been defined for each counterparty. Exposure to this risk is monitored by the Risk Management function.

Since the amounts concerned are payable on demand and thus have a maturity of less than seven days, they are excluded from the application of the so-called bail-in provisions introduced by Italian Legislative Decree No. 180 of 16 November 2015. Pursuant to art. 49(1)(e) of that same decree: “Bail-in applies to all liabilities”, with the exception of the following:

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

##### 2.2 Management, measurement and control systems

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

- Quantitative disclosure

## A. Credit quality

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

## A.1.1 BREAKDOWN OF FINANCIAL ASSETS BY PORTFOLIO AND CREDIT QUALITY (BOOK VALUE)

Portfolio/quality	Bad loans	Probable default	Impaired past-due exposures	Not impaired past-due exposures	Other not impaired exposures	Total
1. Financial assets measured at amortised cost					28,583,542	28,583,542
2. Financial assets measured at fair value through other comprehensive income						
3. Financial assets designated at fair value						
4. Other financial assets mandatorily measured at fair value						
5. Discontinued financial assets						
<b>Total 2019</b>					<b>28,583,542</b>	<b>28,583,542</b>
<b>Total 2018</b>					<b>30,608,816</b>	<b>30,608,816</b>

**A.1.2 BREAKDOWN OF FINANCIAL ASSETS BY PORTFOLIO AND CREDIT QUALITY (GROSS AND NET AMOUNTS)**

Portfolio/quality	Impaired				Not impaired			Total (net exposure)
	Gross exposure	Total value adjustments	Net exposure	Total partial write-offs (*)	Gross exposure	Total value adjustments	Net exposure	
1. Financial assets measured at amortised cost					28,583,542		28,583,542	28,583,542
2. Financial assets measured at fair value through other comprehensive income								
3. Financial assets designated at fair value								
4. Other financial assets mandatorily measured at fair value								
5. Discontinued financial assets								
<b>Total 2019</b>					28,583,542		28,583,542	28,583,542
<b>Total 2018</b>					30,608,816		30,608,816	30,608,816

\* Valore da esporre a fini informativi

Portfolio/quality	Assets with poor credit quality		Other assets
	Cumulative losses	Net exposure	Net exposure
1. Financial assets held for trading			17,180,793
2. Hedging derivatives			
<b>Total 2019</b>			17,180,793
<b>Total 2018</b>			7,845,885

**A.1.6 BALANCE SHEET AND OFF-BALANCE SHEET CREDIT EXPOSURE TO BANKS:  
GROSS AND NET AMOUNTS**

Exposure type/amount	Gross exposure		Total value adjustments and total provisions	Net exposure	Total partial write-offs (*)
	Impaired	Not impaired			
<b>A. Balance sheet credit exposures</b>					
a) Bad loans					
of which: exposures subject to concessions					
b) Probable default					
of which: exposures subject to concessions					
c) Impaired past-due exposures					
of which: exposures subject to concessions					
d) Not impaired past due exposures					
of which: exposures subject to concessions					
e) Other not impaired exposures		28,583,542		28,583,542	
of which: exposures subject to concessions					
<b>Total (A)</b>		<b>28,583,542</b>		<b>28,583,542</b>	
<b>B. Off-balance sheet credit exposures</b>					
a) Impaired					
b) Not impaired					
<b>Total (B)</b>					
<b>Total (A+B)</b>		<b>28,583,542</b>		<b>28,583,542</b>	

\* Amount shown for information purposes

## A.2 Classification of financial assets, commitments to disburse funds and financial guarantees given based on external and internal ratings

### A.2.1 BREAKDOWN OF FINANCIAL ASSETS, COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES GIVEN: BY EXTERNAL RATING CLASS (GROSS AMOUNTS)

Exposures	External rating classes						No rating	Total
	AAA/AA-	A+/A-	BBB+/BBB-	BB+/BB-	B+/B-	Lower than B-		
<b>A. Financial assets measured at amortised cost</b>							28,583,542	<b>28,583,542</b>
- Stage 1							28,583,542	<b>28,583,542</b>
- Stage 2								
- Stage 3								
<b>B. Financial assets measured at fair value through other comprehensive income</b>								
- Stage 1								
- Stage 2								
- Stage 3								
<b>Total (A+B)</b>							<b>28,583,542</b>	<b>28,583,542</b>
of which: purchased or originated credit-impaired financial assets								
<b>C. Commitments to disburse funds and financial guarantees given</b>								
- Stage 1								
- Stage 2								
- Stage 3								
<b>Total C</b>								
<b>Total (A+B+C)</b>							<b>28,583,542</b>	<b>28,583,542</b>

#### Ratings table

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

Standard & Poor's/ Fitch	Moody's	DBRS
CCC+	Caa	CCC HIGH
CCC	Ca	CCC
CCC-	C	CCC LOW
	/	
D	/	D
	/	

**B. Distribution and concentration of credit exposure****B.3 BREAKDOWN OF BALANCE SHEET AND OFF-BALANCE SHEET EXPOSURE TO BANKS BY GEOGRAPHICAL REGION**

Exposure/Geographical region	Italy		Other European countries		America		Asia		Rest of the world	
	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Value adjustments
<b>A. Balance sheet credit exposures</b>										
A.1 Non-performing loans										
A.2 Probable default										
A.3 Impaired past-due exposures										
A.4 Not impaired exposures	28,583,542									
<b>Total (A)</b>	<b>28,583,542</b>									
<b>B. Off-balance sheet credit exposures</b>										
B.1 Impaired exposures										
B.2 Not impaired exposures										
<b>Total (B)</b>										
<b>Total (A+B) 2019</b>	<b>28,583,542</b>									
<b>Total (A+B) 2018</b>	<b>30,608,816</b>									

**B.4 MAJOR RISKS**

As at 31 December 2019 the Bank had 4 exposures amounting to the equivalent of more than 10% of its own funds, with DEPObank (for € 6,351,219), Intesa Sanpaolo (for € 12,957,677), Banco BPM (for € 4,578,592) and MPS (for € 4,037,480).

These positions, consisting entirely of demand deposits, do not constitute a significant risk in accordance with art. 390(6)(c) of the CRR (Regulation (EU) 575/2013).

## Section 2 - Market risk

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

#### • Qualitative disclosure

##### A. General

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

Bond desk operators in the Proprietary Trading department use arbitrage and market making strategies to trade standardised financial instruments.

This helps to reduce interest rate and price risks to a minimum.

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

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

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

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

The Risk control manual, approved by the Board of Directors, outlines the limits approved by the latter according to the type of arbitrage transaction and the controls to verify compliance with the limits, which are structured on three levels:

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

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

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

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

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

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



• Quantitative disclosure

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

Type/Residual term	on demand	up to 3 months	from 3 to 6 months	from 6 to 12 months	from 1 to 5 years	from 5 to 10 years	over 10 years	unspecified
<b>1. Balance sheet assets</b>								
1.1. Debt securities		5,225,670	38,897	1,977,076	4,017,058	3,959,635	1,962,457	
- with prepayment option								
- other								
1.2 Other assets								
<b>2. Balance sheet liabilities</b>								
2.1 Reverse repos								
2.2. Other liabilities			104,699	998,532	1,213,913	535,529	255,275	
<b>3. Financial derivatives</b>								
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								

## 2.2 Interest rate and price risk - bank portfolio

### • Qualitative disclosure

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

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

Therefore the Bank does not make use of instruments to measure the interest rate risk in the banking book. It manages this risk by reducing (and in actual fact eliminating) any possible maturity gaps between assets and liabilities by investing liquid funds in assets that can easily be liquidated and any surplus amounts in liquid financial instruments of solid issuers with a life of less than 24 months.

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

### • Quantitative disclosure

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

Type/Residual term	on demand	up to 3 months	from 3 to 6 months	from 6 to 12 months	from 1 to 5 years	from 5 to 10 years	over 10 years	unspecified
<b>1. Balance sheet assets</b>								
1.1. Debt securities								
- with prepayment option								
- other								
1.2 Loans to banks	28,179,406							404,136
1.3 Loans to clients								
- current accounts								
- other loans								
- with prepayment option								
- other								
<b>2. Balance sheet liabilities</b>								
2.1. Due to clients								
- current accounts	47,911,740							
- other amounts due								
- with prepayment option								
- other								

2.2. Due to banks								
- current accounts	528,916							
- other amounts due								
2.3. Debt securities								
- with prepayment option								
- other								
2.4. Other liabilities								
- with prepayment option								
- other								
<b>3. Financial derivatives</b>								
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								
<b>4. Other off-balance sheet operations</b>								
+ long positions								
+ short positions								

## 2.3 Currency risk

### • Qualitative disclosure

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

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

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

#### B. Currency risk hedging activities

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

### • Quantitative disclosure

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

Item	Currency					
	USD	GBP	JPY	CAD	CHF	Other
<b>A. Financial assets</b>						
A.1 Debt securities	905,908					240,054
A.2 Equity securities						
A.3 Due from banks	5,120	81,184		83,369	2,807	431,714
A.4 Loans to clients						
A.5 Other financial assets						
<b>B. Other assets</b>						
<b>C. Financial liabilities</b>						
C.1 Due to banks	443,236					85,677
C.2 Due to clients						
C.3 Debt securities	286,876					43,420
C.4 Other financial liabilities						
<b>D. Other liabilities</b>						
<b>E. Financial derivatives</b>						
- Options						
+ long positions						
+ short positions						
- Other derivatives						
+ long positions						
+ short positions						
<b>Total Assets</b>	<b>911,029</b>	<b>81,184</b>		<b>83,369</b>	<b>2,807</b>	<b>671,768</b>
<b>Total liabilities</b>	<b>730,112</b>					<b>129,097</b>
<b>Imbalance (+/-)</b>	<b>180,917</b>	<b>81,184</b>		<b>83,369</b>	<b>2,807</b>	<b>542,671</b>

## Section 3 - Derivatives and hedging policies

### 3.1 Trading derivatives

#### A. Financial derivatives

##### A.1 FINANCIAL TRADING DERIVATIVES: YEAR-END NOTIONAL AMOUNTS

Underlying asset/Type of derivative	2019				2018			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting arrangements	Without netting arrangements		With netting arrangements	Without netting arrangements		
<b>1. Debt securities and interest rates</b>								
a) Options								
b) Swaps								
c) Forwards								
d) Futures				-1,200,000			-200,000	
e) Other								
<b>2. Equity instruments and share indices</b>								
a) Options								
b) Swaps								
c) Forwards								
d) Futures								
e) Other								
<b>3. Currencies and gold</b>								
a) Options								
b) Swaps								
c) Forwards								
d) Futures								
e) Other								
<b>4. Commodities</b>								
<b>5. Other</b>								
<b>Total</b>				<b>-1,200,000</b>			<b>-200,000</b>	

## Section 4 – Liquidity risk

### • Qualitative disclosure

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

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

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

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

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

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

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

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

Starting from 2016 the Bank has used scenario analyses to measure the potential impact of this risk due to unexpected withdrawals by depositors.

1. BREAKDOWN OF FINANCIAL ASSETS AND LIABILITIES BY RESIDUAL MATURITY

Item/Maturity	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	Unspecified
<b>A. Balance sheet assets</b>										
A.1 Government securities			25,006		5,186,634		1,896,495	3,332,918	5,205,456	
A.2 Other debt securities			999	5,848	7,182	38,897	80,581	684,140	716,636	
A.3 Shares of UCIs										
A.4 Loans										
- banks	28,179,406									404,136
- clients										
<b>B. Balance sheet liabilities</b>										
B.1 Deposits and current accounts										
- banks	528,916									
- clients	47,911,740									
B.2 Debt securities										
B.3 Other liabilities										
<b>C. 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										

• Quantitative disclosure

- long positions										
- short positions										
C.4 Commitments to disburse funds										
- long positions	8,268,457									
- short positions	11,545,563									
C.5 Financial guarantees given										
C.6 Financial guarantees received										
C.7 Credit derivatives with exchange of principal										
- long positions										
- short positions										
C.8 Credit derivatives without exchange of capital										
- long positions										
- short positions										

\* See table "1. Financial commitments and guarantees issued and financial commitments and guarantees issued other than those designated at fair value" in the "Other information" section on page 68.



## Section 5 – Operational risk

### • Qualitative disclosure

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

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

In order to limit this type of risk as far as possible, Banca Simeica 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 Simeica to reduce the possibility of such losses arising to a minimum.

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

In 2012 the Bank undertook an analytical mapping of all of the processes within its organisational structure in order to highlight any shortfalls in processes and/or control systems that could give rise to operational risks. This mapping procedure has evolved and been improved over the years. In 2014 the Bank reviewed all the processes that could in any way affect its exposure to legal risks and in 2015 it conducted a complete review of its exposure to cyber risk. Banca Simeica'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 Simeica 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 data protection laws).

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

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

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

## • Quantitative disclosure

Pursuant to Title III “Own funds requirements for operational risk”, Part 3 “Capital requirements” of Regulation (EU) 575/2013 (CRR), Banca Simeica is required to use the Basic Indicator Approach to calculate the capital for operational risk.

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

This ratio is calculated using the following formula:

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

where

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

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

GI = relevant indicator where positive, over the previous three years

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

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

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

The following formula was used to calculate Banca Simeica’s level of capital for operational risk coverage for 2019:

$$KBIA, 31/12/2019 = [(9.048.100 + 6.910.430 + 8.204.804) \times 15\%] / 3 = \text{EUR } 1.208.167$$

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

## Part F – Equity

### Section 1 - Shareholders' equity

#### A. Qualitative disclosure

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

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

#### B. Quantitative disclosure

##### B.1 SHAREHOLDERS' EQUITY: BREAKDOWN

Item/Amount	2019	2018
1. Capital	7,600,000	7,600,000
2. Issue premium	1,300,000	1,300,000
3. Reserves	27,116,805	25,499,886
4. Capital instruments		
5. (Own shares)		
6. Valuation reserves		
- Equity instruments designated at fair value through other comprehensive income		
- Equity instrument hedges designated at fair value through other comprehensive income		
- Financial assets (other than equity instruments) measured at fair value through other comprehensive income		
- Tangible assets		
- Intangible assets		
- Foreign investment hedges		
- Cash flow hedges		
- Hedging instruments [undesignated items]		
- Exchange differences		
- Non-current assets and disposal groups		
- Financial liabilities designated at fair value through profit or loss (changes to credit standing)		
- Actuarial gains (losses) relating to defined benefit plans	-217,554	-123,574
- Shares of valuation reserves relating to subsidiaries valued through equity		
- Special revaluation laws		
7. Net profit (loss) for the year	1,823,958	2,186,919
<b>Total</b>	<b>37,623,209</b>	<b>36,463,231</b>

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

There was a € 93,980 increase in the valuation reserve relating to defined benefit plans, as shown in the table above.

#### **Section 2 - Own funds and regulatory ratios**

In accordance with the provisions of art. 434 “Means of disclosures” of Regulation (EU) 575/2013 (CRR), the disclosures concerning the Bank’s capital adequacy and risk exposure, drawn up in compliance with Part 8 of the aforesaid CRR, are published on its corporate website [www.bancasimeica.it](http://www.bancasimeica.it).

## Part H – Transactions with related parties

### 1. Remuneration of Directors with strategic responsibilities

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

	2019	2018
Directors	334,428	333,995
Statutory Auditors	44,408	44,408
<b>TOTAL</b>	<b>378,836</b>	<b>378,403</b>

### 2. Transactions with related parties

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

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

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

Related parties have been defined with reference to the definitions as per the international accounting standards adopted by the EU, in particular IAS 24.

Reference was also made to that set forth in Banca d'Italia Circular No. 262/2005 "Financial statements of banks: preparation criteria and format", as amended.

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

- individuals and parties other than individuals, that have an interest in the entity that gives them significant influence over the entity;
- "key management personnel" (those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise), of that entity and members of the audit bodies;
- close members of the family of an individual: the individual's spouse, domestic partner and children, the children of the individual's spouse or domestic partner and dependants of the individual, the individual's spouse or domestic partner.

Type of related party	Assets	Liabilities <sup>1</sup>	Costs	Revenues <sup>2</sup>	Guarantees given	Guarantees received
Directors		2,112,752		33,113		
Statutory Auditors		186,561		2,838		
Family members		299,282		4,557		
Other related parties		186,530		3,658		

<sup>1</sup> Cash balance at 31/12/2019

<sup>2</sup> Fees generated in 2019

## Annex 1

Pursuant to art. 2427(16-bis) of the Italian Civil Code, the breakdown of the fees for auditing the 2019 Financial Statements and for other services is shown in the table below.

Type of service	Service provider	Fees(1)
Audit of company accounts	Deloitte & Touche S.p.A.	€ 2.232
Audit of company accounts	Baker Tilly Revisa S.p.A.	€ 21.500
Certification (2)	Deloitte & Touche S.p.A.	€ 500
Tax advisory services	-	
Other services		
<b>Total</b>		<b>€ 24.232</b>

(1) Fees inclusive of out-of-pocket expenses, Consob supervisory fee and VAT.

(2) Signing of the Italian tax declaration forms for 2019.

## Annex 2

The share structure is as follows:

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

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

## Annex 3

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

[http://www.bancasimetica.it/eng/disclosure\\_crr.php](http://www.bancasimetica.it/eng/disclosure_crr.php)

**BANCA SIMETICA S.p.A.**

**Registered office in Biella**

**Share capital € 7,600,000.00 fully paid-in Number in the Biella**

**Register of Companies and tax code 02071270025**

\* \* \*

**Report of the Board of Statutory Auditors  
to the Financial Statements for the year ended 31 December 2019**

\* \* \*

Dear Shareholders,

The financial statements for the year ended at 31 December 2019, the company's eighteenth 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 30 November 2018 (6th update).

The financial statements have been audited by Baker Tilly Revisa S.p.A. who today certified their compliance with IAS/IFRS guidelines and the relevant implementing measures, issued in accordance with art. 43 of Italian Legislative Decree No. 136/2015, stating that the financial statements for the year ended at 31 December 2019 give a true and fair view of the company's assets and liabilities, financial position, operating result and cash flows.

The directors' report has also been certified as reflecting the financial statements for the year ended at 31 December 2019 and as being prepared in accordance with all legal requirements.

Moreover, with reference to the statement issued in accordance with art. 14(2)(e) of Legislative Decree No. 39/2010, the independent auditors certified that they had nothing to report.

Said independent auditors were charged with performing 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.

Therefore, 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(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 also 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 2019, we state the following:

- We 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 2019, confirming the trend of previous years. We can also state that there are no circumstances such as to undermine continuity of business.
- We met and exchanged information with the newly-appointed independent auditors, both separately and together with the other control functions. We did not find any significant data and/or information to be included in this report.
- We verified the work of those responsible for internal controls, risk management and compliance, and found nothing significant to report with regard to their activities and reports.
- We assessed and continuously monitored the adequacy of the company's organisational structure, also by gathering information from the respective department managers, and have nothing particular to report.
- We assessed and monitored the adequacy of the administrative and accounting systems, and the reliability of the latter in correctly representing management events, by obtaining information from the department managers, and have nothing particular to report.
- We monitored the activities of the Ethics Committee, established under art. 21 of the company's bylaws. Our opinion on the company's social report is stated in a separate report.
- We did not receive any complaints pursuant to art. 2408 of the Italian Civil Code.
- We certify that in fulfilling our mandate we did not discover any significant facts worthy of mention in this report.
- No critical aspects emerged in acting as the Supervisory Body pursuant to Italian Legislative Decree No. 231/2001.

As regards the internal capital adequacy assessment process (ICAAP/ILAAP), we plan to examine and verify this within 60 days, as prescribed by Banca d'Italia in its statement issued on 20 March 2020.

That stated, and on the basis of the results of the work carried out by the independent auditors, we propose that the Meeting should approve the financial statements for the year ended at 31 December 2019 and the relative allocation of the net profit (in line with the recommendations contained in document No. 440911 issued by Banca d'Italia on 31 March 2020), as drawn up and submitted for your approval by the Directors.

Biella, 10 April 2020

THE BOARD OF STATUTORY AUDITORS

Mario Rovetti

Giovanni Spola

Fabio Daniele



**BANCA SIMETICA S.P.A.**

Bilancio d'esercizio al 31 dicembre 2019

\* \* \* \* \*

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

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

*Agli azionisti di Banca Simetica S.p.A.*

**RELAZIONE SULLA REVISIONE CONTABILE DEL BILANCIO D'ESERCIZIO****Giudizio**

Abbiamo svolto la revisione contabile del bilancio d'esercizio di Banca Simetica S.p.A. (la Società), costituito dallo stato patrimoniale al 31 dicembre 2019, dal conto economico, dal prospetto della redditività complessiva, dal prospetto delle variazioni del patrimonio netto, dal rendiconto finanziario per l'esercizio chiuso a tale data e dalla nota integrativa.

A nostro giudizio, il bilancio d'esercizio fornisce una rappresentazione veritiera e corretta della situazione patrimoniale e finanziaria della Società al 31 dicembre 2019, del risultato economico e dei flussi di cassa per l'esercizio chiuso a tale data in conformità agli International Financial Reporting Standards adottati dall'Unione Europea e ai provvedimenti emanati in attuazione dell'art. 43 del D.Lgs. n. 136/2015.

**Elementi alla base del giudizio**

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

**Aspetti chiave della revisione contabile**

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

### Risultato netto dell'attività di negoziazione

La voce 80. “Risultato netto dell'attività di negoziazione” risulta iscritta nel conto economico del bilancio al 31 dicembre 2019 per un ammontare complessivo pari a circa 7,2 milioni di euro, corrispondente a circa il 94,7% del totale voce 120. “Margine di intermediazione”. Tale voce accoglie il risultato, in termini di utili, perdite, plusvalenze e minusvalenze, dell'attività di negoziazione svolta dalla Società nel corso dell'esercizio 2019.

Il risultato netto dell'attività di negoziazione è stato da noi ritenuto un aspetto chiave della revisione contabile sia per la rilevanza del valore iscritto in bilancio, che rappresenta nella sostanza la quasi totalità dei proventi generati dall'attività caratteristica della Società, sia per la sua origine direttamente correlata ai volumi di strumenti finanziari negoziati sui mercati di riferimento e alla volatilità manifestata da tali mercati.

L'informativa relativa alla voce 80. “Risultato netto dell'attività di negoziazione” è stata fornita dagli amministratori nella nota integrativa del bilancio e in particolare nella Parte C – *Informazioni sul conto economico* – Sezione 4 *Il risultato netto dell'attività di negoziazione*.

Le principali procedure di revisione svolte in risposta agli aspetti chiave su descritti sono di seguito elencate:

- analisi delle procedure informatiche, dei processi aziendali e delle policy adottate dalla Società nell'attività di negoziazione;
- individuazione e comprensione dei controlli rilevanti posti in essere per presidiare il complessivo processo di negoziazione e le conseguenti rilevazioni contabili;
- verifica, su base campionaria, dell'operatività di negoziazione svolta e dell'efficacia dei controlli rilevanti ai fini della corretta contabilizzazione del risultato delle operazioni di negoziazione poste in essere nel corso dell'esercizio;
- verifica su base campionaria dell'accuratezza matematica del risultato di negoziazione rilevato in seguito all'operatività svolta;
- verifica della corretta classificazione ed esposizione in bilancio del risultato dell'attività di negoziazione in conformità al quadro normativo sull'informazione finanziaria applicabile.

### **Responsabilità degli amministratori e del collegio sindacale per il bilancio d'esercizio**

Gli amministratori sono responsabili per la redazione del bilancio d'esercizio che fornisca una rappresentazione veritiera e corretta in conformità agli International Financial Reporting Standards adottati dall'Unione Europea e ai provvedimenti emanati in attuazione dell'art. 43 del D.Lgs. n. 136/2015 e, nei termini previsti dalla legge, per quella parte del controllo interno dagli stessi ritenuta necessaria per consentire la redazione di un bilancio che non contenga errori significativi dovuti a frodi o a comportamenti o eventi non intenzionali.

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

Il collegio sindacale ha la responsabilità della vigilanza, nei termini previsti dalla legge, sul processo di predisposizione dell'informativa finanziaria della Società.

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

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

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

- abbiamo identificato e valutato i rischi di errori significativi nel bilancio d'esercizio, dovuti a frodi o a comportamenti o eventi non intenzionali; abbiamo definito e svolto procedure di revisione in risposta a tali rischi; abbiamo acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio. Il rischio di non individuare un errore significativo dovuto a frodi è più elevato rispetto al rischio di non individuare un errore significativo derivante da comportamenti o eventi non intenzionali, poiché la frode può implicare l'esistenza di collusioni, falsificazioni, omissioni intenzionali, rappresentazioni fuorvianti o forzature del controllo interno;
- abbiamo acquisito una comprensione del controllo interno rilevante ai fini della revisione contabile allo scopo di definire procedure di revisione appropriate nelle circostanze e non per esprimere un giudizio sull'efficacia del controllo interno della Società;
- abbiamo valutato l'appropriatezza dei principi contabili utilizzati nonché la ragionevolezza delle stime contabili effettuate dagli amministratori, inclusa la relativa informativa;

- siamo giunti ad una conclusione sull'appropriatezza dell'utilizzo da parte degli amministratori del presupposto della continuità aziendale e, in base agli elementi probativi acquisiti, sull'eventuale esistenza di una incertezza significativa riguardo a eventi o circostanze che possono far sorgere dubbi significativi sulla capacità della Società di continuare ad operare come un'entità in funzionamento. In presenza di un'incertezza significativa, siamo tenuti a richiamare l'attenzione nella relazione di revisione sulla relativa informativa di bilancio ovvero, qualora tale informativa sia inadeguata, a riflettere tale circostanza nella formulazione del nostro giudizio. Le nostre conclusioni sono basate sugli elementi probativi acquisiti fino alla data della presente relazione. Tuttavia, eventi o circostanze successivi possono comportare che la Società cessi di operare come un'entità in funzionamento;
- abbiamo valutato la presentazione, la struttura e il contenuto del bilancio d'esercizio nel suo complesso, inclusa l'informativa, e se il bilancio d'esercizio rappresenti le operazioni e gli eventi sottostanti in modo da fornire una corretta rappresentazione.

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

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

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

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

L'assemblea degli azionisti di Banca Sime S.p.A. ci ha conferito in data 29 aprile 2019 l'incarico di revisione legale del bilancio d'esercizio della Società per gli esercizi dal 31 dicembre 2019 al 31 dicembre 2027.

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

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

**RELAZIONE SU ALTRE DISPOSIZIONI DI LEGGE E REGOLAMENTARI****Giudizio ai sensi dell'art. 14, comma 2, lettera e), del D.Lgs. 39/10**

Gli amministratori di Banca Simetica S.p.A. sono responsabili per la predisposizione della relazione sulla gestione di Banca Simetica S.p.A. al 31 dicembre 2019, incluse la sua coerenza con il relativo bilancio d'esercizio e la sua conformità alle norme di legge.

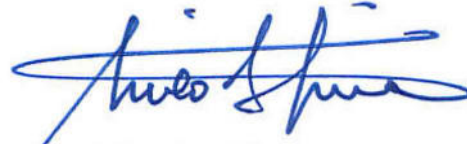
Abbiamo svolto le procedure indicate nel principio di revisione (SA Italia) n. 720B al fine di esprimere un giudizio sulla coerenza della relazione sulla gestione con il bilancio d'esercizio di Banca Simetica S.p.A. al 31 dicembre 2019 e sulla conformità della stessa alle norme di legge, nonché di rilasciare una dichiarazione su eventuali errori significativi.

A nostro giudizio, la relazione sulla gestione è coerente con il bilancio d'esercizio di Banca Simetica S.p.A. al 31 dicembre 2019 ed è redatta in conformità alle norme di legge.

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

Torino, 10 aprile 2020

Baker Tilly Revisa S.p.A.



Nicola Fiore  
Socio Amministratore



## ***Banca Simetica S.p.A.***

Registered Bank, registration No. 5713 - ABI code No. 3398.5 Member of the  
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Fondo Interbancario di Tutela dei Depositi (Interbank Deposit Protection Fund)  
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