BANCA CENTRALE
DELLA REPUBBLICA DI SAN MARINO

REGULATION ON THE PREPARATION OF CORPORATE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS OF AUTHORISED PARTIES

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TABLE OF CONTENTS

PART I
GENERAL PROVISIONS

Title I
Sources of law and definitions

Article I.I.1 - Sources of law

1. This Regulation is part of the implementing measures provided for in art. 39 of the Law n. 165 dated 17 November 2005 (the so called LISF).

2. The powers regulated by the Central Bank of the Republic of San Marino as regards financial statements of authorised parties of San Marino are exercised within the context of the principles specified in the LISF, under articles 29, 30, 31, 32, 33 and 34.

Article I.I.2 - Definitions

1. For the purposes of this Regulation, the expressions used herein have the following meanings:

1. **"assets and liabilities expressed in a foreign currency"**: means any assets and liabilities the capital and/or interest of which is explicitly expressed in a currency other than Euro, as well as those that provide for financial indexing clauses linked to the exchange rate of the Euro against a certain currency or against a certain basket of currencies;
2. **"Central Bank"**: means the Central Bank of the Republic of San Marino;
3. **"derivative contracts"**: means any financial instrument that entails a commitment to provide a service indexed to the performance of the price of other financial instruments, interest rates, currencies (and gold), indexes, commodities. The definitions of the main derivative financial instruments are set forth below:
    a) "future": means the standardised derivative contract with which the parties undertake to exchange certain assets, or to pay or collect a predetermined amount, at a predetermined date on the basis of the performance of a benchmark;
    b) "options": means the derivative contract that assigns to one of the parties, against the payment of a consideration called premium, the right – to be exercised within a given date or upon maturity of a given period – to purchase or to sell certain assets at a given price or to collect an amount determined based on the performance of a benchmark;
    c) "forward rate agreement": means the derivative contract with which the parties undertake to pay or to collect on a predetermined date an amount based on the performance of a benchmark;

d) "interest rate swap": means the standardised derivative contract with which the parties undertake to pay or to collect on predetermined dates certain amounts calculated based on the spread between different interest rates;

e) "domestic currency swap": means the derivative contract with which the parties undertake to pay or to collect on a predetermined date an amount determined based on the differential between the contractual foreign exchange rate and the rate current as at the maturity date of the transaction;

f) "currency outright": means the derivative contract with which currency is bought or sold at a forward date.

Derivative financial instruments include instruments linked to commodities that grant to one or the other contracting party the right to settle the contract in cash or by means of other financial instruments, except where such contracts:

- were entered into and are maintained for the purpose of satisfying purchase, sale or usage needs envisaged by the company upon and after their execution;
- were designated from the beginning as contracts related to commodities; and
- are likely to be settled through the delivery of the commodity.";

4. **"single-flow derivative contracts"**: means contracts that provide for the settlement of one spread or margin only (such as FRAs);
5. **"multi-flow derivative contracts"**: means derivative contracts that provide for the settlement of one spreads or margins on more than one maturity (such as IRS);
6. **"credit derivative contracts"**: means any contract with which a person called "*protection buyer*" purchases protection for one (or more) asset(s) exposed to the credit risk, from another person called "*protection seller*", who, conversely, sells protection. These contracts are intended, however, to transfer from one person to another the underlying credit risk of one or more assets. In principle, three categories exist of credit derivatives:

   a) contracts in which the "*protection seller*" is committed to perform upon occurrence of a given event;

   b) contracts in which the "*protection seller*" is committed to perform based on the market performance of the asset at risk;

   c) contracts in which the "*protection buyer*" and the "*protection seller*" exchange their respective overall amount of the cash flows generated by the asset at risk and the cash flows linked to a market interest rate, plus or minus a given spread;

7. **"production cost"**: means the sum of the purchase price of raw materials and consumables and the other costs directly ascribable to the product in question, including the portion of fixed or variable overheads indirectly ascribable to the product in question, to the extent that such costs refer to the manufacturing period. Distribution costs are excluded;

8. **"revolving credits"**: means any credit resulting from transactions characterised by a predetermined source of repayment. These are loans granted to allow the immediate availability of pending credits not yet due and payable from a third party and for which the reporting intermediary takes care of the collection;
9. **"on demand loans and deposits"**: means the balances that may be withdrawn by the creditor at any moment without notice or with a prior notice of 24 hours or one business day. The period of the prior notice runs from the date when the prior notice is notified to the date when the balances may be repaid;
10. **"credit institution"**: means legal entities established in the Republic of San Marino authorised to exercise the activities referred to in letter A) of annex 1 of the LISF, or foreign undertakings that carry out similar activities;
11. **"group"**: means a group of companies that includes the parent company and its daughter companies;
12. **"intangible fixed assets"**: means: a) start-up and expansion expenses, research and development costs with a multi-year use; b) goodwill, if acquired for valuable consideration; c) patent rights and rights to use intellectual property, grants, licenses, trademarks, similar rights and assets and the relevant advances paid; c) any other multi-year expenses;
13. **"tangible fixed assets"**: means a) any land, buildings, technical systems, equipment of any kind, advances paid to purchase or build such assets and any fixed assets in the course of completion. Land and building include all rights of possession on real estate properties and similar rights under the legislation of the country where the asset is located; b) any other assets intended for the long term use of the company;
14. **"financial fixed assets"**: means: a) holdings, including those in companies of the group; b) financial instruments intended for the long term use of the company, i.e. intended to remain in the corporate assets as a fixed investment. They are also defined as fixed financial instruments or financial instruments of the investment portfolio;
15. **"related undertaking"**: means an undertaking in which another undertaking has a holding and on the management and financial policy of which such other undertaking exercises a considerable influence without having the control or joint control over it. Considerable influence consists in the possibility to take part in the decision making process as regards to financial and management policies of an undertaking without, however, being able to take such decisions alone. It is assumed that an undertaking exercises a considerable influence (including connections) on another undertaking when it holds 20% or more of the voting rights of the shareholders or partners of such other undertaking;
16. **"subsidiary"**: means an undertaking on which another undertaking exercises the control, as defined in article 2 of the LISF and without prejudice to the provisions of this Regulation regarding consolidation requirements;
17. **"parent company"**: means an undertaking in control of one or more daughter companies, which is required to prepare the consolidated financial statements referred to in this Regulation;
18. **"daughter company":** means a subsidiary of a parent company, including a subsidiary of another undertaking that, in turn, is a subsidiary of another undertaking;

19. **"affiliates"**: means the relationship between two or more daughter companies within the same group;
20. **"commitment certain to be used"**: means a commitment to disburse funds the use of which by the borrower is certain and pre-determined. These agreements have, therefore, a binding nature both for the lender (the undertaking that agreed to disburse) and for the borrower. Specifically, the aforementioned commitments include the purchases of securities not yet settled as well as deposits and loans to be disbursed on a predetermined future date;
21. **"commitments uncertain to be used"**: means a commitment to disburse funds the use of which by the borrower is optional. In this case, therefore, whether and to what extent the funds will actually be disbursed is not certain. This category includes commitments assumed, for instance, within the activities for the placement of securities and those resulting from repurchase agreements in which the assignee has the option (and not the duty) to resell on the forward date;
22. **"Companies Law"**: means Law no. 47 of 23 February 2006, as subsequently amended;
23. **"LISF"**: means Law no. 165 of 17 November 2005, as subsequently amended;
24. **"securitisation"**: means the transfer to a special purpose vehicle of loans(or other financial assets) capable of generating periodic cash flows. The special purpose vehicle, person with separate legal personality from the assignor (originator), finds the financial resources necessary to purchase the transferred assets by issuing marketable securities placeable on the security markets. These securities may be redeemed, as regards to the capital, and pay interest through the cash flows generated by the transferred assets. Securitisation activities are also characterised by the presence of a "*servicer*", the person responsible for managing the assets sold (collections, payments and debt recovery), often represented by the assignor bank, and of an "*arranger*", person responsible for arranging the transaction;
25. **"synthetic securitisation"**: or second generation securitisation, means: a transaction in which the risk linked to the credit exposures is transferred without selling the underlying assets which, therefore, continue to be registered in the financial statements of the "*originator*";
26. **"hedging transactions"**: means those transactions carried out by the undertaking for the purpose of protecting the value of individual assets and/or liabilities included in the balance sheet or "off-balance sheet" (or of groups of assets and/or liabilities) against credit risk, risk of unfavourable movements in interest rates, foreign exchange rates or in market prices. A transaction is considered to be a hedging transaction when the undertaking intends to hedge, there is a considerable correlation between the technical–financial features (maturity, interest rate, etc.) of the assets and liabilities hedged and those of the hedging agreement and, lastly, the two previous conditions are formalised in the internal records of the undertaking;
27. **"off-balance sheet transactions"**: means the transactions that are not included in the assets and liabilities of the "balance sheet", but "below the line". The main families of "off-balance sheet" transactions are a) the sale and purchase agreements not yet settled (spot or forward) of financial instruments and currencies; b) derivative contracts on securities, currencies, interest rates, stock exchange indexes; c) the commitments to disburse funds, i.e. credit lines open in favour of the

counterparties, and to issue unsecured loans; d) personal guarantees or collateral issued by the credit institution;

28. **"countries of zone A"**: means all countries which are full members of the OECD and those that entered into general arrangements to borrow (NAB) with the International Monetary Fund; countries which have restructured their foreign debt in the past 5 years are, in any case, excluded. The Republic of San Marino is regarded, by convention, as one of the Countries of the zone A;
29. **"countries of zone B"**: means all countries that do not meet the definition of countries of zone A;
30. **"holdings":** means any rights on the equity of other companies, whether represented by securities or not, that, by realising a long lasting bond with such companies, are intended to increase the assets of the holder of such rights. It is assumed that the possession of part of the capital of another undertaking represents a holding when it represents at least 10% of the voting rights that may be exercised at the ordinary meeting;
31. **"purchase price"**: means the sum of the price to be paid and ancillary expenses, if any, less any ancillary reductions of purchase cost;
32. **"value adjustments"**: means all adjustments made in order to take into account any changes in the value of the assets recognised as at the closing date of the financial year, regardless of whether such changes are definitive or not;
33. **"relevant"**: refers to the status of the information when its omission or incorrect reporting could reasonably affect the decisions made by the users based on the corporate financial statements. The relevance of the individual items is assessed within the context of other similar items;
34. **"value recoveries"**: means the restoration of the value of the assets that had been previously depreciated;
35. **"issue discounts"**: means the negative or positive differences between the issue value of the financial instruments and the redemption value of the same;
36. **"financial instruments"**: please refer to the definition contained in annex 2 of the LISF;
37. **"listed financial instruments"**: this category includes financial instruments listed on organised markets, that is to say markets which are regularly functioning and recognised and for which independent control bodies determine access and functioning criteria;
38. **"financial instruments included in the trading portfolio"**: financial instruments included in the trading portfolio (floating portfolio) means the securities held for sale included in the portfolio for "treasury" purposes as well as for "trading" purposes;
39. **"structured financial instruments":** means any financial instruments comprised of the combination of a "host" contract (generally a financial liability or asset) and of one (or more) instrument(s) which is (are) a derivative instrument(s) incorporated, capable of modifying the cash flows generated by the "host" contract;
40. **"asset backed securities"**: means securities issued by the special purpose vehicle, following the transfer to such company of the financial assets of the assignor undertaking (originator);

41. **"government bonds"**: means securities issued by the Republic of San Marino or by a foreign Country;
42. **"senior, mezzanine and junior securities"**: types of tranches of securities issued within the context of securitisation activities by the special purpose vehicle and characterised by an increasing level of subordination for the purpose of the redemption;
43. **"notional value of the derivative contracts "**: corresponds to the reference amount with regard to which the benefits are defined. For instance, the notional value of an I.R.S. corresponds to the nominal amount on which the differentials are calculated upon settlement of the interest flows;
44. **"market value of the derivative contracts":** corresponds to the stock exchange value, if the derivative contract is listed. The market value of an unlisted derivative contract is calculated according to the method of the current value, by adding the cost of replacement if positive, to the future credit exposure. The cost of replacement (that would be paid by the undertaking in order to find another counterparty to take over the contractual obligations of the original counterparty) is given by the intrinsic value of the derivative contract, if positive. For contracts such as *futures* and American *options*, the positive intrinsic value is represented by the differential in favour of the bank between current rates or prices and the agreed rates and prices. In the event that the execution of the contract is realised at the maturity agreed by the parties (such as IRS and FRA) the intrinsic value is calculated by discounting the future cash flows based on the conditions applicable as at the calculation date. The future credit exposure represents the likelihood that, in future, with reference to the volatility of the interest rates of the indices and to the residual life of the contract, the intrinsic value of such contract would increase, if positive, or become a credit position, if the current intrinsic value is negative. The future credit exposure is determined with reference to all contracts, both with a positive or negative intrinsic value, by multiplying the face value of the contract by the following percentages set based on the residual life of such contracts:
    - <u>interest rate contracts</u>: 0% (residual life of up to one year); 0.5% (residual life of between one and five years); 1.5% (residual live of more than five years);
    - <u>contracts on foreign exchange rates and gold</u>: 1% (residual life of up to one year); 5% (residual life of between one and five years); 7.5% (residual live of more than five years);
    - <u>contracts on capital financial instruments</u>: 6% (residual life of up to one year); 8% (residual life of between one and five years); 10% (residual live of more than five years);
    - <u>contracts on precious metals</u>: 7% (residual life of up to one year); 7% (residual life of between one and five years); 8% (residual live of more than five years);
    - <u>contracts on other goods and contracts</u>: 10% (residual life of up to one year); 12% (residual life of between one and five years); 15% (residual live of more than five years).

2. In the following articles of this Regulation, the words that correspond to these definitions are in BOLD characters.

3. All terms not defined under paragraph 1 are subject to the definitions set forth in the LISF and in the other provisions issued by the CENTRAL BANK, except where specified otherwise.

4. Any reference to the consolidated financial statements is always made in an explicit manner, and thus the use of terms such as financial statements or corporate financial statements or financial statements for the period or annual financial statements, which are all synonyms, does not refer to the consolidated financial statement.

Title II
Objectives and structure of the Regulation

Article I.II.1 - Purposes

1. This Regulation governs the technical forms of corporate financial statements and consolidated financial statements of the persons referred to in article II.I.1 below.

2. These regulatory provisions, that standardise the methods for representing the items of the financial statements for the undertakings that are the intended recipients of this Regulation, are formulated for the purpose of implementing the European Union directive no. 86/635/EEC as subsequently amended, also for the purpose of preparing, gradually, the overall financial system for the application of the IAS-IFRS principles.

3. This Regulation implements article VI.II.5 of the Regulation no. 2007-07, Regulation no. 2011-03, Regulation no. 2014-04 and article 45, paragraph 1 of Regulation no. 2006-03.

Article I.II.2 - References

1. Some parts of this Regulation refer to legal and regulatory measures already issued or to supervisory provisions about to be issued.

Article I.II.3 - Structure

1. The Regulation is divided into 10 Parts, each one of which is divided in Titles. Each Title is comprised of Articles. This Regulation also includes an annex A.

2. Articles have a numeration divided into three separate digits, separated by a dot: the first digit indicates the Part, the second indicates the Title and the third indicates the Article.

PART II

GENERAL PRINCIPLES FOR THE PREPARATION OF THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

Title I

Scope of application and subject matter of the law

Article II.I.1 - Scope of application

1. The provisions of this Regulation are applicable to all authorised parties exercising one or more of the reserved activities referred to in annex 1 of the LISF except for those specified under letters G) and H).

2. The provisions of this Regulation are applicable to the branches of foreign undertakings that, pursuant to the measures issued by the CENTRAL BANK are required to prepare a statement of accounts as at the end of the previous financial year regarding their activities.

3. The provisions referred to in Part VII of this Regulation also apply to holding companies qualifying as parent companies and referred to in article 55 of the LISF that, pursuant to article 29 of the same Law are required to prepare consolidated financial statements.

4. The intended recipients of the provisions of this Regulation are also defined below as undertakings intended recipients or just undertakings.

Article II.I.2 - Documentation of the corporate financial statements and consolidated financial statements

1. The corporate financial statements are an indivisible whole and, for the persons referred to in article II.I.1 above, are comprised of balance sheet, profit and loss account and explanatory notes, and also include the report on operations, the report of the Board of Statutory Auditors and the report of the Auditing company.

2. The report on operations prepared by the directors also includes a report on corporate governance in the cases provided for by article VI.I.2.

3. The consolidated financial statements are comprised of the balance sheet, the profit and loss account and the explanatory notes, prepared according to the consolidation criteria defined in the articles contained in Part VII below and are accompanied by a consolidated report on operations and a consolidated auditing report.

4. The documentation of the corporate financial statements and consolidated financial statements submitted to the CENTRAL BANK, in addition to the documents outlined in the previous paragraphs, shall also contain a copy of the minutes of the general meeting.

Article II.I.3 – Responsibilities

1. The administrative, management and supervisory bodies of the undertaking, based on the responsibility and expertise profiles established under articles 56, 57, 64 and 71 of the COMPANIES LAW and under the LISF and the Regulations of the CENTRAL BANK, are responsible for ensuring that:

a) the financial statements, report on operations and, where provided separately, the report on corporate governance; and
b) the consolidated financial statements, consolidated report on operations and, where provided separately, the consolidated report on corporate governance,

are prepared and published in compliance with the requirements provided also in this Regulation.

2. The breach of the provisions contained in this Regulation is punished by the Decree no. 76 of 30 May 2006 as subsequently amended and supplemented, under articles 8 and 18.

Title II
General provisions on the corporate financial statements and consolidated financial statements

Article II.II.1 – General provisions on the preparation of the corporate financial statements.

1. The financial statements are prepared in compliance with the provisions of the LISF and with the laws currently in force and clearly, truly and accurately represent the assets and liabilities statements, the financial situation and performance of the year.

2. If the information required under the provisions of this Regulation is not sufficient to provide a true and accurate representation, any ancillary information required for this purpose is provided in the explanatory notes to the financial statements.

3. If, in exceptional cases, the application of a provision of this Regulation is inconsistent with the requirement referred to in paragraph 1, such provision shall not be applied in order to provide a true and accurate representation of the financial situation and performance of the undertaking and of the results of operations for the year. The non-application of this provision is mentioned in the explanatory notes and is duly grounded with the specification of its effect on the financial position and performance and on the results of operations for the - year.

4. The directors of the undertaking prepare, for each financial year, the financial statements. The financial year starts on 1st January and ends on 31st December of each year. The financial statements must be approved by the meeting of the shareholders not later than on the 31st May of the following year.

5. Balance sheet and profit and loss account formats are outlined in annex A.

6. The formats of the balance sheet and of the profit and loss account are made up of items, marked with Arab numbers, by sub-items, marked with letters and by additional information. The items, sub-items and additional information constitute the financial accounts.

7. The introduction of new sub-items and/or additional information details is allowed provided they are linked to the items provided for. The addition of sub-totals and new items is also allowed, provided their content is not included in any item of the formats envisaged.

8. The structure, nomenclature and terminology of the items of the balance sheet and of the profit and loss account preceded by Arab numbers are adapted when the specific nature of the undertaking so requires. It is also allowed to group the items preceded by lower case letters if their amount is insignificant for the provision of a true and accurate representation of the financial situation and performance of the undertaking and of the results of operations for the year, or if such grouping would increase clarity. In the explanatory notes, the grouped items must be presented separately.

9. The following must be reported separately as sub-items of the items in question:

- credits, whether or not represented by securities, from ASSOCIATED UNDERTAKINGS, as referred to in items 30 to 50 of the assets,
- credits, whether or not represented by securities, from undertakings included in the HOLDINGS, as referred to in items 20 to 50 of the assets,
- debts, whether or not represented by securities, from ASSOCIATED UNDERTAKINGS, as referred to in items 10, 20, 30 and 100 of the liabilities,
- debts, whether or not represented by securities, from undertakings included in the HOLDINGS, as referred to in items 10, 20, 30 and 100 of the liabilities.

10. Subordinated assets are reported separately as sub-items of the entries of the format and of the sub-items created pursuant to paragraph 9 above. Subordinated assets are those assets, whether represented by securities or not, the related rights of which may be exercised, in case of winding-up or insolvency proceedings, only after the rights of the other creditors.

11. The information required under paragraphs 9 and 10 above are reported in the explanatory notes.

12. The financial statements are prepared in Euros, with no decimal points. When rounding up or down the amounts, any decimal point lower than 50 cents must be ignored, whereas any decimal point equal to or higher than 50 cents must be increased to the next Euro unit. The rounded amount of the items is arrived at by adding the individual rounded amounts of the sub-items. The algebraic sum of the discrepancies resulting from the rounding up or down of the items is recognised under "other assets/liabilities" as regards to the balance sheet, and under "extraordinary income/expenses" as regards to the profit and loss account.

Article II.II.2 – General provisions on the preparation of the consolidated financial statements.

1. The provisions of this Regulation referred to the corporate financial statements apply, to the extent they are compatible, and except as otherwise provided for in the articles of Part VII, also with reference to the preparation of the consolidated financial statements.

2. Sample formats for the preparation of the consolidated financial statements may be made available by means of specific circulars issued by the CENTRAL BANK.

3. The terms and references for the preparation of the corporate financial statements referred to in the previous article II.II.1 paragraph 4 apply also to the preparation of the consolidated financial statements.

Article II.II.3 – General principles

1. The items included in the corporate financial statements and in the consolidated financial statements are recognised and valued in compliance with the following general principles:

a) the business continuity of the undertaking is assumed, directors must clarify the reasons for the exception (if any) to such principle and its impact on the representation of the balance sheet, the financial position and the performance, in the explanatory notes of the financial statements;
b) the accounting principles and valuation criteria may not be modified from one financial year to the next, the directors must clarify the reasons for the exception (if any) to such principle and its impact on the representation of the balance sheet, the financial position and the performance, in the explanatory notes of the financial statements;
c) recognition and valuation are made according to the principle of prudence, specifically:
    i. only the profits realised as at the closing date of the financial year may be recognised;
    ii. all liabilities generated during the financial year or during a previous financial year are recognised, even if such liabilities are discovered only between the closing date of the financial year and the date of preparation of the financial statements; and
    iii. all negative VALUE ADJUSTMENTS are recognised, both if the financial year closes with a loss or if it closes with a profit;
d) the amounts recognised in the balance sheet and in the profit and loss account are recognised according to the accrual and consistency principle based on the mutual relation between the entries;

e) the opening balance sheet of a financial year corresponds to the closing balance sheet of the previous financial year;
f) the elements of the items of assets and liabilities are valued separately;
g) in order not to reduce the information content of the financial statements data, in compliance with the principles of truth and clarity, the set-off between items of assets and liabilities and between items of costs and revenues is prohibited;
h) the recognition and presentation of the items in the balance sheet and in the profit and loss account take into consideration the substance of the transaction or of the contract in question;
i) the items recognised in the financial statements are measured according to the PURCHASE PRICE principle or to the PRODUCTION COST principle, except where this Regulation provides otherwise; and
j) compliance with the recognition, valuation, presentation, information and consolidation requirements provided for in this Regulation is not required when such compliance would have only insignificant effects.

2. An exception to the principle of no set-off between items referred to in paragraph 1 above, letter g) is given by those cases related to the need to correctly represent the "hedging" nature of certain transactions or to ensure the immediacy of the information due to the characteristics of the transactions. The offsetting made for such purpose is analysed in the explanatory notes, making sure to specify the amounts offset as gross amounts.

3. For each item of the balance sheet and of the profit and loss account the amount for the financial year to which such balance sheet and profit and loss account refer is specified, together with the amount of the item for the previous financial year. If the account items are not comparable, those of the previous financial year must be adjusted; the non-comparability, any adjustments made or the inability to make such adjustments, are reported and commented in the explanatory notes.

4. The assets acquired in the name and for the account of third parties are recognised in the suspense accounts. Information on such assets is included in the explanatory notes.

5. Assets and liabilities held when acting as a trustee and those acquired for one’s own name and third party’s account are registered in the suspense accounts and the relevant information is provided in the explanatory notes.

Article II.II.4 - Accounting on "settlement date"

1. For the purpose of achieving a representation of the financial situation that better reflects the actual financial movements of the items of the corporate financial statements and of the consolidated financial statements, the "above the line" accounts are prepared focusing, whenever possible, on the moment of the settlement of the transactions rather than on the moment of their trading.

2. The accounting system recognises "below the line" any contractual commitment with a deferred settlement date.

Article II.II.5 - Consistency of application

1. For the purposes of the consistency and comparability in time of the data of the corporate financial statements and consolidated financial statements, the criteria for the preparation of the accounts of the financial statements together with the structure of the balance sheet and profit and loss account may not be changed from one financial year to another.

2. Derogations to the provisions of the preceding paragraph are allowed only in exceptional circumstances and for the purpose of providing a true and accurate representation of the financial situation and performance of the undertaking and of the results of operations for the year.

3. Every possible derogation, accompanied by the relevant reasons, is specified in the explanatory notes, making sure to evidence its impact on the representation of the balance sheet, the financial position and the performance.

Article II.II.6 - Link between accounting and financial statements

1. The procedures of the accounting system adopted by the undertakings must allow the reconciliation between the accounting evidences and the accounts of the corporate financial statements and of the consolidated financial statements.

2. The accounting information system must allow the easy retrieval of all information elements required to ensure such reconciliation. Similarly, the accounting information system must contain, and have readily available for retrieval, all the information elements required to prepare the explanatory notes to the financial statements.

PART III
REGULATION FOR THE VALUATION OF CORPORATE BALANCE SHEET ITEMS

Title I
General principles and criteria for the valuation of the items of the financial statements

Article III.I.1 - General valuation principles

1. The directors take into account any risks and losses for the financial year, even when they become known after the closing of such financial year, of any depreciation of the items of the financial statements and of the profits actually realised at the closing date of the financial year.

2. Assets and liabilities linked one to the other are valued in a consistent manner.

3. Valuation criteria may not be changed from one financial year to the other. This principle may be disregarded in exceptional cases, provided that the undertaking recognises both the "retrospective" effects in the previous financial years, and the "current" effects, accrued during the financial year in which the criterion is modified, recognising such effects in the profit and loss account of the financial year in which the criterion is changed. The "retrospective" part must be recognised under the item "extraordinary income/expenses" whereas the "current" part must be recognised on the relevant ordinary items.

4. In the cases referred to in the preceding paragraph, the undertaking must clarify in the explanatory notes the reasons behind such exception and the relevant impact on the representation of the assets and liabilities statements, of the financial situation and of the performance, specifying the amounts of the "retrospective" component and of the "current" component resulting from the change of the criterion.

Title II
Provisions related to the Balance Sheet

Article III.II.1 – General Criteria

1. If one asset or liability falls into more than one items of the format, its link to other items is specified in the item under which it is recognised or in the explanatory notes.

2. Own shares and units, as well as HOLDINGS in AFFILIATES may not be recorded in any items other than those provided for such purpose.

3. The recognition of assets under fixed assets or current assets depends on the relevant destination. Assets items 90 and 100 must always be valued as fixed assets. The other assets recognised in the balance sheet must be

valued as fixed assets when they are intended to be used on a long term basis for the operations of the undertaking.

4. The item "Land and buildings" includes real property rights and other similar rights as defined in the legal system of San Marino.

5. The VALUE ADJUSTMENTS are recognised in the relevant items of the profit and loss account. The reductions in value due to the aforementioned value adjustments may no longer be maintained if the circumstances giving rise to them cease to exist. This last provision does not apply to the VALUE ADJUSTMENTS related to the goodwill.

6. The items under current assets are subject to VALUE ADJUSTMENT in order to give to such elements the lower market value or, in exceptional circumstances, another lower value that must be assigned to them as at the closing date of the financial statements. The valuation at the lower value may not be maintained if the reasons that generated the VALUE ADJUSTMENT no longer exist.

7. The assets pledged as security for own debts or third party debs, or which were pledged to third parties must be recognised in the respective items of the balance sheet. Assets pledged or deposited as security with the undertaking must be recognised in its balance sheet only in case of cash deposits with such enterprise.

8. In case of loans granted by a consortium of several enterprises, each member of the consortium must specify only its contribution to the aggregate amount of the loan. If, in the event of a loan granted by a consortium, the amount of the contribution given by an undertaking is higher than the amount actually made available, such entity must register the additional amount of the security, if any, amongst contingent liabilities, off-balance sheet (under item 10 b) "other guarantees").

9. Funds managed in one's own name but for the account of third parties must be recognised in the balance sheet only if the undertaking is the owner of the business to which such funds refer. The total amount of assets and commitments of this nature is described in the explanatory notes. These funds may be recorded in the off-balance sheet items only when, by virtue of the provisions from time to time in force, they may be excluded from the mass of funds in case of compulsory liquidation of the undertaking or similar procedures.

10. The assets acquired in the name and for the account of third parties must not be included in the balance sheet.

Article III.II.2 - Intangible fixed assets

1. The cost of INTANGIBLE FIXED ASSETS, represented by start-up and expansion costs, costs for research and development and other multi-year costs, is amortised within a period of no more than five years. No dividend

may be distributed prior to the completion of the amortisation unless there are reserves available for an amount sufficient to cover the amount of the costs not amortised yet.

2. The cost of the goodwill is amortised within five years. The recipient undertakings may systematically amortise the goodwill over a longer period, provided that such period does not exceed the duration for the use of the asset in question and that adequate reasons are provided in the explanatory notes. In any case, the amortisation period for the cost of goodwill may not exceed 10 years starting from the date of recognition of the goodwill in the financial statements, or, for the goodwill already registered in the financial statements as at the date of entry into force of this Regulation, from the first financial year of application.

3. The provisions of the following article apply to the INTANGIBLE FIXED ASSETS related to patent rights and rights on intellectual properties, concessions, licenses, trademarks and any similar rights and assets, and related advances paid.

4. The revaluation of INTANGIBLE FIXED ASSETS is possible only if it is permitted by specific laws.

Article III.II.3 - Tangible fixed assets

1. The cost of TANGIBLE FIXED ASSETS, the use of which is limited in time, is systematically amortised in each financial year with reference to the residual possible use. The reason for any changes to the depreciation criteria must be clarified in the explanatory notes.

2. Any TANGIBLE FIXED ASSETS the value of which, at the end of the financial year, is permanently below the cost or the value determined pursuant to paragraph 1, are recognised at such lower cost; this, however, may not be maintained in the following financial years if the reasons for the adjustment made no longer exist.

3. The revaluation of TANGIBLE FIXED ASSETS is possible only if it is permitted by specific laws.

Article III.II.4 - Financial fixed assets

1. FINANCIAL FIXED ASSETS, listed and unlisted, including HOLDINGS, are valued at the purchase cost. They are depreciated in case of permanent impairment of the situation of the issuer and of the ability of the country of residence of the latter to repay its debts.

2. It is allowed to depreciate non-current FINANCIAL INSTRUMENTS in order to take into account market performance thereof, notwithstanding the requirement for valuation consistency in case of HEDGING TRANSACTIONS.

3. If the result of the valuation of HOLDINGS at their purchase cost is higher than the value of the corresponding portion of the net equity of the subsidiary, the reasons behind this higher value must be clarified in the explanatory notes.

4. The valuation criteria referred to in paragraph 1 apply to FINANCIAL INSTRUMENTS, LISTED and not listed on organised markets, representing OFF-BALANCE SHEET TRANSACTIONS, provided that such assets are FINANCIAL FIXED ASSETS.

5. If the circumstances giving rise to the devaluations cease to exist, then they may no longer be maintained.

6. The revaluation of HOLDINGS is possible only if it is permitted by specific laws.

Article III.II.5 - Assets other than fixed assets

1. Loans are evaluated at the expected realisation value. For this purpose, the undertakings adopt metrics for assessment commensurate with the loan quality, and carry out:

a) analytical devaluations for non performing loans that take into account the creditworthiness of individual debtors;
b) lump-sum devaluations for *performing* loans that take into account the qualitative deterioration of uniform groups of debtors (e.g., by economic sector to which the debtor belongs) or risk historically latent in the credit portfolio. Unsecured loans towards countries at risk for which classification among doubtful loans depends exclusively on the difficulties experienced in the debt servicing by the countries of residence of such debtors (country risk), are also subject to lump-sum devaluation. The amount of the lump-sum devaluations is indicated in the explanatory notes.

2. The lump-sum devaluation method may also be used for doubtful loans if these are for a small amount, as determined according to the criteria laid down in Art. III.II.6, paragraph 3.

3. The valuation criteria referred to in the previous paragraphs are applicable also to guarantees issued and to commitments that entail the assumption of credit risks.

4. The creation of reserve funds in the balance sheet liabilities is allowed provided that these funds are intended to cover for possible credit risks only. The devaluation of assets is carried out only by means of a direct adjustment lowering the value of the items to which they refer. Therefore, the registration of adjustment provisions under liabilities is not allowed.

5. The FINANCIAL INSTRUMENTS, other than FINANCIAL FIXED ASSETS, LISTED or not listed on organised markets, are valued according to the "*fair value*" principle. The latter is determined:

a) for FINANCIAL INSTRUMENTS for which it is possible to easily identify an organised market, at market value; if market value for a given instrument may not be easily identified, but it can be identified for its components or for a similar instruments, the market value may be inferred from that of its components or of the similar instrument;
b) for FINANCIAL INSTRUMENTS for which it is not possible to easily identify an organised market, at the value resulting from generally accepted valuation models and techniques, provided such valuation models and techniques ensure a reasonable approximation of the market value.

6. The FINANCIAL INSTRUMENTS that cannot be reliably valued with one of the methods described in letters a) and b) of the first paragraph, are valued based on the PURCHASE PRICE or PRODUCTION COST, to the extent it is possible to perform such valuation.

7. The valuation criterion referred to in paragraph 5 of this article applies to FINANCIAL INSTRUMENTS, LISTED and not listed on organised markets, representing OFF-BALANCE SHEET TRANSACTIONS, provided that such assets are not FINANCIAL FIXED ASSETS.

8. The provisions of paragraph 5 above:

a) apply only to the following assets:
   i. FINANCIAL INSTRUMENTS held in the trading portfolio;
   ii. DERIVATIVE FINANCIAL instruments;
b) do not apply:
   i. to non-derivative FINANCIAL INSTRUMENTS of the investment portfolio;
   ii. to loans and receivables generated by the undertaking and not held for trading; and
   iii. to the HOLDINGS in DAUGHTER COMPANIES, ASSOCIATED UNDERTAKINGS and joint ventures, capital instruments issued by the undertaking, agreements that provide for a potential consideration within the context of a merger transaction, and to other financial instruments the specific features of which require, as generally accepted, an accounting different from that of the other FINANCIAL INSTRUMENTS.

9. By way of derogation to article II.II.3, paragraph 1, letter c), any changes in the value of the FINANCIAL INSTRUMENTS valued according to the provisions of paragraph 5 above, are included in the profit and loss account, except in the cases listed below, where such changes are recognised directly in a *fair* value reserve:

a) the instrument being valued is a hedging instrument within the context of a HEDGING TRANSACTION, for which the regulations allow that the entire change in value, or part thereof, may not be registered in the profit and loss account; or
b) the change in value refers to a foreign exchange difference on a monetary element that is part of a net investment of the undertaking into a foreign undertaking.

10. As regards to the assets other than those mentioned in the previous paragraphs and that are not fixed assets, the provisions contained in this articles are applicable based on their compatibility.

11. The devaluations carried out under this article may no longer be maintained if the circumstances giving rise to them cease to exist.

Article III.II.6 - Analytical and lump-sum devaluations

1. The analytical devaluations referred to in Art. III.II.5 paragraph 1 of this Regulation are made by considering the ability of individual debtors to perform debt servicing and regularly fulfil the obligations taken. For this purpose, it is necessary for the undertaking to be able to detect early signs of weakness in the assets and liabilities statements and in the economic and financial position of the borrowing parties, in order to determine a new expected realisation value, identified also by taking into account the degree of coverage provided by any (personal and/or collateral) guarantees that secure the loan.

2. Undertakings shall constantly update the information available on the creditworthiness of their customers (taking account any legal or non-legal actions taken by the undertakings to recover the credit), carrying out the consequent reclassifications of credit lines, if the conditions provided for by the Regulation have been met, in the portfolios concerning the relevant doubtful loans. Any VALUE ADJUSTMENTS are determined, based on the prudent assessment of the administrative bodies, also by virtue of the "effectiveness" and "regularity" of the guarantees acquired and the current value of the assets pledged as guarantees.

3. The undertakings can make lump-sum adjustments also on non performing loans, as an alternative to analytical devaluation, provided that these are made on positions of a contained amount. The amount to be considered as "contained" must be referred both to the individual loan and to the amount of doubtful loans subject to lump-sum devaluation. For this purpose, the non performing loans for which the following thresholds of significance are met, shall be considered of a "contained amount":

- value of the individual gross exposure not exceeding 0.5% of the regulatory capital;
- total value of the gross exposures subject to lump-sum devaluation not exceeding 5% of the regulatory capital.

The value of non performing loans to be considered for the calculation of the above-mentioned incidence rates is gross of any analytical and lump-sum devaluation made to loans.

4. For *performing* loans, lump-sum devaluations are carried out by determining their adjustments based on the uniform category of loans (e.g. same economic sector, geographical location, size class, etc.).

5. For (cash and unsecured) loans not guaranteed towards debtors residing in zone B countries, lump-sum devaluations are made by country risk. Exposures are not subject to lump-sum devaluation if they are secured by collateral or personal guarantees by parties who are resident in ZONE A COUNTRIES and these guarantees are directed explicitly to neutralise the Country risk.

6. Unsecured loans to borrowers residing in ZONE B COUNTRIES may be subject to lump-sum devaluations if economic, financial or political factors cause problems in the repayment of loans, regardless of the solvency status of individual debtors. The rating of the country risk takes into account the performance on sovereign debt-servicing (moratoria, debt restructuring agreements, etc.), the increase in spreads paid on national debt certificates, and the deterioration in credit ratings assigned under the "*investment grade*" level.

7. Lump-sum VALUE ADJUSTMENTS are made on the basis of all the information evidence available to rate the risk level of the uniform category of loans considered, and its foreseeable development. In determining these adjustments, the undertakings shall take into account possible analytical devaluations already made in relation to the individual positions.

8. To determine the lump-sum adjustments, statistical indicators can be used to rate the degree of unrecoverability considered statistically "normal" associated with classes in the credit portfolio classes considered uniform in terms of quality, debtor type (business sector, size-class, etc.) or transaction type (duration, guarantee, rates, etc.). In the absence of adequate time series data capable of ensuring statistical robustness, the lump-sum devaluation is entrusted to the prudent assessment of the administrative bodies.

9. The methodologies used for lump-sum evaluations must be adequately formalised and approved by the Board of Directors of the undertakings. Any changes made over time to the above-mentioned methodologies must be previously documented, justified and subjected to evaluations of the board.

10. When reducing the value, due to the lump-sum devaluations related to loans acquired at a value lower than the face value, the undertakings take into account the discount obtained in the purchase of such loans.

11. Any commercial credit the capital and/or interest of which remain unpaid for at least 3 months contribute to the determination of the aggregate of unsecured loans for their full face value.

Article III.II.7 - Currency transactions

1. ASSETS AND LIABILITIES EXPRESSED IN FOREIGN CURRENCIES are valued using the spot foreign exchange rate applicable as of the closing date of the financial year.

2. The OFF-BALANCE SHEET TRANSACTIONS expressed in a foreign currency are valued using the spot foreign exchange rate applicable as of the closing date of the financial year, in case of spot transactions not yet settled,

or, in case of forward transactions, using the forward rate applicable as of the above mentioned date for maturities corresponding to those of the transactions being valued.

3. The provisions referred to in article III.I.1, paragraph 2 related to HEDGING TRANSACTIONS remain unprejudiced.

4. The difference between the current value, determined pursuant to the preceding paragraphs, of assets and liabilities and of OFF-BALANCE SHEET TRANSACTIONS, and the book value of the same items and transactions, is recognised in the profit and loss account in the balance of item 60 "Profits (losses) from financial transactions". If such difference is related to OFF-BALANCE SHEET TRANSACTIONS for the hedging of fixed assets and liabilities, it must be recognised in the profit and loss account items 10 (interest received and other proceeds) or 20 (interest paid and other costs).

Article III.II.8 – Recognition of holdings according to the net equity method

1. As an alternative to the provisions of the preceding article III.II.4, HOLDINGS in SUBSIDIARIES and ASSOCIATED UNDERTAKINGS may be valued based on the value of the fraction, corresponding to the portion of the HOLDING, of the net equity of the subsidiary, adjusted annually according to the provisions of paragraph 5 below.

2. The new criterion for the evaluation of the SUBSIDIARIES and ASSOCIATED UNDERTAKINGS may be adopted with a resolution of the Board of Directors, subject to the prior favourable opinion of the Board of Statutory Auditors, specifying the underlying reasons and the effects on the assets of the controlling undertaking. The resolution, together with the opinion of the Board of Statutory Auditors, must be transmitted to the CENTRAL BANK not later than 10 days after its adoption.

3. If, when this method is applied for the first time, the value of the HOLDING determined pursuant to article III.II.4 paragraph 1 (purchase cost) is higher than the corresponding fraction of the net equity of the subsidiary, the difference, related to the portion attributable to amortisable assets or to the goodwill, is amortised according to the provisions of this Regulation. If the value of the HOLDING is lower than the corresponding fraction of the assets of the subsidiary, the difference is recognised, to the extent not attributable to any elements of the assets or liabilities of the subsidiary, in a non-distributable reserve or, when it is due to an expected negative evolution of the future economic performance of the subsidiary, in the financial risks and costs funds. The amount of the difference and the reasons for the adoption of the criterion for the valuation at net equity are specified in the explanatory notes.

4. The difference referred to in paragraph 3 above is calculated with reference to the values existing at the moment when the method is applied for the first time. This difference may also be determined according to the values available as at the date of acquisition of the HOLDING or, if the acquisition was carried out at different

times, as at the date in which the shares or the units became a HOLDING. When calculating the difference, the items of assets and liabilities and the OFF-BALANCE SHEET TRANSACTIONS of the subsidiary that were valued according to criteria other than those adopted by the parent company, may be valued again. If no new valuation is carried out, this fact must be mentioned in the explanatory notes.

5. Any positive or negative change of the net equity of the controlled company realised during the financial year and corresponding to the portion of the HOLDING is added up or deducted from the value of the HOLDING as resulting from the most recent approved financial statements, except where it has been already accounted for. In case of an increase in such value, and should such increase exceed the dividends collected or that may be collected, the excess is registered in a non-distributable reserve without affecting the profit and loss account.

6. In order to apply this method, the eliminations referred to in article VII.II.5 paragraph 1 are applied, if the elements thereof are known or accessible. Additionally, the provisions of paragraph 2 of the same article are also applied.

PART IV
ACCOUNTING OF INDIVIDUAL ITEMS OF THE CORPORATE FINANCIAL STATEMENTS

Title I
Assets

Article IV.I.1 - General criteria for the accounting of the assets

1. Any credits resulting from loan agreements are accounted for in the financial statements for the disbursed amount, net of relevant repayments. Any amount due for interest accrued but not yet collected and any default interest deemed to be recoverable are included.

2. FINANCIAL INSTRUMENTS included in the investment portfolio and those included in the trading portfolio are registered under the assets for an amount inclusive (exclusive) of any accrued portion of the negative (positive) differences between the purchase cost and the redemption value at maturity of such FINANCIAL INSTRUMENTS.

3. The value of the FINANCIAL INSTRUMENTS held for trading is determined with reference to the average value of the last month prior to the valuation or, alternatively, with reference to the closing date of the financial statements. In the explanatory notes the undertakings must specify the criterion adopted. The provisions set forth in art. III.I.1, paragraph 3 of this Regulation remain unprejudiced.

Article IV.I.2 - Cash balance and funds available at central banks and post offices (Item 10)

1. This item includes currencies of legal tender, including foreign banknotes and coins, money orders, bankers' drafts and postal cheques as well as any equivalent securities, coupons and securities payable on demand. Collection coins and medals are also included, as well as gold, silver and revenue stamps.

2. The cash balances with the CENTRAL BANK of the Republic of San Marino as well as any funds available at post offices in San Marino other than those specified in paragraph 1, must be registered as loans to credit institutions (item 30 of assets) or as loans to customers (item 40 of assets).

Article IV.I.3 - Treasury Bonds and other financial instruments admitted for refinancing purposes at the central banks (Item 20)

1. This item includes under point a), given their nature of government securities and similar financial instruments, treasury bills, treasury certificates and other similar securities of public entities, provided they are admitted for refinancing purposes at the central banks. Government securities that do not satisfy the aforementioned requirement must be included in sub-item 50 a) of the assets.

2. Under point b) this item includes, as admissible, all financial instruments in the portfolio, purchased by a CREDIT INSTITUTION or by a client, if they are admitted for refinancing purposes at the central banks.

Article IV.I.4 - Loans to credit institutions (Item 30)

1. This item includes all loans to CREDIT INSTITUTIONS regardless of their technical form, except for those represented by FINANCIAL INSTRUMENTS, which must be included in item 50 "Bonds and other debt financial instruments".

2. Receivables from undertakings other than those referred to in the first paragraph must be registered under item 40 of the assets.

3. The counter value of repos and repurchase agreements, in which the assignee undertaking has the obligation to resell at a forward date the securities to the assignor bank, are included under loans to credit institutions. The amount recognised is equal to the spot price paid. The assets transferred on the spot date continue to be included in the portfolio of the assignor bank.

4. The item "on demand loans to credit institutions" covers the credit accounting balances recorded on mutual accounts opened for services rendered.

Article IV.I.5 – Loans to customers(Item 40)

1. Any credit resulting from loans to customers, regardless of their technical form, must also be included in this item, provided, and to the extent that the loan has actually been disbursed. Any loans not yet disbursed, even though accounted for on the "trade date", are not included in this item but in the relevant "commitments" item. Credits represented by FINANCIAL INSTRUMENTS are allocated to item 50 "Bonds and other DEBT FINANCIAL INSTRUMENTS".

2. Partial payments received against overdue or non-performing loans are stated as a direct reduction in the value of such loans. Any payments received in advance against loans not yet expired must be stated in the liabilities under items "debt with customers" or "other liabilities", depending on whether such payments are interest bearing or not.

3. Any credit resulting from financial leasing agreements for rents overdue and related credits for default interest must also be included in this item.

4. The item "loans to customers" includes the counter value of any repos and repurchase agreements, in which the client has the obligation to repurchase on a forward date the securities transferred to the undertaking on a spot date. The amount recognised is equal to the spot price paid.

Article IV.I.6 - Bonds and other debt FINANCIAL INSTRUMENTS (Item 50)

1. This item reports all debt FINANCIAL INSTRUMENTS included in the portfolio of the undertaking that are not included in item 20, held as investments or available for trading, such as GOVERNMENT BONDS, bonds, certificates of deposit and other fixed or floating income FINANCIAL INSTRUMENTS, linked to a predetermined benchmark (such as the interbank interest rate).

2. In accordance with the principle of prevalence of substance over form, the possible purchase of own bonds cannot find allocation in the bank's own portfolio and the related value must be directly decreased by the bonds entered under balance sheet liabilities, with consequent change also in the related entries in the explanatory note's table.

3. FINANCIAL INSTRUMENTS are considered as FINANCIAL FIXED ASSETS, and as such they are subject to the relevant valuation rules according to the provisions of art. III.II.4 above, only if they are held as a permanent investment by the undertaking.

Article IV.I.7 - Shares, units and other capital financial instruments (Item 60)

1. This item includes any FINANCIAL INSTRUMENTS having the nature of capital securities (shares and units) available for trading. CIS units are also included in this item.

Article IV.I.8 - Holdings (Item 70) and Holdings in group companies (Item 80)

1. Item 70 includes all rights, whether or not represented by securities, in the equity of other undertakings and that represent a long lasting link, other than those referred to in the following paragraph.

2. Item 80 is comprised of any holdings in companies of the same group as the undertaking.

Article IV.I.9 - Intangible fixed assets (Item 90)

1. The assets referred to in art. I.I.2 of this Regulation, under the definition of "INTANGIBLE FIXED ASSETS" are considered as suchand registered in this item.

2. Goodwill may be recognised only if acquired on an against payment basis. The relevant cost, just like any other multi-year costs, is registered under assets only subject to the specific consent of the Board of Statutory Auditors, which is granted at the moment of the preparation of the financial statements.

3. The item INTANGIBLE FIXED ASSETS also includes the cost for the intangible assets under financial leasing agreements. For the latter, no specific consent from the Board of Statutory Auditors is required. The category of leasing agreements also includes assets pending leasing (purchased by the undertaking with a leasing agreement already signed with the client) and the assets held with terminated contracts, whose amount is detailed in a specific sub-item to distinguish the component attributable to instances of termination for breach of the lessee.

Article IV.I.10 - Tangible fixed assets (Item 100)

1. The assets referred to in art. I.I.2 of this Regulation, under the definition of "TANGIBLE FIXED ASSETS" are considered as suchAS SUCH and registered in this item.

2. This item also includes other tangible assets intended for the long term use of the company.

3. The item TANGIBLE FIXED ASSETS also include the cost for the assets under financial leasing agreements. The category of leasing agreements also includes assets pending leasing (purchased by the undertaking with a leasing agreement already signed with the client) and the assets held with terminated contracts, whose amount is detailed in a specific sub-item to distinguish the component attributable to instances of termination for breach of the lessee.

4. Sub-item c) includes Lands and Buildings held by the enterprise within the context of its business activitiy.

Article IV.I.11 - Subscribed capital not paid in (Item 110)

1. This item is comprised of the portion of share capital which has been subscribed but not yet paid in, and reports the amount of share capital called.

Article IV.I.12 - Own shares or units (Item 120)

1. This item is comprised of own shares purchased by the undertaking. Detailed information of these transactions are included in the explanatory notes.

Article IV.I.13 - Other assets (Item 130)

1. This item includes all assets not accounted for under the other assets items. This items also includes any balances (with a "debit balance") of items in transit and suspended items not allocated to the pertinent accounts.

2. Non-interest bearing cash deposits with clearing houses against transactions on DERIVATIVE CONTRACTS (the so-called security margins) are also recognised under this item. Any revaluations of OFF-BALANCE SHEET TRANSACTIONS on FINANCIAL INSTRUMENTS, currencies, interest rates, stock exchange indexes or other assets are also recognised under this item, regardless of whether they are carried out for trading or hedging purposes.

Article IV.I.14 - Accrued revenues and deferred expenses (Item 140)

1. Accrued revenues and deferred expenses are posted separately in the balance sheet, in specific sub-items amongst the asset accounts. The recipient undertakings shall adjust directly, by either increasing or decreasing, the asset and liability accounts to which accrued revenues and deferred expenses refer, in the following cases:

a) within the asset accounts, with reference to the interest accrued on loans and securities;

b) within the liability accounts, with reference to interest accrued on debits, whether represented by securities or not, which include "advanced" interest, including any issue discount on bonds and certificates of deposit.

2. In any case, significant adjustments are detailed in the explanatory notes.

3. Accrued revenues and deferred expenses concerning the spreads or margins deriving from DERIVATIVE CONTRACTS covering the interest rate risk of interest-bearing assets and liabilities are calculated as an increase or decrease in the afore-mentioned assets and liabilities.

Title II
Liabilities

Article IV.II.1 - Debts with credit institutions (Item 10)

1. This item includes all debs resulting from transactions of the undertaking that prepares the financial statements payable to national or foreign CREDIT INSTITUTIONS, regardless of the type. This item does not include any debts represented by bonds or other securities and that must be registered in items 30 and 100 of the liabilities.

2. The item "debts with CREDIT INSTITUTIONS" includes the counter value of the FINANCIAL INSTRUMENTS received by the assignor bank on the spot date within the context of repurchase agreements and repos in which the assignee undertaking assumes the resale obligation on the forward date.

3. The item "loans toCREDIT INSTITUTIONS on demand" covers the debit accounting balances recorded on mutual accounts opened for services rendered.

Article IV.II.2 - Debts with customers (Item 20)

1. This item includes all amounts, except for those represented by FINANCIAL INSTRUMENTS, which must be included in item 30, regardless of their type, payable to creditors other than CREDIT INSTITUTIONS. The explanatory notes specify the breakdown of debts with customers, divided by current accounts and savings deposits, term or notice debts, and other liabilities of this kind towards customers.

2. The item "debts with customers" includes the counter value of the FINANCIAL INSTRUMENTS received by the assignor undertaking on the spot date within the context of repurchase agreements and repos in which the assignee customer assumes the resale obligation on the forward date.

3. Interest bearing bills are included in the corresponding sub-item only if they are not represented by transferable securities.

Article IV.II.3 - Debts represented by FINANCIAL INSTRUMENTS (Item 30)

1. This item shows, in addition to bonds, outstanding bills and certificates of deposits, under "other financial instruments", the bank's own acceptances traded as well as the "atypical securities" referred to in art. II.III.8 of Regulation no. 2007-07.

2. Any debt FINANCIAL INSTRUMENTS that, as at the balance sheet reference date, has expired but has not been repaid, must also be included in this item.

3. Debts represented by financial instruments are exposed net of debt securities issued by the Bank itself, and repurchased.

4. Only acceptances issued by the CREDIT INSTITUTION for refinancing purposes and on which the institution appears as first debtor ("drawee") are considered as own acceptances.

Article IV.II.4 - Other liabilities (Item 40)

1. The content of this item is determined in accordance with the provisions regulating the specular content of item "Other assets". This item is also comprised of any means of payment drawn on the bank, such as, but not limited to, bankers' drafts.

Article IV.II.5 - Accrued expenses and deferred revenues (Item 50)

1. The content of this item is determined in accordance with the provisions regulating the specular content of item "Accrued revenues and deferred expenses".

Article IV.II.6 – Staff retirement allowances (Item 60)

1. This item shows the overall amount of the units of the severance indemnity (TFR) intended for the benefit of the employees of the undertaking.

Article IV.II.7 – Risks and costs funds(Item 70)

1. Financial risks and costs funds are intended to cover only losses, charges or debts determinable in nature, the existence of which is certain or likely but for which the amount or the date of occurrence are not determinable at the closing date of the financial year. These funds may not be used to adjust the values of the asset accounts and may not exceed the amount required to cover the losses, charges or debts for which they were created.

2. Sub-item a) "retirement and similar costs fund" includes also the costs for the supplementary welfare.

3. Sub-item c) "other funds" shows also the funds (other than credit risk funds) open against impairments calculated, based on the article III.II.5 of this Regulation, on the guarantees issued and on the commitments recorded under items 10 and 20 of Guarantees and Commitments.

Article IV.II.8 – Credit risk funds (Item 80)

1. "Credit risk funds" include all funds intended to cover potential credit risks only and that, therefore, are not used for adjustment purposes. Consequently, these funds form part, as positive components, of the supplementary regulatory capital (see article VII.II.3 of Regulations no. 2007-07 and 2011-03, and article 40 of the Regulation no. 2006-03). Any provisions made against future rents related to financial leasing agreements, which are also intended to cover only potential credit risks, are also registered in this item. This fund is covered with specific provisions to the debit of the profit and loss account, which must be posted under item 130 "Provisions to the credit risk funds" and not through the allocation of part of the profits for the year.

Article IV.II.9 – General financial risk fund (Item 90)

1. The function of the general financial risk fund is to cover the general business risk to which the undertaking is exposed. Since it is similar to a capital reserve, the fund represents a positive component of the basic regulatory capital (see article VII.II.2 of Regulations no. 2007-07 and 2011-03, and article 40 of the Regulation no. 2006-03). The balance of allocations and withdrawals (net change) registered by the fund during the financial year is posted, with its specific algebraic sign, to item 230 of the profit and loss account "Changes in the general financial risk fund". Therefore, the creation, provisioning and utilisation of the fund may not be made through the allocation of the profits for the year.

Article IV.II.10 - Subordinated liabilities (Item 100)

1. This item includes the subordinated liabilities issued by the undertaking also in the form of securities (see part VII of Regulations no. 2007-07 and 2011-03, and article 40 of Regulation no. 2006-03) or those liabilities, whether represented by securities or not, that, in case of winding-up, contractually may be enforced only after satisfaction of the other creditors.

Article IV.II.11 - Subscribed capital (Item 110)

1. This item includes all amounts that, whatever the name of the relevant type to which they belong, must be regarded, with reference to the legal form of the undertaking in question, as units in the own share capital of the entity subscribed by the shareholders and other contributing parties.

Article IV.II.12 - Share premium (Item 120)

1. This item shows amounts, such as positive differences, resulting from the issue of shares at a price higher than their face value, including shares resulting from the conversion of bonds.

Article IV.II.13 - Reserves (Item 130) and Revaluation Reserves (Item 140)

1. Item 130 sub-item b), "reserve for own shares or units", includes any unavailable reserves equal to the amount of the own shares or units posted under item 120 of the assets. The available portion of such reserve, if any,

created by virtue of statutory provisions and/or on the basis of a resolution of the meeting of shareholders, must be recorded under sub-item c), "statutory reserve", or under sub-item d) "other reserves".

Article IV.II.14 - Profits (losses) carried forward (Item 150)

1. This item contains profits or losses carried forward.

Article IV.II.15 - Profit (loss) for the financial year (Item 160)

1. Profits or losses for the period are posted under this item.

Title III
Guarantees and Commitments

Article IV.III.1 - Guarantees issued (Item 10)

1. This item includes all transactions with which the undertaking guaranteed the obligations of a third party.

2. The explanatory notes specify the nature and amount of any type of possible risk that is RELEVANT for the business of the undertaking.

3. Any possible risks resulting from re-discounted bills transferred and the acceptances other than own acceptances must be included under item no. 10.

4. Endorsements and the assets pledged as guarantee include all the guarantees granted and all assets pledged as guarantee for the account of third parties, particularly as regards irrevocable endorsements and letters of credit.

Article IV.III.2 - Commitments (Item 20)

1. This item shows all irrevocable COMMITMENTS, for CERTAIN OR UNCERTAIN USE, that might give raise to credit risks (such as the margins available on irrevocable credit lines granted to customers or banks).

2. The commitments resulting from repo transactions and repurchase agreements include the commitments assumed within the context of sales with repurchase agreement pursuant to article IV.V.3.

3. The commitments resulting from the execution of DERIVATIVE CONTRACTS, are recognised based on their notional value.

4. The explanatory notes specify the nature and amount of any type of commitment that is RELEVANT for the business of the undertaking.

Title IV
Items of the Profit and Loss account

Article IV.IV.1 - Interest received and other proceeds (Item 10) – Interest paid and other costs (Item 20)

1. These items must contain, on an accrual basis, interest and other similar proceeds and costs related to loans, deposits and FINANCIAL INSTRUMENTS and, specifically:

a) all proceeds resulting from the assets recognised in the balance sheet under items from 20 to 50 of the assets, regardless of the form in which they were calculated;
b) all costs for liabilities recognised in the balance sheet under items 10, 20, 30 and 100 of liabilities, including costs calculated on an accrual basis;
c) proceeds and costs resulting from hedged forward transactions, calculated on an accrual basis and equivalent to interest;
d) commissions and fees, equivalent to interest and calculated based on the duration or amount of credit or debt.

2. Item 10 must show the balance between any default interest accrued during the financial year and the VALUE ADJUSTMENT corresponding to the portion of such interest deemed to be irrecoverable.

3. Proceeds, costs and interest referred to in paragraph 1 above, to be registered, based on their relevant algebraic sign, in the profit and loss account on an accrual basis "*pro rata temporis*", include, but are not limited to:

a) the difference between purchase cost and the higher redemption value upon maturity of the debt securities held for investment purposes. This difference is added to the interest generated on securities;

b) the difference between purchase cost and the lower redemption value upon maturity of the debt securities held for investment purposes. This difference is deducted from the interest generated on securities;

c) any deduction or increase in cost resulting from the assumption of debts, above or under par respectively. Within this context the portions of the issue discount on bonds and certificate of deposits are included as cost increase;

d) commissions and fees calculated on the basis of the amount or duration of the loan or deposit to which they refer, including any maximum overdraft charges and the charges for the processing of overdraft applications which may not be considered as a refund of out of pocket expenses incurred on behalf of the client;

e) proceeds and costs related to HEDGING TRANSACTIONS for interest generating assets and liabilities, corresponding, in DERIVATIVE CONTRACTS, to the differentials or margins, either positive or negative, accrued up to the closing date of the financial year, provided that they refer to contracts or individual instalments matured or closed within the aforementioned date. In the forward currency purchase and sale contracts the differentials correspond to the margins between the spot exchange rate and the forward exchange rate fixed in "swap" agreement or to the margins between the forward exchange rate in the "*outright*" contracts and the spot exchange rate applicable at the moment of the execution of such contracts;

f) proceeds and costs related to MULTI-FLOW DERIVATIVE CONTRACTS (such as IRSs) entered into for the purpose of hedging FINANCIAL INSTRUMENTS held for trading expired by the closing date of the financial year. The items above include proceeds and costs generated during the year and resulting from SINGLE-FLOW DERIVATIVE CONTRACTS entered into for the purpose of hedging FINANCIAL INSTRUMENTS held for trading, the underlying asset of which, even if notional, has a residual life of no more than one year (such as FRAs), and in this case an hedging is assumed of the interest rate risk;

g) proceeds and costs related to repos and repurchase agreements referred to in article IV.V.3 of this Regulation Such proceeds and costs are calculated taking into account the difference between the spot price and the forward price as well as the results (such as interest) produced by the assets during the term of the transaction.

Article IV.IV.2 – Dividends and other proceeds (Item 30)

1. This item includes dividends and other proceeds from variable income securities, as well as the proceeds from HOLDINGS or HOLDINGS in undertakings of the GROUP. This item must also contain the proceeds from units of investment companies, as well as units of CIS.

Article IV.IV.3 - Commissions erned (Item 40) – Commissions paid (Item 50)

1. These items include proceeds and costs, other than those specified in items 10 and 20 of the profit and loss account, related to the services provided and services received by the undertaking, respectively (guarantees, investment services and other services). In particular:

- commissions on sureties, loans managed for the account of other borrowers, and transactions on securities for third party account,
- commissions for paying commercial transactions and other resulting costs or proceeds, any expenses for account keeping and commissions for the custody and management of securities,
- commissions for currency transactions, for the sale and purchase of coins and precious metals, made on third party account,
- brokerage fees in credit transactions, savings or insurance contracts.

Article IV.IV.4 - Profits (losses) from financial operations (Item 60)

1. This item shows the aggregate difference:

a) between profits and losses resulting from on- and OFF-BALANCE SHEET transactions on FINANCIAL INSTRUMENTS held for trading, including the results of the valuations of such instruments. This balance includes:
   - profits and losses resulting from the purchase and sale of FINANCIAL INSTRUMENTS held for trading, calculated taking into account the opening balances for the financial year (balance sheet values for the previous financial year), costs and revenues resulting from purchase and sale transactions, including any subscriptions of FINANCIAL INSTRUMENTS when issued and redemptions of expired FINANCIAL INSTRUMENTS, final balances for the financial year. The result of the purchase and sale of FINANCIAL INSTRUMENTS is recorded net of any ISSUE MARGINS accrued during the relevant holding period of such instruments, which are recognised under the item "interest";
   - positive and negative differentials and margins on DERIVATIVE CONTRACTS with or without underlying securities, included in the trading portfolio or as hedging for FINANCIAL INSTRUMENTS held for trading, only as regards to SINGLE-FLOW DERIVATIVE CONTRACTS the underlying asset of which has a residual life in excess of one year, on the assumption that they protect against "price risk";
   - the results of the valuation of FINANCIAL INSTRUMENTS held for trading, of purchase and sale agreements not yet settled, both spot and forward, on FINANCIAL INSTRUMENTS held for trading and of DERIVATIVE CONTRACTS the underlying securities of which have not expired yet as of the closing date of the financial year which are included in the trading portfolio both for hedging or trading purposes. Finally, the premiums collected and paid with reference to unexercised and expired OPTIONS related to the trading activities are included in this item;

b) the balance between profits and losses resulting from on- and OFF-BALANCE SHEET TRANSACTIONS on foreign currencies, including the results of the valuations. The aforementioned balance includes:
   - profits and losses resulting from the purchase and sale of currencies;
   - any differentials resulting from DERIVATIVE CONTRACTS on currencies;
   - the difference between the current value, determined as of the closing date of the financial year, of the elements of assets and liabilities and of the OFF-BALANCE SHEET TRANSACTIONS expressed in a foreign currency and the book value of such elements;
   - the premiums collected and paid with reference to currency options entered into for trading purposes;

c) the balances between profits and losses resulting from on- and OFF-BALANCE SHEET TRANSACTIONS on precious metals and other financial instruments, including the results of the valuations of such assets.

2. Proceeds and costs related to HEDGING TRANSACTIONS to be registered under "interest", are not included in this item, pursuant to art. IV.IV.1.

Article IV.IV.5 - Other operating proceeds (Item 70) – Other operating costs (Item 80)

1. These items include, inter alia, those generated by the *merchant banking* and financial leasing activities, as well as proceeds (costs) related to the premiums collected (paid) with reference to expired and/or not exercised OPTIONS provided they are not included in the trading portfolio.

Article IV.IV.6 - Administrative costs (Item 90)

1. Sub item a) "Labour costs" includes any not refunded costs incurred for the full time employees seconded to other companies as well as, broken down based on the respective sub items, those related to salaries and wages, pension contributions, staff retirement allowances and severance indemnity related costs.

2. Any costs for directors and statutory auditors are also included in this item, under the sub item referred to in the preceding paragraph.

3. Sub item b) "Other administrative costs" must report, in particular, any costs incurred for professional services (legal expenses, notary expenses, etc.), the costs for non-professional assets and services (electricity, stationary, transport etc.) rents and fees payable, insurance premiums, indirect taxes and taxes (paid and unpaid).

Article IV.IV.7 - Value adjustments on intangible and tangible fixed assets (Items 100 and 110)

1. These items include any VALUE ADJUSTMENTS related to INTANGIBLE and TANGIBLE FIXED ASSETS.

2. These items also include the portions of the capital of rents for the leasing of the assets underlying financial leasing agreements accrued during the financial year.

Article IV.IV.8 – Provisions for risks and costs (Item 120) – Provisions to the credit risk funds (Item 130)

1. Item 120 shows the provisions to the funds referred to in sub item "other funds", of the liability item "Financial risk and costs funds", except for those intended to cover impairments of the guarantees issued and of the commitments (to be included in the item "value adjustments on credits and provisions for guarantees and commitments").

2. Item 130 shows any provisions intended to expense the Fund for credit risks.

Article IV.IV.9 -Value adjustments and recoveries on credits and provisions for guarantees and commitments (Items 140 and 150)

1. Item 140 is comprised of VALUE ADJUSTMENTS made on credits with reference to recognised losses on credits following some analytical valuations carried out during the reference period and to the losses on credits calculated on a lump-sum basis during the reference period for both non-performing loans and performing loans. This item also includes the value adjustments made on (explicit and implicit) loans for financial leasing.

2. The provisions for guarantees issued and commitments referred to in item 140 include the impairments calculated on the guarantees issued and on the commitments posted under "guarantees and commitments".

3. Any recoveries on loans depreciated during previous financial years are registered under item 150.

Article IV.IV.10 - Value adjustments and Recoveries on FINANCIAL FIXED ASSETS (Items 160 and 170)

1. Item 160 includes all costs for value adjustments on securities held for investment, on HOLDINGS, including those held in SUBSIDIARIES and ASSOCIATED UNDERTAKINGS. These adjustments must be reported in the explanatory notes, making sure to distinguish between those related to securities held for investment or HOLDINGS or HOLDINGS in SUBSIDIARIES or ASSOCIATED UNDERTAKINGS, when such distinction is relevant.

2. The undertakings that apply the Net Equity valuation method (article III.II.8) should specify, in the explanatory notes, separately with a specific sub-item "of which" (to be named "- on holdings valued at net equity") the amount of the decreases occurred during the financial year due to losses in the net equity of the subsidiaries.

3. Item 170 includes the VALUE RECOVERIES made on securities held for investment and on HOLDINGS, including those in SUBSIDIARIES and ASSOCIATED UNDERTAKINGS, which had previously been devalued.

Article IV.IV.11 - Profit (loss) resulting from ordinary activities (Item 180)

1. This item shows the aggregate of the proceeds and costs posted under items from 10 to 170.

Article IV.IV.12 - Extraordinary proceeds (Item 190) – Extraordinary costs (Item 200)

1. These items show:

a) windfall proceeds and extraordinary costs and contingent liabilities (such as the portion of the funds deemed to be in excess) and assets;
b) profits and losses resulting from the sale of TANGIBLE FIXED ASSETS, INTANGIBLE FIXED ASSETS and FINANCIAL FIXED ASSETS (except for debt related fixed assets), other than those, to be included under items 70 "Other operating proceeds" and 80 "Other operating costs", for the sale of HOLDINGS within the context of the "*merchant banking*" business or for the redemption of assets transferred under a financial leasing agreement;

c) any profits and losses resulting from the sale of (debt) FINANCIAL INSTRUMENTS held as investment, to be calculated net of the difference between purchase cost and redemption value "accrued" up until their sale, since it has already been posted under other items of the profit and loss account.

Article IV.IV.13 - Extraordinary profit (loss) (Item 210)

1. This item shows the aggregate of the extraordinary proceeds and costs (Items 190 and 200).

Article IV.IV.14 - Changes in the general financial risk fund (Item 230)

1. This item shows (with the indication of the pertinent algebraic sign) the aggregate of the allocations (provisions) and of the withdrawals (uses) of the General financial risk fund.

Article IV.IV.15 - Operating profit (loss) (Item 240)

1. This item shows the aggregate of the proceeds and costs posted under items from 10 to 230 in the profit and loss account, except for items 180 and 210.

Title V

Provisions for the recognition in the financial statement of certain transactions

Article IV.V.1 - Transfer of FINANCIAL INSTRUMENTS from one portfolio to the other

1. The allocation of FINANCIAL INSTRUMENTS to the two portfolios (investment/trading portfolio) is determined on the basis of specific "framework resolutions" approved by the Board of Directors of the financial undertaking, aimed at identifying the fundamental features of the two, at providing for the recognition of the securities at the moment of their purchase and at establishing the absolute and relative size parameters of the investment portfolio.

2. The nature of permanent investment that characterises the FINANCIAL INSTRUMENTS of the investment portfolio does not allow, in principle:

a) the use of the FINANCIAL INSTRUMENTS of this portfolio within the context of the ordinary management of liquidity and market risks, except for the case of repurchase agreements referred to in article IV.V.3 or temporary divestment for other reasons (such as security lending);
b) the possibility to include such securities into portfolios the management of which is delegated to third parties.

3. In exceptional cases, and when it is deemed appropriate by the undertaking for the purposes of a correct management policy, it is possible to transfer FINANCIAL INSTRUMENTS from the investment portfolio to the trading portfolio and vice versa or to carry out early divestment of FINANCIAL INSTRUMENTS held as investment. Such cases require the decision of the competent administrative body, although a new "framework resolution"

will not be necessary, if the new composition of the portfolio is consistent with the parameters set in the original resolution.

4. The change in the current value of the FINANCIAL INSTRUMENTS caused by the ordinary dynamics of the financial markets does not represent an exceptional case. Conversely, a change in the ownership structure of the bank and the reorganisation and/or winding up of a business unit of the undertaking, for instance, represent one of such exceptional cases

5. The transfers of the portfolios produce effects only as from the financial statements related to the financial year in which they are carried out.

6. The reallocation of the FINANCIAL INSTRUMENTS to another portfolio is accounted for at the value resulting from the application, once the transaction is concluded, of the valuation criteria of the portfolio of origin. The results of the valuations carried out at the moment of the transfer from one portfolio to the other must be specified in the tables of the explanatory notes related to FINANCIAL INSTRUMENTS held as investment and FINANCIAL INSTRUMENTS held for trading.

7. FINANCIAL INSTRUMENTS held as investments subject to an early transfer will not be transferred beforehand to the trading portfolio and the economic consequences to such transfers must be shown in the extraordinary items of the profit and loss account.

8. If the financial undertaking decides for the transfer from one portfolio to the other or for the early divestment from the investment portfolio, provided the requirements referred to in paragraph 3 are met, the details of the transaction must be reported in the explanatory notes. Specifically, the underlying reasons of such decision must be explained, the exceptional nature of the events must be described together with the impact on the net worth and on the financial situation and on the economic results.

Article IV.V.2 - Portfolio subject to collection, after cashing or discounted

1. Any bills and documents received by the undertakings subject to collection or after cashing and for which the undertakings provide the collection service for the account of the assignors, must be registered into the accounts of the balance sheet (cash, credits and debts with banks and with customers) only upon settlement (collection) of such assets.

2. The settlement date is conventionally determined with reference to the date of the economic value of the debit or credit of such values on the accounts held with the correspondent banks and with customers. If in the corporate accounting system the portfolio subject to collection is credited (debited) to the current accounts of the clients prior to the maturity of the relevant economic value date, the accounting balance of such accounts in

the financial statements must be deducted of the credit (debit) items the value date of which is not arrived yet as at the closing date of the financial year, through the appropriate adjustment entries.

3. The adjustments referred to in the preceding paragraph and any other which might be required in order to ensure compliance with this guidelines must be carried out by means of specific reclassification entries that guarantee the necessary consistency between the accounting evidences and the financial statement accounts. Temporary differences, if any, resulting from different economic value dates applied to the different accounts are posted under "Other assets" or "Other liabilities", depending on their respective algebraic sign.

4. The discounted portfolio must be included, for an amount corresponding to the so called portfolio risk, which include also the risk for discounted bills and that for bills and documents discounted and transmitted for collection to own branches or to third parties, under the relevant items of the assets ("loans to credit institutions", "loans to customers"), provided its maturity date falls after the closing date of the financial year.

5. The "collections" of the discounted portfolio are subject to the same provisions applicable to the "subject to collection" and "after cashing" portfolios.

Article IV.V.3 - Repos and repurchase agreements

1. Repurchase agreements with mandatory buy-back (also known as sales with repurchase agreement) are transactions with which the undertaking or a client (the "assignor") sells to another undertaking or to another client (the "assignee") some of the assets in his possession — such as bills, receivables or securities — subject to the agreement that, on a given future date, the same assets will be sold back to the assignor at an agreed price.

2. If the assignee undertakes to redeliver the assets on a date determined or to be determined by the assignor, this transaction is equivalent to a repo transaction.

3. If, on the other hand, the assignee has only the right to deliver the assets at the transfer price or at another price previously agreed and on a date determined or to be determined by the assignee, this is a sale with right of buy-back.

4. For the transactions referred to in paragraphs 1 and 2, the transferred assets must remain in the balance sheet of the assignor; the price collected spot for the sale by the assignor must be reported as a debt towards the assignee. Moreover, the amount of the assets transferred must be mentioned in the annex of the calculations of the assignor. The assignee may not report the transferred assets in its balance sheet; the purchase price paid by the assignee must be specified as credit against the assignor.

5. On the contrary, for sales with repurchase agreement referred to in paragraph 3, the assignor may no longer report in the balance sheet the assets transferred, which must be reported under the assets of the assignee. The assignor must report under item 2 off-balance sheet an amount corresponding to the price agreed in case of redemption.

6. Forward transactions on currencies and securities, forward transactions on a stock exchange, the issue of bonds where the issuer undertakes to repurchase all or part of such bonds prior to their maturity, and similar transactions are not considered as sales with repurchase agreement pursuant to the provisions of this article.

Article IV.V.4 - Assets transferred or received as guarantee

1. Any assets transferred to third parties to secure own or third party's obligations will continue to be shown in the financial statements of the assignor and may not be registered in the financial statements of the assignee. The assignor specifies, under the guarantees released, the amount of the assets transferred to secure third party's obligations.

2. The foregoing provisions are not applicable to any cash payments; in fact, such payments must be registered as credits or debts (with customers or credit institutions, depending on the counterparty) or, if not interest bearing, under item 130 of the assets "Other assets" or under item 40 of the liabilities "Other liabilities".

3. The explanatory notes must specify separately the assets transferred and those received as guarantee. As regards to the first ones, a distinction should be made between those that secure obligations of third parties and those that secure own obligations, showing, for the latter, the items of liabilities to which they refer.

Article IV.V.5 - Financial leasing granted

1. The undertaking registers the amount of the assets granted (and of those pending) under a financial lease under item 90 of the assets "Intangible fixed assets" in case of intangible assets, or under item 100 of the assets "Tangible fixed assets" in case of tangible assets.

2. Any rental income accrued during the financial year is recognised, as regards to the interest thereof, under the item "interest received and other proceeds on credits", and, as regards to the capital thereof, under the item "Other operating proceeds". At the same time, the bank reduces the value of the asset leased out by the amount of the portion of capital through the registration of a cost (equal to the capital portion) into the profit and loss account, offset by a direct reduction of the value of the asset leased out.

3. At the end of the financial year, the cost item used is included under item 100 or 110 "Value adjustments on intangible fixed assets" or "Value adjustment on tangible fixed assets", according to the nature of the asset leased out.

4. The sub-items "Financial leasing" and "Assets pending financial leasing" of items 90 and 100 of the balance sheet include respectively the amount of residual capital credit towards the lessees and the residual capital credit referred to both the assets pending first leasing and those resulting from terminated agreements, whose amount, expressed net of VALUE ADJUSTMENTS due to deterioration of creditworthiness, is further detailed to distinguish the component attributable to instances of termination due to breach of the lessee. Rents due (not yet collected) are entered under item 40 "Loans to customers" and then reclassified in the explanatory notes table, jointly with the related residual credit values, depending on the nature (*performing* or non-performing) of the exposure.

5. If advances are received from the customer (lessee) during the construction phase of the asset under the financial leasing agreement, the value of the exposure to the lessee is entered net of the afore-mentioned sums of money provided that they are intended for and secured by the fulfilment of contractual obligations, without therefore any repayment obligation on the part of the undertaking.

Article IV.V.6 - Options

1. Premiums paid and collected for the purchase and for the issue of OPTIONS must be capitalised and registered under item 130 of assets, "Other assets" and under item 40 of liabilities, "Other liabilities", respectively. No capitalisation is carried out if the payment or the collection of the premium are made in arrears compared to the date of exercise or maturity of the option.

2. The premiums for OPTIONS also include any premiums paid on CREDIT DERIVATIVES CONTRACTS allocated to the trading portfolio.

3. Any premium related to OPTIONS exercised within (or on) the expected expiry date is recognised as an increase or a decrease, as the case may be, of the price of the underlying assets, if the transaction entails the exchange of capitals, or as a decrease of the differential collected or paid, if the option does not entail the exchange of capitals.

4. Any premium related to unexercised and expired OPTIONS must be recognised in the profit and loss account under item 60 "Profits (losses) from financial operations" or items 70 or 80, "Other operating proceeds", "Other operating costs", depending on whether or not the OPTIONS in question are part of the trading activities.

5. Any premium related to OPTIONS held for trading, not yet expired at the closure of the financial year, are valued in compliance with the criteria referred to in art. IV.IV.4 - (Profits (Losses) from financial operations).

Article IV.V.7 - Derivatives contracts on credit

1. DERIVATIVES CONTRACTS ON CREDIT must be recognised in the trading portfolio if the intention of the undertaking is to hold them for trading purposes.

2. For the "*protection seller*" undertaking such exposures are recognised under the item "commitments". They are also included in the pertinent tables of the explanatory notes, with the COMMITMENTS FOR CERTAIN USE. If, for the purpose of calculating the solvency ratio, a credit equivalent of less than 100% is applied to the asset at risk, the commitments underlying the DERIVATIVE CONTRACTS ON CREDITS are conventionally recognised with the commitments TO DISBURSE FUNDS FOR uncertain use. The value being recognised is the full notional value, except where a payment based on a fixed sum has been contractually agreed.

3. For the "*protection buyer*" undertaking the hedged asset at risk continues to be registered in the financial statements and is also recognised under "loans secured by personal guarantees".

4. The premiums collected by the "*protection seller*" undertaking are recognised under item 40 of liabilities "Other liabilities", if the CREDIT DERIVATIVES are classified in the trading portfolio, or under item 40 of the profit and loss account "Commissions received", if such derivatives are other than those classified in the trading portfolio. The premiums paid by the "*protection buyer*" bank are recognised under item 130 of assets "Other assets", if the credit derivatives are classified in the trading portfolio, or under item 50 of the profit and loss account "Commissions paid", if such derivatives are other than those classified in the trading portfolio.

5. Only as regards to the trading portfolio, at the closure of the financial year the valuation criteria governed by paragraph 4 of the preceding article are applied to the premiums referred in such previous paragraph.

Article IV.V.8 - Securitisation

1. The assets transferred to the SPECIAL PURPOSE VEHICLE must not be recognised under the assets of the assignor undertaking, if the economic substance of the transaction would determine the actual transfer of the risk to the assignee. The removal of the transferred assets from the balance sheet of the assignor must be carried out against the consideration received.

2. In the event that the consideration of the transfer is settled on a deferred basis, the assignor undertaking recognises a credit, provided the amount is pre-set and independent from performance of the underlying asset subject matter of the securitisation.

3. The balance sheet of the assignor undertaking must continue to show the assets subject matter of the SYNTHETIC SECURITISATION in which only the credit risk is transferred through the credit derivatives.

4. In the recognition of the different financial positions that, often, the undertakings may assume as regards to the securitisations the following criteria must be applied:

a) any credit towards the SPECIAL PURPOSE VEHICLE prior to the issue of the ASSET BACKED SECURITIES must be registered under item "Loans to customers";
b) any SECURITIES in a "SENIOR", "MEZZANINE" and "JUNIOR" portfolio must be included in the item "Bonds and other debt financial instruments" under assets in the balance sheet;

c) any credit lines granted for the purpose of facilitating the securitisation must be recognised under "guarantees and commitments". Any portion possibly disbursed must be included under assets in the balance sheet, under the item "Loans to customers".

5. The explanatory notes must provide adequate and complete information regarding the strategies underlying the securitisation as well as on the risks, on the relevant monitoring procedures and on the economic results linked with the existing on- and off-balance sheet positions related to the securitisation.

6. Any losses resulting from the transfer of credits within the context of SECURITISATION TRANSACTIONS are recognised under item 140 of the profit and loss account "Value adjustments on credits and provisions for guarantees and commitments".

Article IV.V.9 - Structured financial instruments

1. The DERIVATIVE CONTRACTS incorporated into a "host" contract are recognised, and thus included in the accounts of the financial statements, as "stand alone" FINANCIAL INSTRUMENTS if the economic features and the risks of the incorporated derivative are not strictly connected to those of the "host" contract and this may be independently qualified as a DERIVATIVE CONTRACT.

2. The incorporated DERIVATIVE CONTRACTS are not autonomously registered if the benchmark of the incorporated DERIVATIVE CONTRACT is of the same nature of the benchmark that determines the cash flows of the "host" instrument or if the contract provides for some indexing clauses linked to inflation rate or early repayment OPTIONS.

PART V
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

Title I
General rules for the preparation of the explanatory notes

Article V.I.1 - Structure and compilation rules

1. The explanatory notes are divided into the following four parts:

a) part A) – General Part;
b) part B) – Information on the balance sheet;
c) part C) – Information on the profit and loss account;
d) part D) – Other information.

2. The explanatory notes must be prepared in compliance with the provisions of this Regulation and with the formats from time to time arranged by the CENTRAL BANK with specific circulars. These circulars may introduce additional information or greater details compared to the information specified in this Regulation, consistently with its provisions and with the financial statements formats referred to in annex A.

3. Purpose of the explanatory notes is to provide those reading the financial statements with additional information, also of a qualitative nature, by breaking down the individual items of the financial statements and representing the dynamics that affected them. The information that must be mandatorily included in the explanatory notes are those specified in this Regulation and in the circulars referred to in the previous paragraph. Except for the foregoing the undertakings specify in the explanatory notes every information useful to provide a clear, true and accurate representation of the financial statements.

4. The instructions for the compilation of the explanatory notes should not be included in such notes.

5. Each part of the explanatory notes illustrates individual aspects of the business management. The explanatory notes are comprised, inter alia, of tables prepared on the basis of these instructions and those of the circulars even when they are filled in only with a few of the items. Each section of the individual parts contain remarks on the items and tables or notes to describe the aspects dealt with.

6. In the tables that provide detailed information on the components of individual items, they are, unless specified in the table, reported in degressive order until 80% of the item has been covered, and the remaining portion not detailed is grouped under the title "others".

Article V.I.2 – Information on memorandum accounts

1. In the tables related to the suspense accounts, FINANCIAL INSTRUMENTS are linked to their alternative pertinent items, based on the contracts executed with the customers, for asset managing, custody and administration, trust agreement and custodian bank agreement, respectively.

2. The aforementioned FINANCIAL INSTRUMENTS are recognised in the suspense accounts at market value.

3. The valuation of the assets held in trust is made on the basis of the criteria defined in art. 2 of the Delegated Decree n. 51 dated 16 March 2010. The value of such assets is summarised in specific sections of the explanatory notes.

Title II
Information required to be included in the explanatory notes

Article V.II.1 – General Information

1. The explanatory notes should include:
   1) the accounting principles adopted;
   2) explanation of the criteria adopted for the valuations in the financial statements, for the VALUE ADJUSTMENTS, for the VALUE RECOVERIES and for the revaluations;
   3) the reasons behind any changes in the accounting and valuation criteria of the items of the financial statements from the previous year, particularly as regards to the reasons behind such changes and their impact on the representation of the net worth, financial and economic situation;
   4) the reasons behind the changes made to the amortisation criteria as well as the exercise of the faculty to carry out amortisations of the goodwill in a period of more than five years;
   5) explanation, specified separately, for the amounts of the VALUE ADJUSTMENT and provisions made only in application of tax regulations. Indications are also provided on the influence that the above-mentioned adjustments and provisions have on the representation of the assets and liabilities statements and economic outcome, as well as, if these are of a significant amount, on future tax cost;
   6) if the items of fixed assets or the items under current assets are subject to VALUE ADJUSTMENTS only for tax purposes, the amount of such adjustments together with the relevant reasons;
   7) the amount and nature of the individual elements of revenues or cost for an exceptional size or impact.

Article V.II.2 – Information on credits and debts

1. The explanatory notes must include, separately for each items (and relevant sub-items):
   — 30 and 40 of assets, and
   — 10, 20, 30 and 100 of liabilities

   the aggregate amounts of these credits and debts divided by residual life as follows:
   — on demand,

— up to three months,
— from three months to six months,
— from six months to one year,
— from one year to eighteen months,
— from eighteen months to two years,
— from two years to five years,
— more than five years,
— without maturity.

3. As regards credits an debts repayable by means of periodic payments, the residual life is the period from the closing date of the financial statements to the due date of each payment.

4. As regards item 50 of assets (bonds and other debt FINANCIAL INSTRUMENTS) as well as sub-item 30 a) (bonds) and item 100 (subordinated liabilities) of liabilities, the amount of the assets or liabilities that expire the year after the closing date of the financial statements must be specified.

5. Undertakings must specify the amounts of advances and credits granted to the members of the respective administrative, management and supervisory bodies, as well as the commitments assumed on their own account due to any type of guarantees granted. This information must be provided globally for each category.

Article V.II.3 – Information on fixed assets

1. For the different items of FIXED ASSETS (INTANGIBLE, TANGIBLE AND FINANCIAL) the explanatory notes must include the PURCHASE PRICE or the PRODUCTION COST or, if the *fair value* criterion is applied, the value compared with that as at 31 December of the previous financial year.

2. If the FINANCIAL INSTRUMENTS and/or the assets other than FINANCIAL INSTRUMENTS were valued at the *fair value*, it should be specified:

a. the key assumptions on which the valuation models and techniques are based, used where the value was determined according to the provisions of article III.II.5 paragraph 5 letter b);
b. for each category of FINANCIAL INSTRUMENTS or asset other than FINANCIAL INSTRUMENTS, the *fair value*, the changes in value recognised directly in the profit and loss account, and those registered as *fair value* reserves;
c. for each category of derivative FINANCIAL INSTRUMENT, the information on the quantity and nature of the instruments, including the contractual terms and the significant conditions that may affect the amount, timing and value of future flows;
d. a table specifying the movements in *fair value* reserves occurred during the financial year;

3. If the FINANCIAL INSTRUMENTS are valued at the PURCHASE PRICE:

a. for each category of derivative FINANCIAL INSTRUMENTS:
    — the *fair value* of the instruments, if such value may be determined based on the valuation criteria referred to in article III.II.5;
    — information on the quantity and nature of the instruments;
b. for FINANCIAL FIXED ASSETS recognised for an amount in excess of their *fair value*:
    — the book value and the *fair value* of the individual assets or appropriate groups of such assets; and
    — the reasons why the book value was not reduced, including the nature of the elements in support of the opinion that the book value will be recovered;

Article V.II.4 – Information on holdings

With reference to items 70 and 80 of assets in the balance sheet:

a) the name and registered office of each undertaking in which the undertaking, directly or through a person acting in its own name but for the account of the undertaking, has a HOLDING, specifying the portion of capital held, the amount of net equity and profits or losses of the undertaking in question registered the previous financial year for which the financial statements were approved;
b) the name, registered office and legal form of each undertaking of which the undertaking is a fully liable partner;
c) the name and registered office of the undertaking that prepares the consolidated financial statements of the greater group of which the undertaking is part as DAUGHTER COMPANY;
d) the name and registered office of the undertaking that prepares the consolidated financial statements of the smaller group included in the group referred to in point c), of which the undertaking is part as DAUGHTER COMPANY;
e) the place where copies can be found of the consolidated financial statements referred to in points c) and d) above, where available.

Article V.II.5 – Subordinated Liabilities

1. As regards item 100 of liabilities (subordinated liabilities) the explanatory notes should include:
    a) for each amount borrowed that exceeds 10% of the aggregate amount of subordinated liabilities:
        i. amount borrowed, currency in which it is expressed, interest rate, maturity date or whether it is a perpetual issue;
        ii. any circumstances where an early repayment is envisaged;
        iii. the terms of the subordination, possible provisions for the conversion of the subordinated liabilities into capital or other form of liabilities, and the terms of such provisions;
    b) as regards the other loans, globally the procedures that govern them.

Article V.II.6 – Information on capital

The explanatory notes must specify:

a) the number and face value or, absent any face value, the accounting par value of the shares subscribed during the financial year, within the limits of the authorised capital, except for the provisions related to the amount of such capital;
b) when there are more than one category of shares, the number or face value or, absent the face value, the accounting par value of each one of them;
c) the existence of dividend-right shares, bonds convertible into shares, warrants, options, securities or similar rights, specifying the number thereof and the rights they confer;

Article V.II.7 – Information on profit and loss account

1. With reference to the profit and loss account, the explanatory notes should include:
a) the breakdown of items 130 (Other assets) of assets and 40 (Other liabilities) of liabilities, as well as of items 80 (Other operating costs) and 200 (Extraordinary costs) and of items 70 (Other operating proceeds) and 190 (Extraordinary proceeds) of the profit and loss account, according to their main elements, when such elements have any relevance for the purposes of the values of the financial statements. Additionally, explanations must be provided on the amount and nature of the aforementioned elements;
b) the breakdown of the proceeds related to items 10, 30, 40, 60 and 70 by geographical market, when, for the organisation of the undertaking, such markets show considerable differences. As regards the provisions referred to in the previous paragraph, reference should be made to the provisions of article V.II.4;
c) the amount of remuneration paid in the financial year to the members of the administrative, management and supervisory bodies, and of the commitments incurred or assumed as regards severance indemnity for the members of the aforementioned bodies who terminated their office, specifying the total for each category of body;
d) the average number of employees on payroll during the financial year, broken down by categories, as well as the costs of employees referred to the financial year, divided based on such categories;
e) the total amount of fees paid for the financial year to the auditing company and the amount of fees paid to each auditing company for services other than the auditing of the financial statements as provided for in this Regulation;
f) the costs paid for subordinated liabilities of the undertaking during the financial year;

Article V.II.8 – Other information

1. The recipient undertakings must also include in the explanatory notes:
a) whether the balance sheet includes a fund for deferred taxes, deferred fiscal balances as at the end of the financial year, and the movement of such balances during the financial year;

b) information on the assets to be pledged as guarantee of own commitments or of commitments of third parties, so as to show, for each item of liabilities or off-balance sheet item, the total amount of the assets in question;

c) the aggregate amount of financial commitments, guarantees or potential liabilities, specifying the nature and form of any possible collaterals provided by the undertaking; the existing commitments as regards severance indemnity, as well as the commitments towards AFFILIATES or ASSOCIATED UNDERTAKINGS, are reported separately;

d) the proposed destination of the profits or losses or, where applicable, actual destination of profits or losses;

e) the nature and business purpose of the off-balance sheet agreements as well as their financial impact on the undertaking, provided the risks and benefits resulting from such agreements are relevant, and to the extent that the disclosure thereof is necessary for the valuation of the financial situation of the undertaking;

f) the nature and financial impact of relevant events occurred after the closing date of the financial statements, which were not taken into account in the profit and loss account nor in the balance sheet;

g) any transaction realised by the undertaking with related parties, which was not concluded at arm's length. This information should include the amounts of the transactions, the nature of the relationship with the related party and other information concerning the activities required in order to understand the financial situation of the undertaking. Any information related to individual transactions may be grouped based on their nature, except when separate information is required in order to understand the effects of the transactions with related parties on the financial situation of the undertaking;

h) with reference to the securities, whatever their denomination, represented under assets:

   i. the breakdown of negotiable securities, included under items 50 to 80 of assets, in securities listed on a stock exchange and securities not listed on a stock exchange;

   ii. the breakdown of the negotiable securities, included under items 50 and 60 of assets, in securities regarded as financial fixed assets or not, pursuant to article III.II.4, and the criterion adopted to distinguish the two categories of negotiable securities;

i) the amounts of leasing transactions, broken down by the respective items of the balance sheet;

j) the fact that a financial institution provides management or mediation services to third parties, if the amount of such business is RELEVANT compared to the aggregate of the assets of the institution;

k) the aggregate amount of the assets and liabilities expressed in foreign currencies, converted into the currency in which the financial statements are prepared;

l) the specification of the types of forward transactions pending as at the closing date of the financial statements, specifically reporting, for each type of transaction, whether a significant amount of them was entered into for the purpose of hedging against the effects of the fluctuations in interest rates, foreign exchange rates or market prices and whether a significant part of them represents business transactions. These types of transactions include all transactions for which proceeds or costs must be included in the respective items of the profit and loss account. These proceeds or costs may refer, for example but not limited to, transactions on currencies, precious metals, securities, certificate of deposit and goods.

PART VI
OTHER DOCUMENTATION COMPRISING THE CORPORATE FINANCIAL STATEMENTS

Title I
Report on Management and on Corporate Governance

Article VI.I.1 – Report on management

1. The report on management includes an exact report on the performance and results of the operations of the undertaking and its situation, together with a description of the main risks and uncertainties that it is facing. This report offers a balanced and exhaustive analysis of the performance and results of the operations of the undertaking and its situation, consistently with the volumes and complexity of such operations.

2. This analysis includes, to the extent necessary to understand the performance of the results of the undertaking or its situation, the explanation of key result, financial and, if applicable, non-financial indicators relevant for the specific business of the undertaking, including the information regarding the context in which the undertaking is active and its staff. Within the context of the aforementioned analysis, the report on operations contains, where appropriate, references to the amounts registered in the corporate financial statements and additional clarifications regarding such amounts.

3. Without prejudice to the foregoing, the report contains information regarding:
   a. the main events occurred between the closing date of a financial year and the approval of the financial statements;
   b. the outlook of the undertaking;
   c. the business development policies adopted by the undertaking, specifically with regards to the main characteristics of the markets to which the activities are oriented;
   d. any research and development activities;
   e. possible branches abroad of the undertaking;
   f. the relationships, also of a financial nature, maintained with the subsidiaries and the parent company;
   g. as regards purchases of own shares:
      i. the reasons behind the purchases made during the financial year;

ii. the number and face value or, absent any face value, the accounting value of the shares acquired and transferred during the financial year, as well as the amount of capital subscribed corresponding to such shares;
iii. in case of acquisition or transfer against payment, the consideration of the shares;
iv. the number and face value or, absent any face value, the accounting value of all shares acquired and held in the portfolio, as well as the amount of capital subscribed corresponding to such shares.

h. the exposure of the undertaking to credit risk, liquidity risk, risk of changes in cash flows, market risk and operational risk, and objectives and policies related to risk management, including the hedging policy for each of the main categories of transactions envisaged to which a hedging transaction is applied;
i. planned destination of balance sheet profits or plans to cover losses;
j. the description of the main features of the internal control systems (except where such information is already included in the Report on Corporate Governance);
k. the main actions (if any) adopted during the financial year and related to the organisational structure and internal controls.

Article VI.I.2 – Report on Corporate Governance

1. The preparation of a report on corporate governance is required only from the undertakings to which this Regulation applies, the securities of which are admitted for trading on a regulated market.

2. This report represents a specific section of the report on operations and contains at least the following information:

a) a reference to the following elements, where applicable:
   i. the code of corporate governance to which the undertaking is subject;
   ii. the code of corporate governance that the undertaking might have adopted on a voluntary basis;
   iii. all information regarding corporate governance practices applied and requirements under national laws;
b) when an undertaking, pursuant to national laws, deviates from the code of corporate governance referred to in letter a), points i) or ii), it must specify which parts of the code of corporate governance it is deviating from and the reasons for such decision; if the undertaking decides not to refer to any provision of a code of corporate governance referred to in letter a) point i) or ii), it must explain the underlying reasons;
c) the description of the main features of the internal control and risk management systems with reference to the reporting process;

d) except where the information is already fully disclosed in the national laws, the description of the functioning of the meeting of shareholders and of its main powers, together with the description of the shareholders' rights and exercise thereof; and
e) the description of the composition and functioning of the administrative, management and supervisory bodies and respective committees.

3. When the undertaking refers to a code of corporate governance referred to in points i) or ii), it also specifies where the relevant texts may be accessed by the public. When it refers to the information referred to in point iii), the undertaking publishes the details concerning its corporate governance practices.

PART VII
PROVISIONS FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Title I
General Provisions

Article VII.I.1 - Preparation requirement

1. The consolidated financial statements must be prepared by the PARENT COMPANY that falls in one of the cases referred to in article II.I.1 paragraphs 1 and 3 above, if such undertaking:

a) has the majority of voting rights of the shareholders or partners of another undertaking (DAUGHTER COMPANY);
b) has the right to appoint or remove the majority of the members of the administrative, management and supervisory body of another DAUGHTER COMPANY and is also a shareholder or partner of such undertaking;
c) has the right to exercise a dominant influence on the DAUGHTER COMPANY of which it is shareholder or partner, by virtue of an agreement entered into with such undertaking or of a clause of the statutes of the latter, when the DAUGHTER COMPANY is subject to such agreements or clauses;

or

d) is a shareholder or partner of the undertaking and:
   i. the majority of the members of the administrative, management or supervisory bodies of such undertaking (DAUGHTER COMPANY) in office during the current and previous financial years and until the preparation of the consolidated financial statements were appointed by virtue only of the exercise of its voting rights.
   or
   ii. based on an agreement with other shareholders or partners of such undertaking (DAUGHTER COMPANY), it independently controls the majority of the voting rights of the shareholders or partners of such undertaking.

2. In any case, the provision referred to in paragraph 1 point d letter i) above is not applicable when a third party owns the rights referred to in letters a), b) or c) vis-a-vis the DAUGHTER COMPANY.

3. In addition to the cases referred to in paragraphs 1 and 2, each PARENT COMPANY prepares the consolidated financial statements if:

a) the PARENT COMPANY has the power to exercise, or actually exercises, a dominant influence or control over another undertaking (the DAUGHTER COMPANY) regardless of whether it is a partner or shareholder of the latter;

or

b) the PARENT COMPANY and another undertaking (the DAUGHTER COMPANY) are subject to the common management of the PARENT COMPANY.

4. For the purposes of the application of the provisions referred to in paragraph 1, letters a), b) and d), the rights of any other DAUGHTER COMPANY are added to the voting rights, rights to appoint or to remove, of the PARENT COMPANY, together with those of any other person acting on its own name but for the account of the PARENT COMPANY or of another DAUGHTER COMPANY.

5. For the purposes of paragraph 1, letters a), b) and d), the following rights should be detracted by the rights referred to in paragraph 4:

a) rights related to shares or units held for the account of a person other than the PARENT COMPANY or by a DAUGHTER COMPANY of the latter;

or

b) rights related to shares or units:
   i. held as guarantee, provided such rights are exercised in accordance with the instructions received; or
   ii. held with reference to loans granted within the context of recurring business activities, provided the voting rights are exercised in the interest of the guarantor.

6. For the purposes of paragraph 1, letters a) and d), the aggregate number of the voting rights of the shareholders or partners of the DAUGHTER COMPANY is deducted of the voting rights related to the shares or units held by the undertaking itself, by a DAUGHTER COMPANY of the latter or by a person acting in its own name but for the account of such undertakings.

7. Without prejudice to the provisions of article VII.I.3, the PARENT COMPANY and all of its DAUGHTER COMPANIES are undertakings that must be consolidated, regardless of the location of the registered office of such DAUGHTER COMPANIES.

8. Without prejudice to the provisions referred to in the previous paragraphs and to those of articles VII.I.2 and VII.I.3 below, the undertakings referred to in article II.I.1 below are required to prepare the consolidated financial statements if:

a) such undertaking or one or more other undertakings to which it is not connected pursuant to paragraphs 1, 2 or 3 are subject to common management in compliance with:

i. an agreement entered into with such undertaking; or

ii. the statutes of the other undertakings referred to above;

or

b) the administrative, management or supervisory bodies of such undertaking and those of one or more other undertakings to which it is not connected pursuant to paragraphs 1, 2 or 3, are comprised mostly of the same persons in office during the financial year and up to the preparation of the consolidated financial statements.

9. If the PARENT COMPANIES prepare consolidated financial statements pursuant to paragraph 8 above, such undertakings and their DAUGHTER COMPANIES are consolidated when one or more of such undertakings are organised in one of the categories regulated by article 2 of the COMPANIES LAW or, if incorporated abroad, in one of the categories equivalent to those listed in annexes I and II of the directive no. 2013/34/EU as subsequently amended.

10. In case of a consolidation referred to in paragraph 8 above, the consolidated financial statements should be prepared by the undertaking that, based on the data of the last consolidated financial statements approved, or, if not prepared, of the last financial statements approved, presents the higher amount of total assets including the commitments to disburse funds and the guarantees issued. In such event, any reference contained in this title to PARENT COMPANIES is referred to such undertakings required to prepare the consolidated financial statements.

11. Due to the effect of the joint provisions of articles 54 and 55 of the LISF, the provisions of the articles of this part VII apply also to the parent holding companies when in the number of the companies of the GROUP the undertaking exercising reserved activities pursuant to the LISF, subject matter of this Regulation, have a critical relevance. Because of the foregoing, the parent HOLDING companies are regarded as PARENT COMPANIES.

12. The provisions of article VII.I.3 below do not apply to the DAUGHTER COMPANIES that are an authorised party of San Marino under the LISF or that are a foreign person exercising an activity similar to those regulated by annex 1 of the LISF, when their shares are temporarily held for the purposes of a financial support transaction aimed at its restructuring or bail out by a PARENT COMPANY required to consolidate. The consolidated explanatory notes contain additional information about the nature and terms of the financial support transactions.

Article VII.I.2 – Exemptions from the requirement to prepare the consolidated financial statements

1. The PARENT COMPANY is not required to prepare the consolidated financial statements (exempted undertaking) if it is, at the same time, a DAUGHTER COMPANY of another undertaking located in San Marino or abroad, when all of the following conditions are met:

a) the exempted undertaking has not issued any securities listed on a stock exchange;
b) the PARENT COMPANY holds no less than 90% of the voting rights that may be exercised in the ordinary meeting of the exempted undertaking provided the other shareholders or partners approved the exemption;
c) the exempted undertaking and, without prejudice to article VII.I.3 below, all of its DAUGHTER COMPANIES are consolidated in the financial statements of a greater group of undertakings, the PARENT COMPANY of which is subject to the laws of San Marino or of a foreign Country where consolidation requirements similar to those of San Marino are in force;
d) the consolidated financial statements are prepared by the PARENT COMPANY of the GROUP of undertakings referred to in letter c) above, in compliance with the laws of San Marino or the foreign equivalent to which such PARENT COMPANY is subject.

2. The undertaking is exempted if it publishes, in compliance with the procedures required under the company laws in force, the following documents prepared by its PARENT COMPANY:
a) the consolidated financial statements inclusive of the consolidated report on operations;
b) the report of the auditing company.

3. For the purposes of the publication, the documents referred to in points a) and b) of paragraph 2 above must be prepared in Italian or in the language of the Country of the PARENT COMPANY, provided they are accompanied by a sworn translation into Italian.

4. The explanatory notes of the exempted company specify:
a) the name and registered office of the parent company that prepares the consolidated financial statements;
b) the reasons behind the exemption from the preparation of the consolidated financial statements.

5. The exemptions referred to in this article may not be applied if the provisions in force require the undertaking exempted pursuant to this Regulation, to prepare the consolidated financial statements because such document is required for the information to the employees or their representatives, or by an administrative or judicial authority under its request.

6. Without prejudice to the general principles referred to in article II.II.2 above, it is exempted from the requirements of article VII.I.1 above any PARENT COMPANY that:
a) owns only DAUGHTER COMPANIES that are irrelevant, both individually and as a group;
or
b) all of its DAUGHTER COMPANIES may be excluded from the consolidation by virtue of article VII.I.3 below.

Article VII.I.3 – Cases of exclusion from consolidation

1. Without prejudice to the provisions of paragraph 12 of article VII.I.1, DAUGHTER COMPANIES may be excluded from the consolidation when at least one of the following conditions is met:

a) exceptional cases where the information necessary to the preparation of the consolidated financial statements in compliance with this Regulation may not be obtained without incurring in disproportionate costs or unjustified delays;
b) the shares or units of such undertaking are held only in view of their subsequent disposal; or
c) serious and permanent restrictions substantially jeopardise the exercise by the PARENT COMPANY of its rights on the assets or on the direction/management of such enterprise or the exercise of the common management of such undertaking present in one of the reports mentioned in paragraph 8 of article VII.I.1.

Title II
Provisions for the preparation of the consolidated financial statements

Article VII.II.1 – General Criteria

1. For the purposes of the preparation of the consolidated financial statements, the provisions referred to in part from I to IV apply, taking into account the essential adjustments resulting from the peculiarities of consolidated financial statements as compared to corporate financial statements.

2. As regards only the first financial year of application of the consolidated financial statements, 1st January 2017 is assumed as conventional date of reference for the consolidation of HOLDINGS previously purchased for the purpose of calculating the differences from cancellation referred to in the articles below.

Article VII.II.2 – Full consolidation

1. Assets and liabilities and OFF-BALANCE SHEET TRANSACTIONS together with the proceeds and costs of the undertakings included in the consolidation are reported entirely in the consolidated financial statements, except as provided for in the articles below.

Article VII.II.3 – Consolidation of holdings

1. The HOLDINGS in the capital of the undertakings included in the consolidation are offset with the corresponding fraction of the net equity of such undertakings. Shares or units of the undertaking required to prepare the consolidated financial statements and held by the same undertaking or by the DAUGHTER COMPANIES included in the consolidation, are not subject to offsetting and are treated as own shares or units.

2. The offsetting referred to in paragraph 1 is carried out on the basis of the values referred to the date in which the DAUGHTER COMPANY is included in the consolidation for the first time or to the date of acquisition of the

HOLDING in such undertaking, or, if the acquisition was carried out in several phases, to the date when the undertaking became a DAUGHTER COMPANY.

3. If the offsetting referred to in paragraph 1 determines a difference, such difference is recognised, to the extent possible, directly to the consolidated balance sheet items the value of which is higher or lower than the respective book values.

4. Any difference remaining after the application referred to in paragraphs 2 and 3 is recognised in the consolidated balance sheet in a specific item named "goodwill", except where it may be recognised, entirely or in part, in the profit and loss account. Negative goodwill may be included in the consolidated profit and loss account only if this treatment satisfies the principles set forth in the articles of parts II and III above. The amount registered under assets is subject to amortisation.

5. The methods applied to calculate the value of the goodwill and the significant changes from the consolidated financial statements of the previous financial year are adequately explained in the consolidated explanatory notes.

6. The differences resulting from the conversion, at the foreign exchange rate applicable as at the reference date of the consolidated financial statements, of the net equity of the DAUGHTER COMPANIES included in the consolidation, existing at the beginning of an accounting period, are included under consolidated reserves, similarly to the differences from conversion resulting from the transactions made to hedge such capital and reserves.

Article VII.II.4 – Minority shares or units

1. The amount of consolidated net equity ascribable to shares or units in DAUGHTER COMPANIES included in the consolidation, held by persons not connected to such undertakings, is recognised separately in the consolidated balance sheet as "minority holdings" or "minority interest".

2. The amount of consolidated economic performance ascribable to minority shares or units in DAUGHTER COMPANIES, held by persons not connected to such undertakings, is recognised separately in the consolidated profit and loss account in an item named "profit (loss) ascribable to minority holdings".

Article VII.II.5 – Mutual relations

1. The consolidated financial statements present the financial position and results of operations of the undertakings included in the consolidation as if they were one single undertaking. Due to the foregoing, the following were eliminated from the consolidated financial statements:

a) credits and debts and OFF-BALANCE SHEET TRANSACTIONS between undertakings included in the consolidation;
b) proceeds and costs related to transactions between undertakings included in the consolidation;

c) profits and losses resulting from transactions made between undertakings included in the consolidation, if included in the book value of the assets.

2. The eliminations specified in the preceding paragraph may be omitted if of an insignificant amount, according to the provisions of the general principles for the preparation of the financial statements referred to in the articles of part II of this Regulation.

Article VII.II.6 – Reference date of the consolidated financial statements

1. The reference date of the consolidated financial statements is the same as that of the financial statements of the PARENT COMPANY required to prepare the consolidated financial statements pursuant to article VII.I.1.

Article VII.II.7 – Valuations

1. Assets and liabilities items included in the consolidation are valued on a uniform basis consistently with the provisions contained in the articles referred to in parts II e III of this Regulation.

2. The valuation criteria are those used in the financial statements of the PARENT COMPANY that prepares the consolidated financial statements. However, other criteria may be used, providing explanations and reasons thereof in the consolidated explanatory notes, as long as they are admitted by this Regulations.

3. If an undertaking included in the consolidation adopted valuation criteria other than those used for the financial statements pursuant to paragraph 2, a new valuation is carried out of the assets and liabilities and OFF-BALANCE SHEET TRANSACTIONS of such undertakings, unless the differences are insignificant. In exceptional cases, derogations to such principle are allowed, provided such derogations are specified and duly grounded in the explanatory notes.

4. The balance of deferred taxes is recognised in the consolidation, to the extent it is likely that they will result in a tax cost in a foreseeable future for one of the consolidated undertakings.

5. When the assets items included in the consolidation were subject to a VALUE ADJUSTMENT only following the application of tax laws, such items are included in the consolidated financial statements only after the elimination of such adjustments.

Article VII.II.8 – Proportional consolidation

1. If an undertaking included in the consolidation controls another undertaking jointly with one or more undertakings not included in the consolidation, the latter is included in the consolidated financial statements proportionally to the rights held in its capital by the undertaking included in the consolidation.

2. The cases for exclusion from the consolidation provided for in article VII.I.3 apply

3. In any case, the SUBSIDIARY is excluded from consolidation when the HOLDING in such undertaking, held by the PARENT COMPANY required to perform the consolidation and the other undertakings controlled by it, is lower than 20% in aggregate.

Article VII.II.9 – Recognition of related undertakings according to the net equity method

1. If an undertaking included in the consolidation has a HOLDING in a RELATED UNDERTAKING, the latter will be registered in the consolidated balance sheet under a specific item named "Non-consolidated holdings". The value of such HOLDING recognised in the consolidated balance sheet is determined pursuant to the provisions of article III.II.8 above; the fraction, however, corresponding to the SHARE in the profits for the financial year is recognised in a specific item of the consolidated profit and loss account.

2. The provisions of the preceding paragraph are applicable also to HOLDINGS in SUBSIDIARIES and to HOLDINGS in undertakings subject to joint control that are excluded from the consolidation pursuant to article VII.I.3.

3. It is possible not to apply this article when the HOLDINGS in the capital of the RELATED UNDERTAKING are insignificant.

4. If a RELATED UNDERTAKING prepares consolidated financial statements, the provisions of article III.II.8 are applied to the net equity resulting from such consolidated financial statements.

Article VII.II.10 – Contents of the consolidated explanatory notes

1. The consolidated explanatory notes include the information prescribed by the articles of part V of this Regulation, presented so as to facilitate the assessment of the financial situation of the group of undertakings included in the consolidation, taking into account the essential adjustments resulting from the peculiarities of the consolidated financial statements as compared to the financial statements, including the following:

a) the specification of the transactions between related parties does not include the transactions between related parties included in a consolidation that are eliminated with the consolidation;
b) the average number of employees on pay-roll during the financial year, includes, separately, the average number of employees on pay-roll of the undertakings subject to proportional consolidation;
c) the amount of the remuneration, advances and loans granted to the members of the administrative, management and supervision bodies includes only the amounts granted by the PARENT COMPANY and its DAUGHTER COMPANIES to the members of the bodies of the PARENT COMPANY.

2. In addition to the provisions of paragraph 1 of this article, the consolidated explanatory notes specify:

a) for the companies included in the consolidation:
    i. the name and registered office of the undertakings;

ii. the fraction of capital held in such undertakings, other than the PARENT COMPANY, by the undertakings included in the consolidation or by a person acting on its own name but for the account of such undertakings; and

iii. information related to the conditions, of those referred to in article VII.I.1 paragraphs 1, 3 and 8 and subject to the previous application of article VII.I.1 paragraphs 5, 6 and 7 of this Regulation, that form the basis of the consolidation. This specification, however, in not required if the consolidation was carried out pursuant to article VII.I.1 paragraph 1, letter a) and if the fraction of capital coincides with the percentage of voting rights held.

b) for the RELATED UNDERTAKINGS referred to in article VII.II.9, their name and registered office, specifying the fraction of their capital held by undertakings included in the consolidation or by a person acting in its own name but for the account of such undertakings;

c) for the undertakings subject to proportional consolidation pursuant to article VII.II.8, their name and registered office, specifying the elements from which the joint control of such undertakings is inferred, and the fraction of their capital held by undertakings included in the consolidation or by a person acting in its own name but for the account of such undertakings; and

d) for each of the undertakings other than those mentioned in letters a), b) and c) above, in which the undertakings included in the consolidation have a HOLDING, directly or through a person acting in its own name but for the account of such undertakings:

i. the name and registered office of the undertakings;

ii. the fraction of capital held;

iii. the amount of net equity and profit or loss of the undertaking in question for the last financial year for which the financial statements were approved.

3. With reference to paragraph 2 letter d) above, the information related to the net equity and profit or loss may be omitted if the undertaking in question does not publish its balance sheet.

4. With reference to paragraph 2 letter a) above, the same information is provided for the undertakings excluded from the consolidation due to their insignificance pursuant to article II.II.3 paragraph 1 letter j), and article VII.I.2 paragraph 6 and the reasons must be specified for the exclusion from the undertakings referred to in article VII.I.3.

5. If the composition of the group of undertakings included in the consolidation during the financial year changed significantly, the consolidated financial statements provide the information that make the comparison with the following consolidated financial statements significant. This requirement may be satisfied by preparing an adjusted comparative balance sheet and an adjusted comparative profit and loss account.

6. The information referred to in paragraph 2 above may be omitted when it may seriously harm one of the undertakings specified therein. Such omission is mentioned in the explanatory notes.

Article VII.II.11 – Consolidated report on operations

1. The consolidated report on operations contains, besides the information prescribed by other provisions of this Regulation, the information referred to in article VI.I.1 and VI.I.2 (where applicable), taking into account the essential adjustments resulting from the peculiarities of the consolidated reports on operations as compared to the reports on operations, so as to facilitate the assessment of the situation of the group of undertakings included in the consolidation.

2. The following adjustments are applied to the information referred to in articles VI.I.1 and VI.I.2:

   a) when reporting the data concerning own shares acquired, the consolidated report on operations specifies the number and face value or, absent any face value, the accounting par value of each share or unit of the PARENT COMPANY held by the PARENT COMPANY itself, by its DAUGHTER COMPANIES or by a person acting in its own name but for the account of such undertakings. This information are not required if already included in the consolidated explanatory notes;
   b) in the information on internal control systems and risk management, the report on corporate governance refers to the main features of such systems for the group of undertakings included in the consolidation.

3. The consolidated report on operations may replace the report on operations referred to in article VI.I.1 when it adopts all contents thereof as provided for in this Regulation.

PART VIII
PROVISIONS ON AUDITING

Title I
Auditing of the financial statements

Article VIII.I.1 – Auditing requirements for the financial statements and consolidated financial statements.

1. Pursuant to article 33 of the LISF, the persons referred to in article II.I.1 must:
   a) entrust the auditing function to an Auditing Company;
   b) submit its financial statements for the certification by the appointed Auditing Company in charge of the accounting control.

2. The Auditing Company owner of the powers, duties, responsibilities provided for in title II chapter IV of the COMPANIES LAW, without prejudice to the provisions of the preceding paragraph and of article 34 of the LISF, must:
   a) express an opinion on the following:
      i. whether the report on operations, including the section of the report related to corporate governance, is consistent with the financial statements for the same financial year, and
      ii. whether the report on operations, including the section of the report related to corporate governance, was prepared in compliance with the applicable requirements provided for in this Regulation;
   b) declare whether, based on its knowledge and understanding of the undertaking and relevant context, acquired during the auditing, it identified any significant erroneous declarations in the report on operations, and provide an indication on the nature of such erroneous declarations.

3. As regards the consolidated financial statements and the documents comprising the consolidated financial statements, paragraphs 1 and 2 above are applied *mutatis mutandi*.

Article VIII.I.2 – Contents of the Auditing Report.

1. The auditing report must contain:
   a) an introduction paragraph that specifies at least which are the financial statements being audited as well as the pattern of rules of the information of financial statements applied in their preparation;
   b) a description of the scope of application of the audit, which entails at least the indication of the auditing principles based on which the audit was carried out;
   c) a positive, qualified or negative opinion on the financial statements, clearly stating whether, in the opinion of the auditor:

i. the financial statements provide a true and correct picture, according to the pattern of rules on financial statements information; and

ii. where applicable, they satisfy the requirements of law.

d) should the auditor find it impossible to express an opinion on the financial statements: a declaration stating that it is impossible to express an opinion;

e) the indication of each element on which the auditor intends to attract the attention of the recipients of the financial statements, without issuing, however, a qualified opinion;

f) the opinion and the declaration referred to in article VIII.I.1 paragraph 2.

2. The auditing report bears at least the signature of the auditor(s) who carries(y) out the auditing for the account of the company. Subject to the prior authorisation of the CENTRAL BANK, such signature(s) may be omitted if their publication would entail a serious and impending threat for the personal safety of any individual. In any case, the name(s) of the individual(s) involved is/are disclosed to the CENTRAL BANK.

3. The provisions of the preceding paragraphs are applicable *mutatis mutandi* to the auditing of the consolidated financial statements. When providing an opinion on the consistency of the report on operations with the financial statements, as required by paragraph 1, letter f) above, the auditor or the auditing company consider the consolidated financial statements and the consolidated report on operations. If the financial statements of the PARENT COMPANY are attached to the consolidated financial statements, the auditing reports required under this article may be combined.

4. The provisions of this article do not prevent the inclusion in the auditing report of other information required by the regulations of the CENTRAL BANK and applicable to the persons referred to in article II.I.1.

PART IX
PUBLICATION

Title I
Publication of financial statements and consolidated financial statements

Article IX.I.1 – Publication of financial statements and consolidated financial statements

1. The persons referred to in article II.II.1 are required to publish the financial statements according to the procedures set forth in article 84 of the COMPANIES LAW, and to attach all documents provided for by article 83 of the same Law.

2. The consolidated financial statements, inclusive of the documents required under this Regulation (report on operations, on corporate governance where applicable, etc.), must be published in compliance with the national laws and regulations from time to time in force.

PART X
FINAL PROVISIONS

Title I
Final Provisions

Article X.I.1 – First financial year of application

1. The provisions of this Regulation related to the corporate financial statements are applicable starting from the first financial year following that of its entry into force.
2. The provisions of this Regulation related to the consolidated financial statements are applicable starting from the second financial year following that of its entry into force.

Article X.I.2 – Abrogations and transitional rules

1. As regards the financial year 2016, the undertakings continue to apply the supervisory provisions on financial statements in force as at the issued date of this Regulation.

2. Without prejudice to the provisions of paragraph 1 above, starting from 1st January 2017, the following provisions must be regarded as abrogated:

- Regulation No. 2008-02;
- Regulation No. 2007-05;
- Uniform Letter no. 31/F;
- CBSM circular letter prot. 12/9610;
- CBSM circular letter prot. 13/298;
- CBSM circular letter prot. 14/1384

Article X.I.3 – Entry into force

1. This Regulation shall enter into force on 1st September 2016.

BANCA CENTRALE
DELLA REPUBBLICA DI SAN MARINO

ANNEXES

To the Regulation on the preparation of the corporate financial statements and consolidated financial statements of the authorised parties

year 2016 - number 02

ANNEX

A

Balance Sheet and

Profit and Loss Account Formats

Annex A

BALANCE SHEET

ASSETS

	Assets items	t	t-1
10.	Cash balance and funds available at central banks and post offices		
20.	Treasury Bonds and other financial instruments admitted for refinancing purposes at the central banks		
	a) Treasury Bonds and similar financial instruments;		
	b) other financial instruments admitted for refinancing purposes at the central banks		
30.	Loans to credit institutions		
	a) on demand		
	b) other credits		
40	Loans to customers		
	a) on demand		
	b) other credits		
50.	Bonds and other debt financial instruments		
	a) issued by public institutions		
	b) issued by credit institutions		
	c) issued by financial undertakings other than credit institutions		
	d) issued by other institutions		
60.	Shares, units and other capital financial instruments		
70.	Shareholdings		
	a) Financial undertakings		
	b) Non-financial undertakings		
80.	Shereholdings in undertakings of the group		
	a) Financial undertakings		
	b) Non-financial undertakings		
90.	Intangible fixed assets *		
	a) Financial leasing		
	b) Assets pending leasing		
	- *of which* resulting from terminated leasing agreements		
	- *of which* for breach of the lessee		
	c) Goodwill		
	d) Start-up expenses		
	e) Other intangible fixed assets		
100.	Tangible fixed assets *		
	a) Financial leasing		
	b) Assets pending financial leasing		
	- *of which* assets resulting from terminated leasing agreements		

	- *of which* for breach of the lessee c) Lands and buildings d) Other tangible fixed assets		
110.	Subscribed capital not paid in - *of which* called capital		
120.	Own shares or units		
130.	Other assets		
140.	Accrued revenues and deferred expenses a) accrued revenues b) deferred expenses		
150.	**Total assets**		

* The recording of the amounts concerning the residual credit of the leasing agreements is net of the relevant depreciations and the value adjustments in relation to creditworthiness.

continues: **BALANCE SHEET**

LIABILITIES

	Liabilities items	t	t-1
10.	Debts with credit institutions		
	a) on demand		
	b) term or notice debts		
20.	Debts with customers		
	a) on demand		
	b) term or notice debts		
30.	Debts represented by financial instruments		
	a) bonds		
	b) certificates of deposit		
	c) other financial instruments		
40.	Other liabilities		
	- *of which* cheques in circulation and other securities		
50.	Accrued expenses and deferred revenues		
	a) accrued expenses		
	b) deferred revenues		
60.	Staff retirement allowances		
70.	Financial risks and costs funds		
	a) retirement and similar costs funds		
	b) tax funds		
	c) other funds		
80.	Credit risk funds		
90.	General financial risk fund		
100.	Subordinated liabilities		
110.	Subscribed capital		
120.	Issue premiums		
130.	Reserves		
	a) ordinary or legal reserve		
	b) reserve for own shares or units		
	c) statutory reserves		
	d) other reserves		
140.	Revaluation reserve		
150.	Profits (losses) carried forward		
160.	Profit (loss) for the financial year		
170.	**Total liabilities**		

Annex A

continues: **BALANCE SHEET**

GUARANTEES AND COMMITMENTS

	Items	t	t-1
10.	Guarantees issued - *of which:* a) acceptances b) other guarantees		
20.	Commitments - *of which:* a) for certain use - *of which:* financial instruments b) for uncertain use - *of which:* financial instruments c) other commitments		
	Total		

Annex A

PROFIT AND LOSS ACCOUNT – Vertical Presentation

	Items of the profit and loss account	**t**	**t-1**
10.	Interest received and other proceeds		
	a) on inter-bank loans		
	b) on loans to customers		
	c) on debt securities		
20.	Interest paid and other costs		
	a) on debts with banks		
	b) on debts with customers		
	c) on debts represented by securities		
	- *of which* on subordinated liabilities		
30.	Dividends and other proceeds		
	a) on shares, quotas and other capital securities		
	b) on holdings		
	c) on holdings in group businesses		
40.	Commissions Received		
50.	Commissions Paid		
60.	Profits (losses) from financial operations		
70.	Other operating proceeds		
80.	Other operating costs		
90.	Administrative costs:		
	a) Labour costs		
	of which:		
	- wages and salaries		
	- pension contributions		
	- staff retirement allowances		
	- severance and indemnity-related costs		
	- directors and statutory auditors		
	- other labour costs		
	b) Other administrative costs		
100.	Value adjustments on intangible fixed assets		
110.	Value adjustments on tangible fixed assets		
120.	Provisions for financial risks and costs		
130.	Provisions to the credit risk funds		
140.	Value adjustments on credits and provisions for guarantees and commitments		
150.	Value recoveries on credits and provisions for guarantees and commitments		
160.	Value adjustments on financial fixed assets		
170.	Value recoveries on financial fixed assets		
180.	**Profit (loss) from ordinary activities**		
190.	Extraordinary proceeds		
200.	Extraordinary Costs		
210.	**Extraordinary profit (loss)**		
220.	Income tax for the financial year		
230.	Variation to the Fund for general financial risks		
240.	**Profit (loss) for the financial year**		