



Banca Simef
Financial Statements 2009

EIGHTH YEAR

BANCA SIMETICA S.p.A.

Share Capital € 7,600,000 fully paid-in

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

Tax code/VAT No. 02071270025

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

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

Head Office: Via N. Sauro, 10 – 13900 BIELLA, Italy. Tel. +39 015/21660 – Fax +39 015/8351086
Website: www.bancasimetica.it – e-mail: info@simetica.it

COMPANY BOARDS

Company boards	page...	7
Distinguishing factors	page...	9

REPORT ON OPERATIONS

Report on operations	page...	12
The three pillars of Banca Simetica	page...	13
Changes in the main balance sheet and profit and loss account items	page...	14
Operational highlights	page...	15
The general situation	page...	15
Client services	page...	17
Analysis of performance	page...	19
Management commissions	page...	22
Profit for the period	page...	22
R&D	page...	23
Security Policy Document	page...	23
Corporate Governance	page...	23
Internal Codes	page...	24
Control environment	page...	24
Internal controls	page...	24
Risk management	page...	25
Capital requirement for operational risk	page...	26
Other information	page...	26
Social Report	page...	26
Significant events in early 2010	page...	26
Outlook	page...	26
Allocation of profits for the year	page...	27

FINANCIAL STATEMENTS FOR THE YEAR ENDED AT 31/12/2009

Balance Sheet	page...	28
Profit and Loss Account	page...	30
Statement of comprehensive income	page...	31
Statement of changes in shareholders' equity	page...	32
Cash flow statement - direct method	page...	34

NOTES TO THE FINANCIAL STATEMENTS

Part A: Accounting Policies	page...	37
Part B: Information on the Balance Sheet	page...	46
Part C: Information on the Profit and Loss Account	page...	64
Part D: Comprehensive Income	page...	71
Part E: Risks and related risk management policies	page...	72
Part F: Equity	page...	93
Part H: Transactions with related parties	page...	96

REPORTS

Report of the Board of Statutory Auditors	page...	97
Independent Auditors' Report	page...	99

Company boards

Board of Directors

PIER LUIGI BARBERA	Chairman
GIORGIO MELLO RELLA	Managing Director
MAURO BRUNIERA	Executive Director
NICOLA PASTORELLO	Independent Director

Pier Luigi BARBERA

Chairman

Appointed Chairman on 30 April 2009, he is responsible for the proper functioning of the corporate governance system and for guaranteeing the balance of powers. He acts as a point of contact between the internal supervisory bodies and committees.

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

Giorgio MELLO RELLA

Managing Director

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

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

Mauro BRUNIERA

Executive Director

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

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



From left: Mauro Bruniera, Nicola Pastorello, Pier Luigi Barbera e Giorgio Mello Rella.

Board of Statutory Auditors

MARIO ROVETTI	Chairman
ENZO MARIO NAPOLITANO	Statutory Auditor
GIOVANNI SPOLA	Statutory Auditor
FILIPPO MARIA BAU'	Alternate Auditor
ANDREA CEDOLINI	Alternate Auditor



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

Independent Auditors

Deloitte & Touche S.p.A.

Distinguishing factors

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

Art. 3) Ethical objectives

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

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

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

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

Art. 19) Financial statements and profits

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

Net profits shall be allocated as follows:

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

funds, which must be observed by the Board of Directors operating under the supervision of the Ethics Committee;

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

Art. 20) Ethics Committee

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

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

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

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

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

Art. 21) Social or sustainability report

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

**TRIBUTE TO NICOLA PASTORELLO, INDEPENDENT DIRECTOR OF BANCA
SIMETICA**

Dear Shareholders,

Before examining the company's performance and data in the accounts, our thoughts go to Nicola Pastorello who passed away prematurely on 9 March 2010, aged 67.

Mr. Pastorello had been with the company right from the start.

He will always be remembered for his cordial manner, calm demeanour and outstanding human qualities, which made it a pleasure to work with him.

He is in our prayers.

Report on Operations

Dear Shareholders,

2009, our eighth year of operation, stands out as the year we obtained bank status.

The company managed its transformation into Banca Simeica S.p.A., which took place in the midst of a severe economic crisis, with the utmost professionalism and a strong team spirit.

The organisational structure bore up extremely well to the changes imposed by a new set of laws and accounting procedures, enabling each of our business departments to confirm the economic results of previous years.

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

Our internal and external auditors and supervisory boards played an important role in supporting the various business units and senior management, contributing with their professional support in the form of focused and concrete analyses and proposals.

The operational units identified and exploited the best opportunities with the lowest levels of risk, using well-established arbitrage strategies and at the same time making important contributions to the markets in terms of transparency, efficiency and liquidity. Their activities were particularly positive in the first six months of the year, which was a particularly difficult time.

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

At the end of the year total assets under management exceeded € 102.5 million.

Gross income from asset management reached almost 5.5% (weighted average). This was an excellent result which further boosted our first-rate professional reputation.

One negative aspect regarded the decision by the LSE (London Stock Exchange) to transfer a number of markets from Milan to London in July. For us this meant increased costs and loss of technical efficiency.

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

Special thanks are due to the unpaid members of the Ethics Committee, Mons. Giovanni Sacchi, Dr Andrea Quaregna and Dr. Emanuela Nicolo for their important contribution. Under the provisions of the bylaws, having been in office for the second three-year term they cannot be re-elected.

The financial statements for the year ended at 31 December 2009, which you are invited to approve, reflect a net income of € 3,967,218, after depreciation and amortisation for € 65,837 and income tax for € 1,616,532.

The three pillars of Banca Simetica

At a time of profound upheaval and continuous change throughout the financial world, we decided that the best legal form to remain a viable and competitive player in the marketplace was that of a bank.

Our key objective is to enhance the reputation of the new bank, on the basis of three distinctive pillars:

- High ideals
- High professional standards
- Irreproachable conduct

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

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

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

The following statements illustrate the changes to the main items in the balance sheet and profit and loss account; please note that in the following statements, data for FY 2008 have been reclassified on the basis of the items that constitute the financial statements of banks.

ASSETS			
VALUES IN EURO	31/12/2009	31/12/2008	CHANGE
CASH AND RECEIVABLES	21.857.588	19.504.026	2.353.562
FINANCIAL ASSETS HELD FOR TRADING	19.631.064	3.663.490	15.967.574
INTANGIBLE AND TANGIBLE ASSETS	686.117	190.421	495.696
OTHER ASSETS	1.868.200	1.332.742	535.458
TOTAL ASSETS	44.042.969	24.690.679	19.352.290

LIABILITIES			
VALUES IN EURO	31/12/2009	31/12/2008	CHANGE
DUE TO CLIENTS	18.810.277	143.588	18.666.689
FINANCIAL LIABILITIES HELD FOR TRADING	1.600.595	4.153.549	(2.552.954)
SEVERANCE INDEMNITY FUND	373.415	288.067	85.348
OTHER LIABILITIES	2.830.872	3.074.884	(244.012)
SHAREHOLDERS' EQUITY	20.427.810	17.030.591	3.397.219
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	44.042.969	24.690.679	19.352.290

PROFIT AND LOSS ACCOUNT			
VALUES IN EURO	31/12/2009	31/12/2008	CHANGE
INTEREST MARGIN	442.686	944.554	(501.868)
NET FEES AND COMMISSIONS	297.161	84.216	212.945
EARNING MARGIN	9.496.937	10.797.449	(1.300.512)
OPERATING COSTS	(3.913.187)	(3.709.561)	(203.626)
INCOME TAX	(1.616.532)	(1.966.332)	349.800
PROFIT FOR THE YEAR	3.967.218	5.121.556	(1.154.338)

Operational highlights

FINANCIAL INDICATORS

	2009	2008	Change %
TOTAL ASSETS	44.042.969	24.690.679	78,38
TOTAL FUNDS USED AND INVESTED (CLIENTS AND BANKS)	21.848.526	19.493.921	12,08
TOTAL ASSETS UNDER MANAGEMENT	102.553.992	75.410.392	36,00
SHAREHOLDERS' EQUITY	20.427.810	17.030.591	19,95
INTEREST MARGIN	442.686	944.554	-53,13
EARNING MARGIN	9.496.937	10.797.449	-12,04
ADMINISTRATIVE EXPENSES AND PERSONNEL COSTS	(3.847.559)	(3.591.603)	7,13
GROSS PROFIT FOR THE YEAR	5.649.587	7.158.819	-21,08
NET RESULT	3.967.218	5.121.556	-22,54

Data expressed in units of Euro

EFFICIENCY INDEXES

	2009	2008
ROE	23,29	41,04
ADMINISTRATIVE EXPENSES/EARNING MARGIN	40,51	33,26

The economic scenario

In the first part of 2009, GDP growth fell in the EU, USA and some emerging countries (Russia, Mexico). Stock markets slipped sharply, with prices falling to their lowest level in the last 10 years.

To prevent the financial crisis triggered by the subprime mortgage meltdown from spreading to the entire system, the governments of the main industrialised countries approved measures to salvage the most heavily indebted financial institutions and support households and businesses.

The central banks introduced expansionary measures, which significantly increased money supplies.

As a result of these combined actions, the financial markets changed course and in some cases even returned to pre-crisis levels.

EQUITY MARKET TRENDS

	2009	2008
S&P MIB	19.47%	-49.53%
DAX	23.85%	-40.37%
DJ EuroStoxx 50	20.95%	-43.60%
S&P 500	23.45%	-38.49%
NASDAQ Composite	43.89%	-40.54%
Nikkei 225	19.04%	-42.12%
Shanghai Composit	79.98%	-65.39%
MSCI World	26.98%	-42.08%

Source: Bloomberg

The real economy began to show signs of recovery, especially in the second half of the year; however, these are not yet sufficient to mark the end of the crisis, particularly in view of continuing high unemployment rates reported by Italian statistics institutes.

GROWTH IN REAL GDP (1)	Q1	Q2	Q3	Q4	2009	2008
Italy	-2.70%	-0.50%	0.60%	-0.20%	-5.00%	-1.00%
Germany	-3.50%	0.40%	0.70%	0.00%	-5.00%	1.20%
Euro area	-2.50%	-0.10%	0.40%	0.10%	-4.00%	0.60%
UK	-2.60%	-0.60%	-0.30%	0.30%	-5.00%	0.50%
US	-1.70%	-0.20%	0.60%	1.50%	-2.40%	0.40%
Japan	-3.20%	1.30%	0.00%	1.10%	-5.00%	-1.20%
China	-	-	-	-	8.70%	9.60%

(1) year-on-year percentage change

Source: FMI

In terms of consumer prices, the rate of inflation did not rise in 2009.

TRENDS IN CONSUMER PRICES (1)	2009	2008
Italy	0.80%	3.30%
Germany	0.30%	2.60%
Euro area	0.30%	3.30%
UK	-0.60%	4.00%
US	-0.40%	3.80%
Japan	-1.40%	1.40%
China	-0.70%	5.90%

(1) percentage change compared to the previous year

Source: FMI

However, returns on long-term government securities continued to rise, especially in the US.

BOND MARKET TRENDS	2009	2008
BUND	-2.92%	10.37%
T NOTE	-8.20%	10.94%

Source: Bloomberg

The measures adopted by the various governments, accompanied by weak economic growth, caused a surge in the fiscal deficits of almost all countries. This is having particularly serious repercussions in nations that have been unable to keep their finances under tight control, such as Greece, where the fiscal deficit for 2009 is estimated to be 12.7% of gross domestic product.

Recovery appears more stable in the emerging economies, especially China and India, which have benefitted from higher rates of private saving and a healthy trade surplus, enabling them to adopt measures to sustain the economy based on the creation of the infrastructure they need.

Client services

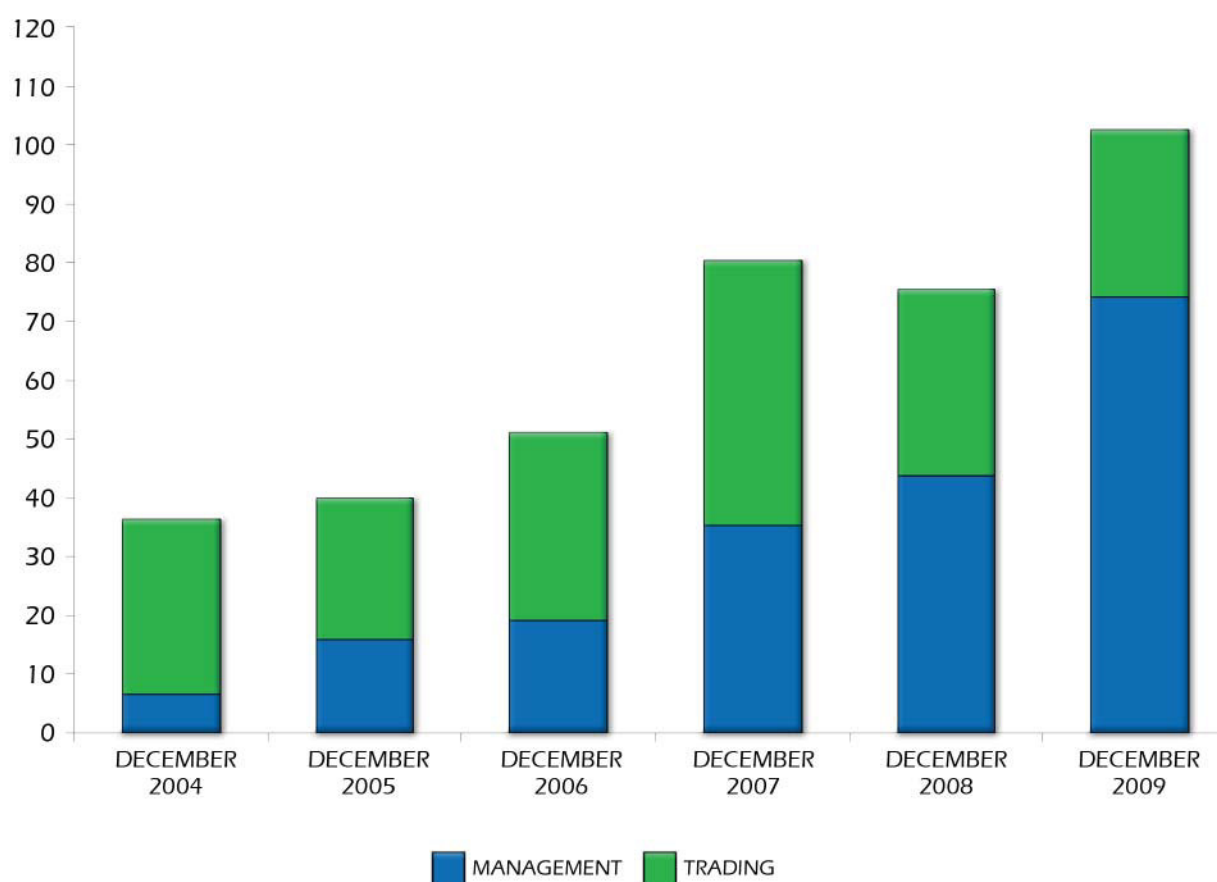
As at 31 December 2009 clients' total equity amounted to € 102.5 million, with clients' assets managed for a total of € 74.1 million.

There was a 36% upswing in clients' assets managed compared to 31 December 2008, due to the noteworthy increase in total assets managed (+ 69.4%).

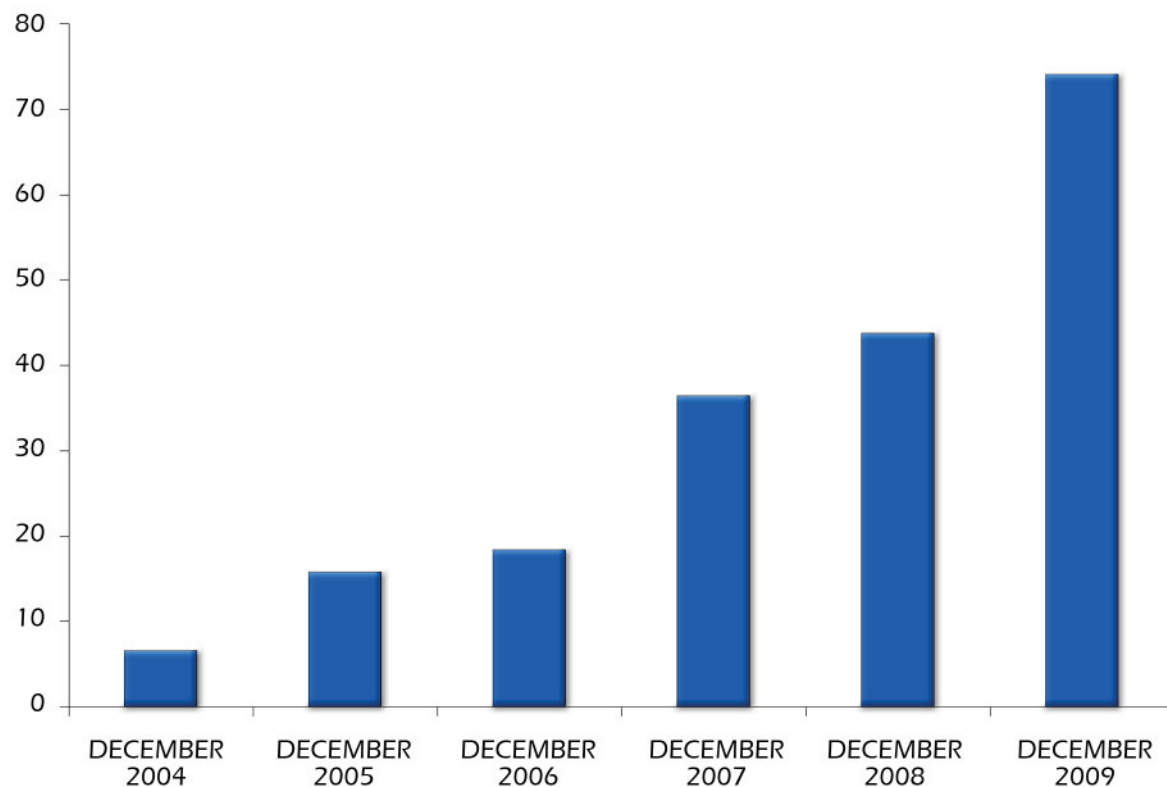
Clients' funds were traded in financial instruments (excluding futures contracts) for a total of € 1.314 million, compared to € 488 million in 2008.

Portfolio management accounted for a significant proportion of the funds traded (€ 1.253 million).

Total funds administered 2004 - 2009



Assets under management 2004 - 2009

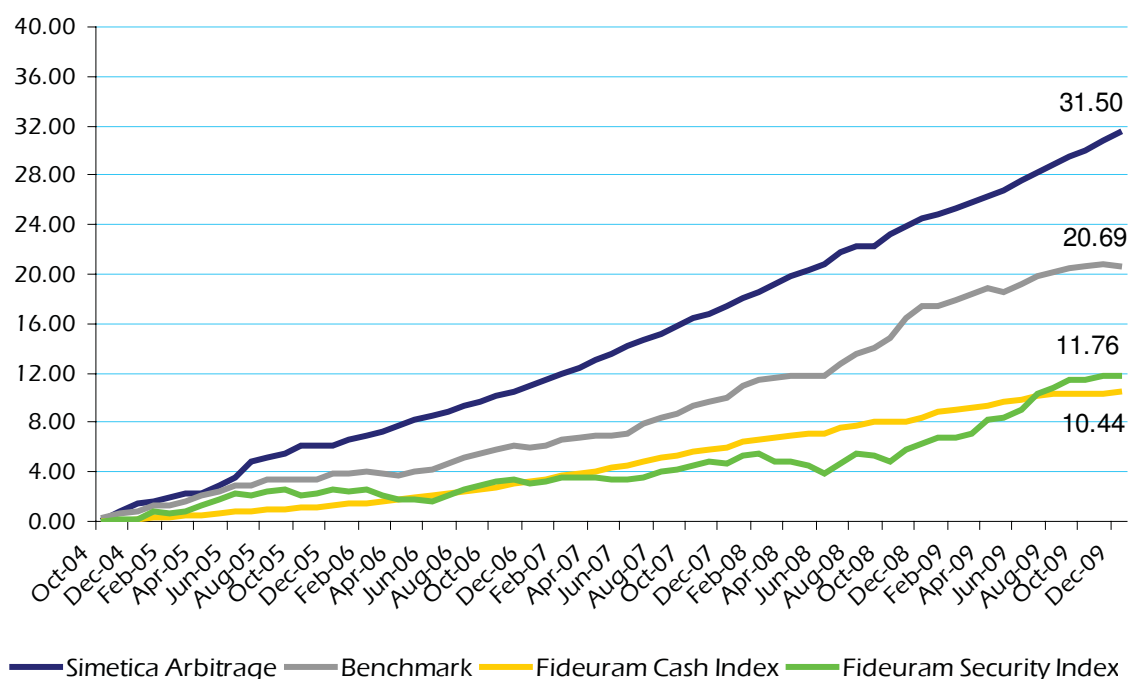


Data in Euro Million

Analysis of performance

Simetica Arbitrage

ANALYSIS OF PERFORMANCE AT 31/12/2009



SIMETICA ARBITRAGE

Performance in last 12 months	5.66%
Performance in last 12 months Fideuram Cash Index	1.94%
Performance in last 12 months Fideuram Security Index	5.21%
Benchmark performance in last 12 months	2.84%
Performance from 01/10/2004	31.50%
Performance from 01/10/2004 Fideuram Cash Index	10.44%
Performance from 01/10/2004 Fideuram Security index	11.76%
Benchmark performance from 01/10/2004	20.69%

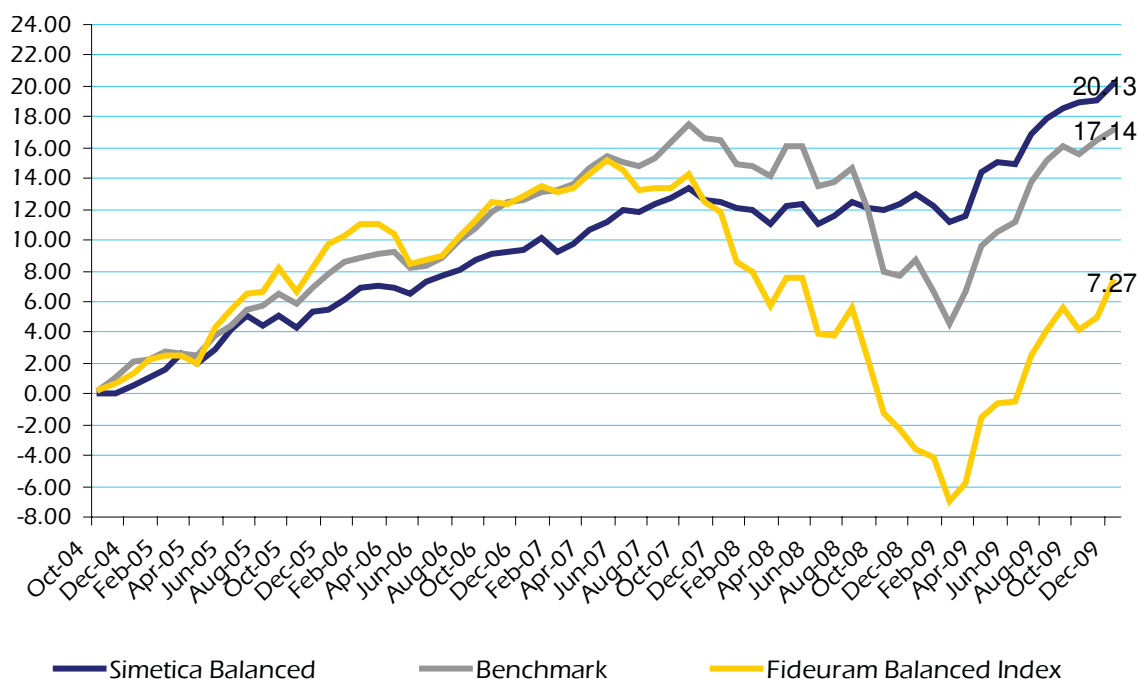
Performance is net of fees and gross of tax

BREAKDOWN OF BENCHMARK PERFORMANCE: ARBITRAGE

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

Simetica Balanced

ANALYSIS OF PERFORMANCE AT 31/12/2009



SIMETICA BALANCED

Performance in last 12 months	6.41%
Performance in last 12 months Fideuram Balanced Index	11.34%
Benchmark performance in last 12 months	7.79%
Performance from 01/10/2004	20.13%
Performance from 01/10/2004 Fideuram Balanced Index	7.27%
Benchmark performance from 01/10/2004	17.14%

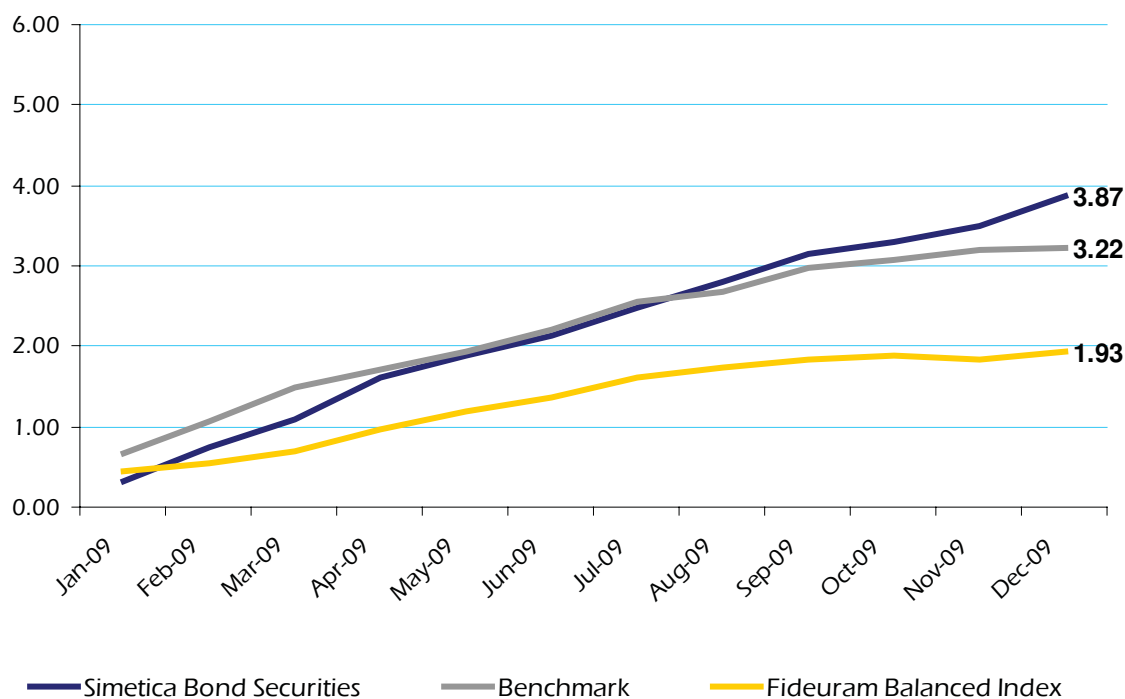
Performance is net of fees and gross of tax

BREAKDOWN OF BENCHMARK PERFORMANCE: BALANCED

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

Simetica Bond Securities

ANALYSIS OF PERFORMANCE AT 31/12/2009



SIMETICA BOND SECURITIES

Performance in last 12 months	3.87%
Performance in last 12 months Fideuram Balanced Index	1.93%
Benchmark performance in last 12 months	3.22%

Performance is net of fees and gross of tax

BREAKDOWN OF BENCHMARK PERFORMANCE: BOND SECURITIES

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

Management fees

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

We believe that establishing a clear, serious relationship with our clients is the best investment for securing their long-term loyalty. For this reason we charge no other fees (accounting, deposit of securities, etc.).

In 2009 management fees amounted to € 231,702, in addition to commissions on performance for € 82,062, which reflected the excellent results achieved by the Simetica Arbitrage line of products.

Profit for the period

Net profit for 2009 amounted to € 3,967,218. ROE was 23.29 %.

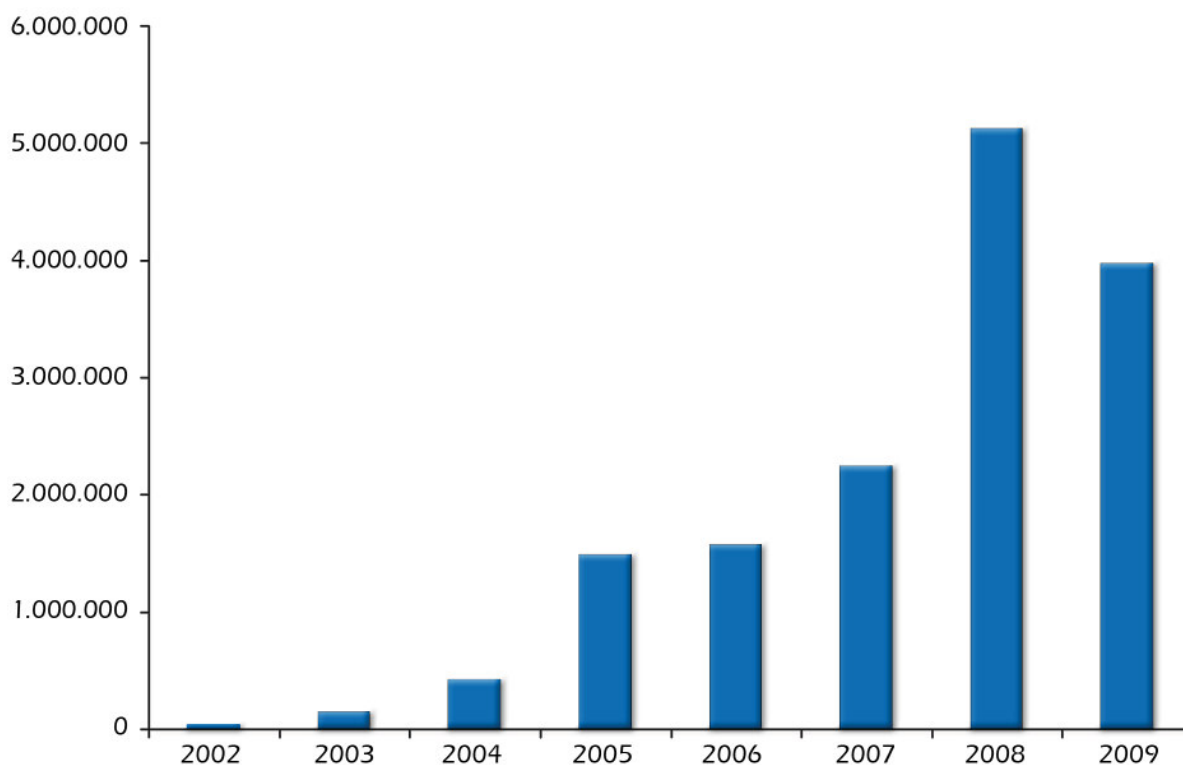
As stated in last year's report on operations, the exceptional rise in profits in 2008 was due to the extraordinary surge in financial market volatility in the months immediately after the collapse of Lehman Brothers.

Despite decreased volatility over the past year, our Proprietary Trading department continued to report results that can be considered more than satisfactory.

There was a significant upswing in income from Portfolio Management services, which made a positive contribution to the net profit.

Net profit 2002 - 2009

data in euro



R&D

In 2009 Banca Simefica continued to undertake important actions aimed at fostering development and strengthening its position as a fully integrated and specialist operator in the trade and arbitrage sector. This, together with the continuous and systematic reviewing of our internal production processes and upgrading to ensure compliance with recent changes in the law, were important factors in enabling us to achieve excellent results in the various sectors.

Security Policy Document

The Security Policy Document for 2010 was revised, in accordance with Legislative Decree No. 196 of 30 June 2003.

Corporate Governance

The transformation from securities firm to bank resulted in a number of changes to the corporate governance structure, in accordance with Banca d'Italia regulations, more specifically to its Supervisory requirements concerning the organisation and corporate governance of banks, issued on 4 March 2008. Our new bylaws envisage the substantial continuity of the previous business model, which is based on a traditional system of administration and control.

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

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

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

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

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

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

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

The Supervisory Body is responsible for overseeing operations of the overall internal control system. It monitors the efficiency of all structures and functions involved in the control system and their proper coordination and promotes corrective measures when any shortcomings or irregularities are detected.

It works with the company's internal control structures and functions to carry out the necessary tests and checks and the latter provide it with the appropriate information at regular intervals or in relation to specific circumstances or results.

Internal codes

The company has implemented an Organisational, Management and Control Model, in accordance with Legislative Decree 231/2001. The document provides a detailed set of guidelines, the purpose of which is to prevent the offences for which the company would be held administratively liable under said law.

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

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

Control environment

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

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

Internal controls

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

1. Level one (line controls)

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

2. Level two controls

Performed by the Risk Management and Compliance departments.

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

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

3. Level three controls

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

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

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

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

Risk management

Given the specific operational and organisational structure of Banca Simetica, the company is exposed to various risks, which are listed below according to each operational activity.

Proprietary Trading

- Position risk
- Counterparty risk
- Liquidity risk
- Operational risk

Execution, collection and transmission of orders on behalf of clients

- Counterparty risk
- Liquidity risk
- Operational risk

Management of investment portfolios

- Counterparty risk
- Liquidity risk
- Operational risk

Following the transformation from securities firm to bank, all the risks to which the company is exposed and the relative control procedures have been re-examined; particular attention has been paid to the methods used to monitor liquidity and identify the new regulatory framework within which to operate.

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

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

See part E of the notes for a more detailed description of each type of risk and the relative procedures in place for monitoring and controlling these.

Capital requirement for operational risk

The transformation from securities firm to bank resulted in the adoption of a new method for calculating the regulatory capital, which is now based on the provisions set out in the New Regulations for the Prudential Supervision of Banks (circular No. 263 of 27 December 2006).

The bank's individual solvency (tier ratio) is well above the 8% limit required by Banca d'Italia, and stood at 49.64% at 31 December 2009.

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

Other information

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

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

The company is not subject to direction and coordination by any other corporate entities pursuant to the provisions of art. 2497 of the Italian Civil Code.

Social Report

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

Significant events in early 2010

In January work commenced on the construction of the new office building at the site on the corner of Via Croso and Via Dal Pozzo in Biella.

Outlook

In the first part of 2010 business operations in general and arbitrage and trading activities in particular were in line with the budget approved by the Board of Directors.

Excellent results have been achieved in terms of deposits, which stand at a total of € 107.60 million.

On the basis of these facts the outlook for 2010 is positive.

Allocation of profits for the year

Dear Shareholders,

You are invited to approve the financial statements for the year ended at 31 December 2009. We propose allocating the net profit for the year, amounting to € 3,967,218 as follows:

€	198.361	legal reserve
€	315.692	statutory social solidarity fund*
€	2.883.165	extraordinary reserve
€	570.000	profits to be allocated

* legal reserve statutory social solidarity fund*extraordinary reserve profits to be allocated

In 2009 donations were made for € 81,030.

In 2009 total donations recorded in the profit and loss account and statutory fund allocations amounted to € 396,722.

Biella, 25 march 2010

The Board of Directors
Chairman
Pier Luigi Barbera

Balance Sheet

ASSETS	2009	2008
10. Cash and liquid assets	9,062	10,105
20. Financial assets held for trading	19,631,064	3,663,490
30. Financial assets at fair value		
40. Financial assets available for sale		
50. Financial assets held to maturity		
60. Due from banks	21,843,434	19,488,829
70. Due from clients	5,092	5,092
80. Hedging derivatives		
90. Value adjustment to financial assets with generic hedge (+/-)		
100. Shareholdings		
110. Tangible assets	679,114	181,079
120. Intangible assets	7,003	9,342
of which:		
- goodwill		
130. Tax assets	1,849,167	1,250,069
a) current	1,845,670	1,247,563
b) prepaid	3,497	2,506
140. Non-current assets and disposal groups		
150. Other assets	19,033	82,673
Total assets	44,042,969	24,690,679

Balance Sheet

LIABILITIES AND SHAREHOLDERS' EQUITY	2009	2008
10. Due to banks		
20. Due to clients	18,810,277	143,588
30. Securities in issue		
40. Financial liabilities held for trading	1,600,595	4,153,549
50. Financial liabilities at fair value		
60. Hedging derivatives		
70. Value adjustment to financial liabilities with generic hedge (+/-)		
80. Tax liabilities	1,631,649	1,988,476
a) current	1,622,083	1,974,350
b) deferred	9,566	14,126
90. Liabilities associated with disposal groups		
100. Other liabilities	1,199,223	1,086,408
110. Severance indemnity fund	373,415	288,067
120. Provisions for risks and charges		
a) pensions and similar obligations		
b) other funds		
130. Valuation reserves		
of which: for disposal groups		
140. Refundable shares		
150. Capital instruments		
160. Reserves	7,560,592	3,009,035
170. Issue premium	1,300,000	1,300,000
180. Capital	7,600,000	7,600,000
190. Own shares (-)		
200. Profit (Loss) for the year (+/-)	3,967,218	5,121,556
Total liabilities and shareholders' equity	44,042,969	24,690,679

Profit and Loss Account

ITEMS	2009	2008
10. Interest and similar income	467,464	1,078,302
20. Interest and similar expenses	(24,778)	(133,748)
30. Interest margin	442,686	944,554
40. Income from fees and commissions	790,392	510,853
50. Costs of fees and commissions	(493,231)	(426,637)
60. Net fees and commissions	297,161	84,216
70. Dividends and similar income	29,921	468,489
80. Net profits on trading	8,727,169	9,300,190
90. Net profits on hedging		
100. Gains (losses) on the sale or repurchase of:		
a) receivables		
b) financial assets available for sale		
c) financial assets held to maturity		
d) financial liabilities		
110. Net profits on financial assets and liabilities recognised at fair value		
120. Earning margin	9,496,937	10,797,449
130. Net value adjustments/re-adjustments for impairment of:		
a) receivables		
b) financial assets available for sale		
c) financial assets held to maturity		
d) other financial transactions		
140. Net operating result	9,496,937	10,797,449
150. Administrative expenses:	(3,847,559)	(3,591,603)
a) personnel costs	(2,054,608)	(2,092,476)
b) other administrative expenses	(1,792,951)	(1,499,127)
160. Net provisions to reserves for risks and charges		
170. Adjustments/re-adjustments to net value of tangible assets	(62,109)	(58,884)
180. Adjustments/re-adjustments to net value of intangible assets	(3,728)	(12,047)
190. Other operating expense/income	209	(47,027)
200. Operating costs	(3,913,187)	(3,709,561)
210. Profit (loss) on equity investments		
220. Net result of tangible and intangible assets carried at fair value		
230. Adjustments to goodwill		
240. Profit (loss) on the sale of investments		
250. Profit (loss) on current operations before tax	5,583,750	7,087,888
260. Income tax on current operations for the year	(1,616,532)	(1,966,332)
270. Profit (loss) on current operations net of tax	3,967,218	5,121,556
280. Profit (loss) on disposal groups net of tax		
290. Net profit (loss) for the year	3,967,218	5,121,556

Statement of comprehensive income

VOCI		2009	2008
10.	Net profit (loss) for the year	3,967,218	5,121,556
	Other income items net of tax		
20.	Financial assets available for sale:		
30.	Tangible assets		
40.	Intangible assets		
50.	Foreign investment hedges:		
60.	Cash flow hedges:		
70.	Exchange differences:		
80.	Non-current disposal groups:		
90.	Actuarial gains (losses) on defined benefit schemes		
100.	Portion of the valuation reserve calculated using the equity method:		
110.	Total other income items net of tax		
120.	Comprehensive income (Item 10+110)	3,967,218	5,121,556

Statement of Changes in Shareholders' Equity 2009

			CHANGE IN THE YEAR											
	Balance at 31.12.2008	Change in opening balance	Balance at 1.1.2009	Allocation of previous year's profit			Operations on shareholders' equity						Comprehensive income 2009	Shareholders' equity at 31.12.2009
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of own shares	Extraordinary distribution of dividends	Change in capital instruments	Derivatives on own shares	Stock options		
Capital:	7,600,000		7,600,000											7,600,000
a) ordinary shares	7,600,000		7,600,000											7,600,000
b) other shares														
Issue premium	1,300,000		1,300,000											1,300,000
Reserves:	3,009,035		3,009,035	4,551,556										7,560,592
a) retained earnings	3,009,035		3,009,035	4,551,556										7,560,592
b) other														
Valuation reserves														
Capital instruments														
Own shares														
Profit (Loss) for the year	5,121,556		5,121,556	(4,551,556)	(570,000)								3,967,218	3,967,218
Shareholders' equity	17,030,591		17,030,591	-	(570,000)								3,967,218	20,427,810



Statement of Changes in Shareholders' Equity 2008

	CHANGE IN THE YEAR													Shareholders' equity 31.12.2008
	Balance at 31.12.2007	Change in opening balance	Balance at 1.1.2008	Allocation of previous year's profit		Operations on shareholders' equity							Comprehensive income 2008	
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of own shares	Extraordinary distribution of dividends	Change in capital instruments	Derivatives on own shares	Stock options		
Capital:	7,600,000		7,600,000											7,600,000
a) ordinary shares	7,600,000													
b) other shares														
Issue premium	1,300,000		1,300,000											1,300,000
Reserves:	1,334,456		1,334,456	1,674,682		(103)								3,009,035
a) retained earnings	1,334,456		1,334,456	1,674,682		(103)								3,009,035
b) other														
Valuation reserves														
Capital instruments														
Own shares														
Profit (Loss) for the year	2,244,682		2,244,682	(1,674,682)	(570,000)								5,121,556	5,121,556
Shareholders' equity	12,479,138		12,479,138		(570,000)	(103)							5,121,556	17,030,591



Statement of Cash Flows- direct method

	2009	2008
A. OPERATIONAL ACTIVITIES		
1. Management	4,118,403	5,312,267
- interest earned (+)	467,464	1,078,302
- interest paid (-)	(24,778)	(133,748)
- dividends and similar income(+)	29,921	468,489
- net fees and commissions (+/-)	297,161	84,216
- personnel costs (-)	(1,969,260)	(1,972,696)
- other costs (-)	(1,792,951)	(1,571,725)
- other revenues (+)	8,727,378	9,325,761
- tax and duties (-)	(1,616,532)	(1,966,332)
- costs/revenues on disposal groups net of tax (+/-)		
2. Cash flow generated/absorbed by financial assets	(16,503,032)	4,977,991
- financial assets held for trading	(15,967,574)	4,034,811
- financial assets at fair value		
- financial assets available for sale		
- due from clients		
- due from banks: on demand		
- due from banks: other receivables	5,467,502	1,206,454
- other assets	(535,458)	(263,274)
3. Cash flow generated/absorbed by financial liabilities	15,869,724	3,741,563
- due to banks: on demand		
- due to banks: other payables		
- due to clients	18,666,690	143,588
- securities in issue		
- financial liabilities held for trading	(2,552,954)	2,401,196
- financial liabilities at fair value		
- other liabilities	(244,012)	1,196,779
Net cash flow generated/absorbed by operational activities	3,485,095	14,031,821
B. INVESTMENTS		
1. Cash flow generated by		
- sale of equity investments		
- dividends on equity investments		
- sale/repayment of financial assets held to maturity		
- sale of tangible assets		
- sale of intangible assets		
- sale of lines of business		
2. Cash flow absorbed by	(561,533)	(72,479)
- purchase of equity investments		
- purchase of financial assets held to maturity		
- purchase of tangible assets	560,144	71,021
- purchase of intangible assets	1,389	1,458
- purchase of lines of business		

	2009	2008
Net cash flow generated/absorbed by investments	(561,533)	(72,479)
C. FUNDING		
- issue/purchase of own shares		
- issue/purchase of capital instruments		
- distribution of dividends and other allocations	(570,000)	(570,103)
Net cash flow generated/absorbed by funding	(570,000)	(570,103)
Net cash flow generated/absorbed in the year	2,353,562	13,389,239

KEY: (+) generated; (-) absorbed

RECONCILIATION

	2009	2008
Cash and liquid assets at 01/01/2009	19,498,934	6,109,695
Total net liquid assets generated/absorbed in the year	2,353,562	13,389,239
Cash and liquid assets : effect of exchange rate variations		
Cash and liquid assets at 31/12/2009	21,852,496	19,498,934

Notes to the Financial Statements

Part A – Accounting policies

Part B – Information on the balance sheet

Part C – Information on the profit and loss account

Parte D – Comprehensive income

Parte E – Risks and related risk management policies

Parte F – Equity

Parte H – Transactions with related parties

Notes to the Financial Statements

Part A - Accounting policies

A.1 General information

• Section 1

Statement of compliance with international accounting standards

The financial statements of BANCA SIMETICA S.p.A. for the year ended 31 December 2009 have been drawn up in compliance with the IAS/IFRS developed by the IASB, and the relative interpretations of the IFRIC, adopted by the European Commission under Regulation (EC) No. 1606/2002.

• Section 2

Preparation criteria

These financial statements have been drawn up according to the instructions issued by Banca d'Italia in circular No. 262 of 22 December 2005, as amended on 18 November 2009, "Financial statements of banks: preparation criteria and format". Please note that data referring to FY 2008 have been reclassified in the items that constitute the financial statements of banks.

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

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

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

Unless otherwise specified, the amounts shown in the financial statements, explanatory notes and report on operations are in Euro.

• **Section 3**

Events after the reporting period

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

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

A.2 Main items in the balance sheet

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

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

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

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

Recognition criteria

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

Classification criteria

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

Valuation criteria

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

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

Derecognition criteria

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

Criteria for recognising income items

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

• **Receivables**

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

Recognition criteria

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

Classification criteria

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

Valuation criteria

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

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

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

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

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

Derecognition criteria

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

Criteria for recognising income items

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

• Tangible assets

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

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

Recognition criteria

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

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

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

Classification criteria

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

Valuation criteria

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

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

At each balance sheet or interim report date, the company reviews the carrying amounts of its fixed assets to determine whether there is any indication that those assets have suffered an impairment loss. The impairment loss is the difference between the asset’s carrying amount and its recoverable amount. The latter is the higher of the fair value, net of selling costs, and the related value in use intended as the present value of the future cash flows expected to be generated by the asset. The impairment loss is immediately recognised in the profit and loss account under item “170 Adjustments to the net value of tangible assets”.

This item also includes any future write-backs that may be recorded if the reasons that gave rise to the original impairment cease to exist.

Derecognition criteria

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

Criteria for recognising income items

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

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

• Intangible assets

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

An intangible asset is identifiable when:

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

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

Recognition criteria

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

The cost of an intangible asset includes:

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

Criteri di classificazione

Le attività immateriali includono il software applicativo ad utilizzazione pluriennale.

Valuation criteria

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

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

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

Intangible assets with an indefinite useful service life are recognised at cost less any impairment losses.

These losses are recorded as a result of the impairment tests carried out on an annual basis. As a result, these assets are not amortised.

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

Derecognition criteria

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

Criteria for recognising income items

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

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

• Current and deferred tax assets and liabilities

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

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

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

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

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

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

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

• **Payables and securities in issue**

Classification criteria

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

Recognition criteria

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

Valuation criteria

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

Derecognition criteria

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

• **Transactions in foreign currency**

Recognition criteria

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

Valuation criteria

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

Criteria for recognising income items

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

- **Other information**

Employee Severance Indemnity

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

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

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

Revenue

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

Charges

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

A.3 FAIR VALUE

A.3.1 Portfolio transfers

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

A.3.2 Fair value hierarchy

A.3.2.1 ACCOUNTING PORTFOLIOS: BREAKDOWN BY FAIR VALUE LEVEL				
Financial assets/liabilities at fair value	Level 1	Level 2	Level 3	Total
1. Financial assets held for trading	19,631,064			19,631,064
2. Financial assets at fair value				
3. Financial assets available for sale				
4. Hedging derivatives				
Total	19,631,064			19,631,064
1. Financial liabilities held for trading	1,600,595			1,600,595
2. Financial liabilities at fair value				
3. Hedging derivatives				
Total	1,600,595			1,600,595

Parte B - Information on the balance sheet - Assets

Section 1 – Cash and liquid assets – Item 10

1.1 CASH AND LIQUID ASSETS: BREAKDOWN

	2009	2008
a) Cash	9,062	10,105
b) Free deposits with Central Banks		
Total	9,062	10,105

Section 2 - Financial assets held for trading - Item 20

2.1 FINANCIAL ASSETS HELD FOR TRADING: PRODUCT BREAKDOWN

Items/Amounts	2009			2008		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A Financial assets						
1. Debt securities	18,174,626					
1.1 Structured securities	209,948					
1.2 Other debt securities	17,964,678					
2. Equity instruments	669,728			1,766,461		
3. Units in investment funds						
4. Loans						
4.1 Repos						
4.2 Other						
Total A	18,844,354			1,766,461		
B Derivative instruments						
1. Financial derivatives	786,710			1,897,029		
1.1 trading	786,710			1,897,029		
1.2 fair value option						
1.3 other						
2. Credit derivatives						
2.1 trading						
2.2 fair value option						
2.3 other						
Total B	786,710			1,897,029		
Total (A+B)	19,631,064			3,663,490		

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

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

Items/Amounts	Total 2009	Total 2008
A. Financial assets		
1. Debt securities	18,174,626	
a) Governments and Central Banks	16,987,403	
b) Other public-sector entities		
c) Banks	209,948	
d) Other issuers	977,275	
2. Equity instruments	669,728	1,766,461
a) Banks	67,171	273,648
b) Other issuers:	602,557	1,492,813
- insurance companies		
- financial companies	3,838	17,841
- non-financial institutions	598,719	1,474,972
- other		
3. Units in investment funds		
4. Loans		
a) Governments and Central Banks		
b) Other public-sector entities		
c) Banks		
d) Other issuers		
Total A	18,844,354	1,766,461
B. Derivative instruments		
a) Banks		
- fair value		
- notional value		
b) Clients	786,710	1,897,029
- fair value	786,710	1,897,029
- notional value		
Total B	786,710	1,897,029
Total (A+B)	19,631,064	3,663,490

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

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

	Debt securities	Equity instruments	Units in investment funds	Loans	Total
A. Opening balance		1,766,461			1,766,461
B. Increases					
B1. Purchases	13,583,578,001	157,910,014	2,646,227,441		
B2. Increases in fair value	1,228	14,215			
B3. Other changes	5,346,227	831,977	5,029,046		
C. Reductions					
C1. Sales	13,558,908,844	159,696,120	2,651,207,682		
C2. Refunds	11,768,539				
C3. Reductions in fair value	35,993	3,181			
C4. Transfer to other portfolios					
- Financial assets available for sale					
- Financial assets held to maturity					
- Due from banks					
- Due from clients					
C5. Other changes	37,454	153,638	48,805		
D. Closing balance	18,174,626	669,728	0		

Sezione 6 – Due from banks – Item 60

6.1 DUE FROM BANKS: PRODUCT BREAKDOWN		
Type of transactions / Amounts	Totale 2009	Totale 2008
A. Loans to Central Banks		
1. Time deposits		
2. Compulsory reserves		
3. Repos		
4. Other		
B. Loans to banks	21,843,434	19,488,829
1. Current accounts and demand deposits	21,712,738	19,488,829
2. Time deposits	130,696	
3. Other loans:		
3.1 Repos		
3.2 Finance leases		
3.3 Other		
4. Debt securities		
4.1 Structured		
4.2 Other		
Total (carrying amount)	21,843,434	19,488,829
Total (fair value)	21,843,434	19,488,829

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

Sub-item "B. 1 current accounts and demand deposits" includes the company's liquid assets held with banks at the end of the year subject to ordinary market conditions and inclusive of accruals at the end of the year; it includes receivables for initial margins against positions on held-for-trading derivative financial instruments listed on regulated markets.

Section 7 – Due from clients – Item 70

7.1 DUE FROM CLIENTS: PRODUCT BREAKDOWN

Type of transactions / Amounts	Total 2009		Total 2008	
	Performing	Impaired	Performing	Impaired
1. Current accounts				
2. Repos				
3. Mortgages				
4. Credit cards, personal loans and salary-backed loans				
5. Financial leases				
6. Factoring				
7. Other transactions	5,092		5,092	
8. Debt securities				
8.1 Structured securities				
8.2 Other debt securities				
Total (carrying value)	5,092		5,092	
Total (fair value)	5,092		5,092	

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

7.2 DUE FROM CLIENTS: BREAKDOWN BY BORROWER/ISSUER

Type of transactions / Amounts	Totale 2009		Totale 2008	
	Bonis	Deteriorate	Bonis	Deteriorate
1. Debt securities:				
a) Governments				
b) Other public-sector entities				
c) Other issuers				
- non-financial companies				
- financial companies				
- insurance companies				
- other				
2. Loans to:	5,092		5,092	
a) Governments				
b) Other public-sector entities				
c) Other issuers	5,092		5,092	
- non-financial companies				
- financial companies				
- insurance companies				
- other	5,092		5,092	
Total	5,092		5,092	

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

Section 11 - Tangible assets – Item 110

11.1 TANGIBLE ASSETS: BREAKDOWN OF ASSETS VALUED AT COST		
Assets/Amounts	Total 2009	Total 2008
A. Assets for operational use		
1.1 owned	679,114	181,079
a) land		
b) buildings		
c) furniture and fittings	25,230	31,253
d) electronic systems	160,636	149,826
e) other	493,248	
1.2 leased		
a) land		
b) buildings		
c) furniture and fittings		
d) electronic systems		
e) other		
Total A	679,114	181,079
B. Held-for-investment assets		
2.1 owned		
a) land		
b) buildings		
2.2 leased		
a) land		
b) buildings		
Total B		
Total (A+B)	679,114	181,079

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

The following depreciation rates are applied:

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

11.3 TANGIBLE ASSETS FOR OPERATIONAL USE: CHANGES FOR THE YEAR

	Land	Buildings	Furniture & fittings	Electronic systems	Other	Total
A. Gross opening balance			31,253	149,826		181,079
A.1 Total net reduction in value						
A.2 Net opening balance			31,253	149,826		181,079
B. Increases:			1,655	65,241	493,248	560,144
B.1 Purchases			1,655	65,241	493,248	560,144
B.2 Capitalised expenditure on improvements						
B.3 Write-backs						
B.4 Increase in fair value						
a) shareholders' equity						
b) profit and loss						
B.5 Positive exchange differences						
B.6 Transfer from properties held for investment						
B.7 Other changes						
C. Reductions:			7,678	54,431		62,109
C.1 Disposals						
C.2 Depreciation			7,678	54,431		62,109
C.3 Impairment losses						
a) in equity						
b) through profit or loss						
C.4 Reductions of fair value						
a) in equity						
b) through profit or loss						
C.5 Negative exchange differences						
C.6 Transfers to:						
a) tangible assets held for investment						
b) assets held for sale						
C.7 Other changes						
D. Net final balance			25,230	160,636	493,248	679,114
D.1 Total net reduction in value						
D.2 Gross closing balance			25,230	160,636	493,248	679,114
E. Carried at cost						

In 2009 the increase in the "Other" item consisted of costs incurred to commence the construction work on the new office building.

Section 12 - Intangible assets - Item 120

12.1 ATTIVITÀ IMMATERIALI: COMPOSIZIONE PER TIPOLOGIA DI ATTIVITÀ				
Assets/Values	Totale 2009		Totale 2008	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill				
A.2 Other intangible assets	7,003		9,342	
A.2.1 Assets carried at cost:	7,003		9,342	
a) internally generated				
b) other	7,003		9,342	
A.2.2 Assets carried at fair value:				
a) internally generated				
b) other				
Total	7,003		9,342	

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

12.2 INTANGIBLE ASSETS: CHANGES FOR THE YEAR

	Good-will	Other intangible assets: internally generated		Other intangible assets: other		Total
		Finite life	Indefinite life	Finite life	Indefinite life	
A. Opening balance				9,342		9,342
A.1 Total net reductions in value						
A.2 Net opening balance				9,342		9,342
B. Increases				1,389		1,389
B.1 Purchases				1,389		1,389
B.2 Increases in internally generated intangible assets						
B.3 Write-backs						
B.4 Increase in fair value:						
- in equity						
- through profit or loss						
B.5 Positive exchange differences						
B.6 Other changes						
C. Reductions				3,728		3,728
C.1 Disposals						
C.2 Value re-adjustments						
- Depreciations				3,728		3,728
- Write-downs:						
+ in equity						
+ through profit or loss						
C.3 Reduction in fair value:						
- in equity						
- through profit or loss						
C.4 Transfers to non-current assets held for sale						
C.5 Negative exchange differences						
C.6 Other changes						
D. Net closing balance				7,003		7,003
D.1 Total net value re-adjustments						
E. Gross closing balance				7,003		7,003
F. Carried at cost						

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

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

13.1 Prepaid tax assets: breakdown

Prepaid tax assets for temporary differences in taxable income amounted to a total of € 3,497.

13.2 Deferred tax liabilities: breakdown

Deferred tax liabilities for temporary differences in taxable income amounted to a total of € 9,566.

13.3 CHANGES IN PREPAID TAXES (PER CONTRA IN PROFIT AND LOSS)		
	Total 2009	Total 2008
1. Opening balance	1,590	1,916
2. Increases	2,963	1,646
2.1 Prepaid taxes in the year		
a) relating to previous years		
b) due to changes in accounting criteria		
c) write-backs	2,963	1,646
d) other		
2.2 New taxes or increases in applicable tax rates		
2.3 Other increases		
3. Reductions	1,972	1,972
3.1 Prepaid taxes cancelled in the year		
a) reversals	1,972	1,972
b) write-downs for non-recovery		
c) due to changes in accounting criteria		
d) other		
3.2 Reductions in applicable tax rates		
3.3 Other reductions		
4. Closing balance	2,581	1,590

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

	Total 2009	Total 2008
1. Opening balance	14,126	22,470
2. Increases		
2.1 Deferred taxes for the year:		
a) relating to previous years		
b) due to changes in accounting criteria		
c) other		
2.2 New taxes or increases in applicable tax rates		
2.3 Other increases		
3. Reductions	4,560	8,344
3.1 Deferred taxes cancelled in the year		
a) reversals	4,560	8,344
b) due to changes in accounting criteria		
c) other		
3.2 Reductions in applicable tax rates		
3.3 Other reductions		
4. Closing balance	9,566	14,126

At year-end the bank re-examined its tax position and, in compliance with the applicable accounting standards, calculated "prepaid taxes" and "deferred taxes" on the basis of the reasonable certainty of their recovery. IRES was calculated at the rate of 27.50 % and IRAP at 4.82 %. These items are recognised in accordance with Italian tax law. The imbalance of prepaid taxes and deferred taxes calculated/cancelled in the year was recorded in profit and loss under item 260 "Income tax on current operations for the year".

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

	Total 2009	Total 2008
1. Opening balance	916	1,019
2. Increases		
2.1 Prepaid taxes recognised in the year		
a) relating to previous years		
b) due to changes in accounting criteria		
c) other		
2.2 New taxes or increases in applicable tax rates		
2.3 Other increases		
3. Reductions		103
3.1 Prepaid taxes cancelled in the year		
a) reversals		103
b) write-downs for non-recovery		
c) due to changes in accounting criteria		
d) other		
3.2 Reductions in applicable tax rates		
3.3 Other reductions		
4. Closing balance	916	916

13.7 Other information

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

Current tax assets

Description	Total 2009	Total 2008
Prepaid IRES	1,773,296	838,525
Prepaid IRAP		209,954
Withholdings	71,502	199,084
Other tax credits	872	
Total	1,845,670	1,247,563

Current tax liabilities

Description	Total 2009	Total 2008
Provision for IRES	1,544,812	1,974,350
Provision for IRAP	77,271	0
Total	1,622,083	1,974,350

Sezione 15 – Other assets – Item 150**15.1 Other assets: breakdown**

Description	Total 2009	Total 2008
Accrued income	16,301	21,518
Other minor items	2,732	61,155
Total	19,033	82,673

Part B - Information on the Balance Sheet: liabilities

Section 2 – Due to clients – Item 20

2.1 DUE TO CLIENTS: PRODUCT BREAKDOWN		
Type of transactions/Amounts	Total 2009	Totale 2008
1. Current accounts and demand deposits *	18,810,277	
2. Time deposits		
3. Loans		
3.1 Reverse repo agreements		
3.2 Other		
4. Liabilities in respect of commitments to repurchase treasury shares		
5. Other liabilities		143,588
Total	18,810,277	143,588
Fair value	18,810,277	143,588

* In 2008 there were no entries under "Current accounts and demand deposits" as the company was not a bank

Section 4 – Financial liabilities held for trading – Item 40

4.1 FINANCIAL LIABILITIES HELD FOR TRADING: PRODUCT BREAKDOWN

Type of transactions/ Amounts	Total 2009					Total 2008				
	VN	FV			FV *	VN	FV			FV *
		Level1	Level2	Level3			Level1	Level2	Level3	
A. Financial liabilities										
1. Due to banks										
2. Due to clients										
3. Debt securities										
3.1 Bonds										
3.1.1 Structured										
3.1.2 Other bonds										
3.2 Other securities										
3.2.1 Structured										
3.2.2 Other										
Total A										
B. Derivative instruments										
1. Financial derivatives										
1.1 Trading		1,600,595					4,153,549			
1.2 Fair value option										
1.3 Other										
2. Credit derivatives										
2.1 Trading										
2.2 Fair value option										
2.3 Other										
Total B		1,600,595					4,153,549			
Total (A+B)		1,600,595					4,153,549			

Key

FV = fair value

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

VN = nominal or notional value

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

Section 8 – Tax liabilities – Item 80

See section 13 of Assets

Section 10 – Other liabilities – Item 100

10.1 OTHER LIABILITIES: BREAKDOWN		
	Total 2009	Total 2008
Due to tax authorities	674,399	602,911
Social security	203,864	225,162
Accrued liabilities	116,054	107,243
Due to suppliers	201,766	151,092
Other minor items	3,140	
Total	1,199,223	1,086,408

Section 11 - Severance indemnity fund – Item 110

11.1 SEVERANCE INDEMNITY FUND: CHANGES FOR THE YEAR		
	Totale 2009	Totale 2008
A. Opening balance	288,067	168,287
B. Increases		
B.1 Provision for the year	86,062	120,476
B.2 Other changes	15	
C. Reductions		
C.1 Disbursements made		
C.2 Other changes	729	696
D. Closing balance	373,415	288,067
Total	373,415	288,067

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

This section describes the breakdown of share capital and reserves

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

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

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

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

Items/Types	Ordinary	Other
A. Issued shares as at the beginning of the year	7,600	
- fully paid	7,600	
- not fully paid		
A.1 treasury shares (-)		
A.2 Shares outstanding: opening balance	7,600	
B. Increases		
B.1 New issues		
- against payment:		
- business combinations		
- bonds converted		
- warrants exercised		
- other		
- free:		
- to employees		
- to directors		
- other		
B.2 Sales of treasury shares		
B.3 Other changes		
C. Reductions		
C.1 Cancellation		
C.2 Purchase of treasury shares		
C.3 Business transferred		
C.4 Other changes		
D. Shares outstanding: closing balance	7,600	
D.1 Treasury shares (+)		
D.2 Shares outstanding as at the end of the year	7,600	
- fully paid	7,600	
- not fully paid		

14.4 Reserves: other information

DESCRIPTION	2009	2008
Legal	551,560	295,482
Statutory	823,355	403,916
Other	6,185,677	2,309,637
Total	7,560,592	3,009,035

The legal reserve, amounting to € 551,560, is available for use to cover losses.

The statutory social solidarity fund, for € 823.355 is unavailable and will be used for socially useful purposes.

The other reserves item, for € 6.185.677, is available and distributable for use to increase capital, cover losses or distribution to shareholders.

Other information

4. MANAGEMENT AND TRADING ON BEHALF OF THIRD PARTIES	
Type of service	Amount
1. Execution of orders on behalf of clients	
a) Purchases	
1. regulated	723,808,311
2. not regulated	13,098,457
b) Sales	
1. regulated	590,356,822
2. not regulated	10,254,675
2. Portfolio management	
a) individual	56,172,388
b) collective	
3. Custody and administration of securities	
a) third-party securities held in deposit: in connection with deposit bank activities (excluding portfolio management)	
1. securities issued by the reporting bank	
2. other securities	
b) third-party securities held in deposit (excluding portfolio management): others	
1. securities issued by the reporting bank	
2. other securities	8,400,000
c) third-party securities deposited with third parties	19,173,897
d) own securities deposited with third parties	18,844,354
4. Other transactions	

Part C - Information on the profit and loss account

Section 1 – Interest - Items 10 and 20

1.1 INTEREST AND SIMILAR INCOME: BREAKDOWN

Items/Types	Debt securities	Loans	Other transactions	Total 2009	Total 2008
1 Financial assets held for trading	133,282			133,282	89,770
2 Financial assets available for sale					
3 Financial assets held to maturity					
4 Due from banks		334,182		334,182	951,491
5 Due from clients					
6 Financial assets at fair value					
7 Hedging derivatives					
8 Other assets					37,041
Total	133,282	334,182		467,464	1,078,302

1.3 Interest and similar income: additional information

1.3.1 Interest income on financial assets denominated in foreign currencies

At 31 December 2009 interest income on financial assets in foreign currencies amounted to € 169

1.4 INTEREST EXPENSE AND SIMILAR CHARGES: BREAKDOWN

Items/Types	Liabilities	Securities	Other transactions	Total 2009	Total 2008
1. Due to central banks					
2. Due to banks	24,778			24,778	133,748
3. Due to clients					
4. Securities in issue					
5. Financial liabilities held for trading					
6. Financial liabilities at fair value					
7. Other liabilities and funds					
8. Hedging derivatives					
Total	24,778			24,778	133,748

1.6 Interest expense and similar charges: additional information

1.6.1 Interest expense on liabilities in foreign currencies

At 31 December 2009 interest expense on financial liabilities in foreign currencies amounted to € 142.

Section 2 – Fees and commissions – Items 40 and 50

2.1 INCOME FROM FEES AND COMMISSIONS: BREAKDOWN		
Services/Amounts	Total 2009	Total 2008
a) guarantees given		
b) credit derivatives		
c) management, brokerage and advisory services		
1. financial instrument trading	475,873	278,156
2. currency trading		
3. portfolio management		
3.1. individual	313,764	230,012
3.2. collective		
4. custody and administration of securities		
5. deposit bank		
6. placement of securities		
7. collection and transmission of orders	755	2,685
8. advisory		
8.1. on investments		
8.2. on financial structuring		
9. distribution of third-party services		
9.1. portfolio management		
9.1.1. individual		
9.1.2. collective		
9.2. insurance products		
9.3. other products		
d) collection and payment services		
e) securitisation servicing		
f) factoring		
g) tax collection services		
h) management of multilateral trade systems		
i) management of current accounts		
j) other services		
Total	790,392	510,853

Asset management fees are inclusive of performance fees for a total of € 82,062.

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

Channels/Amounts	Total 2009	Total 2008
a) through own branches:		
1. asset management	293,292	217,273
2. placement of securities		
3. third-party products and services		
b) off-site:		
1. asset management	20,472	12,739
2. placement of securities		
3. third-party products and services		
c) other distribution channels:		
1. asset management		
2. placement of securities		
3. third-party products and services		

2.3 COSTS OF FEES AND COMMISSIONS: BREAKDOWN

Services/Amounts	Totale 2009	Totale 2008
a) guarantees received		
b) credit derivatives		
c) management and brokerage:		
1. financial instrument trading	458,971	391,598
2. currency trading		
3. portfolio management		
3.1 own		
3.2 third-party portfolios		
4. custody and administration of securities	3,614	2,809
5. placement of financial instruments		
6. off-site distribution of financial instruments, products and services	30,646	32,230
d) collection and payment services		
e) other services		
Total	493,231	426,637

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

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

- fees and commissions for disbursements € 116,860;
- fees and commissions for clearing € 220,279;
- other fees and commissions for € 121,832.

Section 3 – Dividends and similar income - Item 70

3.1 DIVIDENDS AND SIMILAR INCOME: BREAKDOWN

Item/Proceeds	Totale 2009		Totale 2008	
	dividends	proceeds from investment fund units	dividends	proceeds from investment fund units
A. Financial assets held for trading	17,410	12,511	446,618	21,871
B. Financial assets available for sale				
C. Financial assets at fair value				
D. Shareholdings				
Total	17,410	12,511	446,618	21,871

Dividend income received prior to 6 July 2009 amounted to a total of € 15,513

Section 4 – Net profits on trading – Item 80

4.1 NET PROFITS ON TRADING: BREAKDOWN

Transaction/P&L item	Gains (A)	Profits from trading (B)	Losses (C)	Losses from trading (D)	Net result [(A+B) - (C+D)]
1 Financial assets held for trading	15,443	11,207,250	39,174	239,897	10,943,622
1.1 Debt securities	1,228	5,346,227	35,993	37,454	5,274,008
1.2 Equity instruments	14,215	831,977	3,181	153,638	689,373
1.3 Units in investment funds		5,029,046		48,805	4,980,241
1.4 Loans					
1.5 Other					
2. Financial liabilities held for trading					
2.1 Debt securities					
2.2 Deposits					
2.3 Other					
3. Financial assets and liabilities: exchange differences					-9,137
4. Derivative instruments	367,894	29,632,151	341,457	31,865,904	-2,207,316
4.1 Financial derivatives:					
- on debt securities and interest rates		623,525		781,910	-158,385
- on equity securities and share indices	367,894	29,008,626	341,457	31,083,994	-2,048,931
- on currency and gold					
- Other					
4.2 Credit derivatives					
Total	383,337	40,839,401	380,631	32,105,801	8,727,169

Pursuant to decision 181 issued by Banca d'Italia on 5 March 2009, the company was authorised to conduct banking activities as from 6 July 2009.

On 7 May 2009 the company applied to CONSOB to be removed from the list of registered securities firms; this application was accepted with ruling No. 16947 of 14 July 2009.

The net result of trading activities prior to 6 July 2009 (activities undertaken as a securities firm) amounted to a total of € 5,738,816

Section 9 – Administrative expenses – Item 150

9.1 ADMINISTRATIVE EXPENSES: BREAKDOWN

Expenses/Amounts	Total 2009	Total 2008
1) Employees		
a) salaries and wages	1,391,090	1,407,963
b) social security contributions	265,507	270,604
c) employee severance indemnity		
d) national insurance contributions		
e) allocations to provisions for severance indemnity	86,062	120,476
f) provision for retirement payments and similar provisions:		
- defined contribution		
- defined benefit		
g) payments to external pension funds:		
- defined contribution		
- defined benefit		
h) costs related to share-based payments		
i) other employee benefits	22,749	12,596
2) Other staff		
3) Directors and Statutory Auditors	289,200	280,837
4) Retired employees		
5) Recoveries for employees seconded to other companies		
6) Refunds of costs for third-party employees seconded to the company		
Total	2,054,608	2,092,476

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

Current Service Cost	74.732 euro
Interest Cost per	16.199 euro
Actuarial Losses	(4.869) euro

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

9.2 AVERAGE NUMBER OF EMPLOYEES BY CATEGORY

Employees:	
a) directors	
b) middle management	5
c) other employees	15
Other personnel	

9.5 OTHER ADMINISTRATIVE EXPENSES: BREAKDOWN

Breakdown	Total 2009	Total 2008
Rentals and incidental charges	35,945	36,516
ICT expenses	478,128	318,436
Trading activities	580,190	533,445
Advisory and professional services	38,932	62,776
Outsourced services and advisory services	85,073	74,573
Auditing fees	61,133	45,128
Licensing fees	244,155	187,313
Compulsory contributions and market membership fees	46,520	43,591
Telephone and electricity	42,811	40,265
Donations	81,030	92,717
Sundries	99,034	64,367
Total	1,792,951	1,499,127

Trading expenses include fees paid for trading activities on the markets of which the bank is a direct member.

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

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

Asset/P&L item	Depreciation (a)	Impairment losses(b)	Write-backs (c)	Net result (a + b - c)
A. Property, plant and equipment				
A.1 Owned				
- Used in the business	62,109			62,109
- Held for investment				
A.2 Leased				
- Used in the business				
- Held for investment				
Total	62,109			62,109

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

12.1 ADJUSTMENTS/RE-ADJUSTMENTS TO NET VALUE OF INTANGIBLE ASSETS: BREAKDOWN				
Asset/P&L item	Amortisation (a)	Impairment losses (b)	Write-backs	Net result (a + b - c)
A. Intangible assets				
A.1 Owned				
- Internally generated				
- Other	3,728			3,728
A.2 Leased				
Total	3,728			3,728

Section 13 – Other operating expense/income – Item 190

13.1 Other operating expense: breakdown

Other operating expense amounted to € 5,305 in 2009.

13.2 Other operating income: breakdown

Other operating income amounted to € 5,514 in 2009.

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

18.1 INCOME TAX ON CURRENT OPERATIONS FOR THE YEAR: BREAKDOWN		
P&L items/Amounts	Total 2009	Total 2008
1. Current tax (-)	-1,622,083	-1,974,350
2. Change in current taxes of previous years (+/-)		
3. Reduction in current taxes for the year (+)		
4. Changes in deferred tax assets (+/-)	991	-326
5. Changes in deferred tax liabilities (+/-)	4,560	8,344
6. Tax expense for the year (-) (-1+/-2+3+/-4+/-5)	-1,616,532	-1,966,332

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

**18.2 RECONCILIATION BETWEEN THEORETICAL TAX LIABILITY AND ACTUAL TAX LIABILITY
STATED IN THE FINANCIAL STATEMENTS**

IRES	2009
Pre-tax profit (loss)	5,583,750
IRES at theoretical rate of 27.50%	1,535,531
Tax on increases	11,703
Tax on reductions	(2,422)
IRES at current actual rate of 27,67%	1,544,812
IRAP	2009
Pre-tax profit (loss)	5,583,750
IRAP at theoretical rate of 4.82%	269,137
Tax on non-taxable income	(277,706)
Tax on non-deductible expenses	85,840
IRAP at current actual rate of 1.38%	77,271

The modest incidence of IRAP on pre-tax profits for 2009 was mainly due to the fact that no IRAP was levied on the “Net result of trading activities” accrued between 01/01/2009 – 05/07/2009.

Pursuant to decision 181 issued by Banca d’Italia on 5 March 2009, the company was authorised to conduct banking activities as from 6 July 2009.

On 7 May 2009 the company applied to CONSOB to be removed from the list of registered securities firms; this application was accepted with ruling No. 16947 of 14 July 2009.

Section 21 – Earnings per share

Earnings per share, calculated as the ratio between total profit (loss) for the year and the number of ordinary shares, amounted to € 522.

Part D – Comprehensive income

Statement of comprehensive income

See the statement of comprehensive income on page 31.

Part E - Risks and related risk management policies

Section 1 – Credit risk

• Qualitative disclosure

1. General

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

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

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

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

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

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

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

For these transactions there is a counterparty limit defined according to a parametric VaR model.

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

The Proprietary Trading Manager is responsible for continuously monitoring all transactions that carry a pre-settlement risk, particularly transactions outside regulated markets and on markets where settlement is not automatic.

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

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

• **Quantitative disclosure**

A. Credit quality

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

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

Portfolio/quality	Non-performing loans	Doubtful debts	Restructured exposures	Past-due	Other assets	Total
1. Financial assets held for trading					19,631,064	19,631,064
2. Financial assets available for sale						
3. Financial assets held to maturity						
4. Loans and receivables with banks					21,843,434	21,843,434
5. Loans and receivables with clients					5,092	5,092
6. Financial assets at fair value						
7. Disposal groups						
8. Hedging derivatives						
Total 2009					41,479,590	41,479,590
Total 2008					23,157,411	23,157,411

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

Portfolio/quality	Impaired assets			Performing			Total (net exposure)
	Gross exposure	Specific write downs	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
1. Financial assets held for trading				19,631,064		19,631,064	19,631,064
2. Financial assets available for sale							
3. Financial assets held to maturity							
4. Loans and receivables with banks				21,843,434		21,843,434	21,843,434
5. Loans and receivables with clients				5,092		5,092	5,092
6. Financial assets at fair value							
7. Disposal groups							
8. Hedging derivatives							
Total 2009				41,479,590		41,479,590	41,479,590
Total 2008				23,157,411		23,157,411	23,157,411

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

Exposure types/amounts	Gross exposure	Specific write downs	Portfolio adjustments	Net exposure
A. BALANCE SHEET EXPOSURE				
a) Non-performing loans				
b) Doubtful debts				
c) Restructures exposures				
d) Past-due				
e) Other assets	21,843,434			21,843,434
TOTAL A	21,843,434			21,843,434
B. OFF-BALANCE SHEET EXPOSURE				
a) Impaired				
b) Other				
TOTAL B				

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

Exposure types/amounts	Gross exposure	Specific write downs	Portfolio adjustments	Net exposure
A. BALANCE SHEET EXPOSURE				
a) Non-performing loans				
b) Doubtful debts				
c) Restructures exposures				
d) Past-due				
f) Other assets	5,092			5,092
TOTAL A	5,092			5,092
B. OFF-BALANCE SHEET EXPOSURE				
a) Impaired				
b) Other				
TOTAL B				

A.2 Internal and external ratings

**A.2.1 DISTRIBUZIONE DELLE ESPOSIZIONI PER CASSA E "FUORI BILANCIO"
PER CLASSI DI RATING ESTERNI**

Exposures	Classi di rating esterni						No rating	Total
	AAA/AA-	A+/A-	BBB+/BBB-	BB+/BB-	B+/B-	Lower than B-		
A. Balance sheet exposures	299,276	18,635,930	21,287,863	339,082			130,730	40,692,880
B. Derivatives							786,710	786,710
B.1 Financial derivatives							786,710	786,710
B.2 Credit derivatives								
C. Guarantees given								
D. Commitments to disburse funds								
Total	299,276	18,635,930	21,287,863	339,082			917,440	41,479,590

B. Distribution and concentration of credit

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

Exposures/ Geographical areas	Italy		Other European countries		America		Asia		Rest of the world	
	Net exp.	Total write downs	Net exp.	Total write downs	Net exp.	Total write downs	Net exp.	Total write downs	Net exp.	Total write downs
A. Balance sheet exposures										
A.1 Non-performing loans										
A.2 Doubtful debts										
A.3 Restructured exposures										
A.4 Past-due										
A.5 Other exposures	5,092									
Total	5,092									
B. Off-balance sheet exposures										
B.1 Non-performing loans										
B.2 Doubtful debts										
B.3 Other impaired assets										
B.4 Other exposures										
Total										
Total (A+B) 2009	5,092									
Total (A+B) 2008	5,092									

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

Exposures/ Counterparties	Governments			Other public entities			Financial companies			Insurance companies			Non-financial companies			Other entities		
	Net exp.	Specific write downs	Portfolio write downs	Net exp.	Specific write downs	Portfolio write downs	Net exp.	Specific write downs	Portfolio write downs	Net exp.	Specific write downs	Portfolio write downs	Net exp.	Specific write downs	Portfolio write downs	Net exp.	Specific write downs	Portfolio write downs
A. Balance sheet exposures																		
A.1 Non-performing loans																		
A.2 Doubtful debts																		
A.3 Restructured exposures																		
A.4 Past-due																		
A.5 Other exposures																5,092		
Total A																5,092		
B. Off-balance sheet exposures																		
B.1 Non-performing loans																		
B.2 Doubtful debts																		
B.3 Other impaired assets																		
B.4 Other exposures																		
Total B																		
Total (A+B) 2009																5,092		
Total (A+B) 2008																5,092		

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

Exposures/geo-graphic area	Italy		Other European countries		America		Asia		Rest of the world	
	Net exp.	Total write downs	Net exp.	Total write downs	Net exp.	Total write downs	Net exp.	Total write downs	Net exp.	Total write downs
A. Balance sheet exposures										
A.1 Non-performing loans										
A.2 Doubtful debts										
A.3 Restructured exposures										
A.4 Past-due										
A.5 Other exposures	20,922,139		921,295							
Total A	20,922,139		921,295							
B. Off-balance sheet exposures										
B.1 Non-performing loans										
B.2 Doubtful debts										
B.3 Other impaired assets										
B.4 Other exposures										
Total B										
Total (A+B) 2009	20,922,139		921,295							
Total (A+B) 2008	18,867,636		621,193							

Section 2 - Market risk

2.1 Interest rate risk and price risk - Regulatory trading portfolio

- **Qualitative disclosure**

A. General

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

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

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

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

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

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

The Risk Control Manual, approved by the Board of Directors, outlines the limits approved by the latter according to the type of arbitrage transaction and controls required to verify compliance with the limits.

These controls are structured on three levels:

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

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

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

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

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

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

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

• Quantitative disclosure

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

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

Type/Residual term	on demand	up to 3 months	from 3 to 6 months	from 6 months to 1 year	from 1 to 5 years	from 5 to 10 years	over 10 years	unspecified
1. Balance sheet assets								
1.1 Debt securities	940,401	13,438,760	10,417	279,474	1,229,769		2,275,804	
- with prepayment option								
- other								669,729
1.2 Other assets								
2. Balance sheet liabilities								
2.1 Reverse repos								
2.2 Other liabilities								
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ long positions								
+ short positions								
- Other derivatives								
+ long positions								
+ short positions								

3.2								
Without underlying security								
- Options								
+ long positions		305,840	262,328	218,543				
+ short positions		531,068	530,313	539,215				
- Other derivatives								
+ long positions								
+ short positions								

Currency denominated in EURO

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

Type of transaction/List index	Listed in Italy	Not listed
A. Equity instruments		
- long positions	669,729	
- short positions		
B. Equity instrument transactions awaiting settlement		
- long positions	164,826	
- short positions	62,410	
C. Other equity derivative instruments		
- long positions		
- short positions		
D. Share index derivatives		
- long positions	786,710	
- short positions	1,600,595	

2.2 Interest rate and price risk - bank portfolio

• **Qualitative disclosure**

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

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

Therefore the bank does not make use of instruments to measure the interest rate risk in the bank portfolio. It manages this risk by reducing (and in actual fact eliminating) any possible maturity gaps between assets and liabilities by investing liquid funds in assets that can easily be liquidated and any surplus amounts in liquid financial instruments of solid issuers with a life of less than 12 months.

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

• **Quantitative disclosure**

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

Type/Residual term	on demand	up to 3 months	from 3 to 6 months	from 6 months to 1 year	from 1 to 5 years	from 5 to 10 years	over 10 years	unspecified
1. Balance sheet assets								
1.1 Debt securities								
- with prepayment option								
- other								
1.2 Loans to banks	21,843,434							
1.3 Loans to clients								
- current accounts								
- other loans	5,092							
- with prepayment option								
- other								
2. Balance sheet liabilities								
2.1 Loans to clients								
- current accounts	18,810,277							
- other loans								
- with prepayment option								
- other								
2.2 Loans to banks								

- current accounts								
- other loans								
2.3 Debt securities								
- with prepayment option								
- other								
2.4 Other liabilities								
- with prepayment option								
- other								
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ long positions								
+ short positions								
- Other derivatives								
+ long positions								
+ short positions								
3.2 Without underlying security								
- Options								
+ long positions								
+ short positions								
- Other derivatives								
+ long positions								
+ short positions								

Currency denominated in EURO

2.3 Rischio di cambio

• Qualitative disclosure

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

Banca Simeica does not engage in activities involving significant transactions in foreign currencies.

2.4 Derivative financial instruments

A. Financial derivatives

A.1 REGULATORY TRADING PORTFOLIO: AVERAGE AND END-OF-YEAR NOTIONAL VALUES				
Underlying assets/Type of derivatives	2009		2008	
	Over the counter	Other	Over the counter	Other
1. Debt securities and interest rates				
a) Options				
b) Interest rate swaps				
c) Forwards				
d) Futures				
e) Other				
2. Equity instruments and share indexes				
a) Options		36,198,750		88,447,500
b) Swaps				
c) Forwards				
d) Futures				
e) Other				
3. Currencies and gold				
a) Options				
b) Forwards				
c) Futures				
d) Cross currency swaps				
e) Other				
4. Goods				
5. Other underlying assets				
Total		36,198,750		88,447,500
Average values		74,877,396		191,834,021

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

Portfolios/Derivative types	Positive fair value			
	2009		2008	
	Over the counter	Central counter-party	Over the counter	Central counter-party
A. Regulatory trading portfolio				
a) Options		786,710		1,229,410
b) Interest rate swaps				
c) Cross currency swaps				
d) Equity swaps				
e) Forwards				
f) Futures				
g) Other				
B. Bank portfolio - hedging				
a) Options				
b) Interest rate swaps				
c) Cross currency swaps				
d) Equity swaps				
e) Forwards				
f) Futures				
e) Other				
C. Bank portfolio - other derivatives				
a) Options				
b) Interest rate swaps				
c) Cross currency swaps				
d) Equity swaps				
e) Forwards				
f) Futures				
e) Others				
Total		786,710		1,229,410

A.4 FINANCIAL DERIVATIVES: NEGATIVE FAIR VALUE - BREAKDOWN BY PRODUCT

Portfolios/Derivative types	Negative fair value			
	2009		2008	
	Over the counter	Central counter-party	Over the counter	Central counter-party
A. Regulatory trading portfolio				
a) Options		1,600,595		4,148,798
b) Interest rate swaps				
c) Cross currency swaps				
d) Equity swaps				
e) Forwards				
f) Futures				
g) Other				
B. Bank portfolio - hedging				
a) Options				
b) Interest rate swaps				
c) Cross currency swaps				
d) Equity swaps				
e) Forwards				
f) Futures				
e) Other				
C. Bank portfolio - other derivatives				
a) Options				
b) Interest rate swaps				
c) Cross currency swaps				
d) Equity swaps				
e) Forwards				
f) Futures				
e) Others				
Total		1,600,595		4,148,798

Section 3 – Liquidity risk

2.1 Liquidity risk - regulatory trading portfolio

- **Qualitative disclosure**

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

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

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

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

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

• Quantitative disclosure

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

Items/Maturities	on demand	from 1 to 7 days	from 7 to 15 days	from 15 days to 1 month	from 1 to 3 months	from 3 to 6 months	from 6 months to 1 year	from 1 to 5 years	More than 5 years	unspecified
Balance sheet assets										
A.1 Government securities			12,708,591	57,052	493,764		279,474	1,229,769	2,275,804	
A.2 Other debt securities	940,401				179,353	10,417				
A.3 Units in investment funds										
A.4 Loans										
- banks	21,843,434									
- clients	5,092									
Balance sheet liabilities										
B.1 Deposits and current accounts										
- banks										
- clients	18,810,277									
B.2 Debt securities										
B.3 Other liabilities										
Off-balance sheet transactions										

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

Section 4 – Operational risk

• Qualitative disclosure

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

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

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

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

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

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

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

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

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

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

• Quantitative disclosure

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

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

This ratio is calculated using the following formula:

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

where

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

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

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

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

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

The following formula was used to calculate Banca Simetica's level of capital for operational risk coverage for 2009:

$$KBIA, 31/12/2009 = [(5,937,063 + 10,797,449 + 9,496,937) \times 15\%] / 3 = 1,311.572 \text{ €}$$

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

Part F – Shareholders’ equity

Section 1 - Shareholders’ equity

B. Quantitative disclosure

B.1 SHAREHOLDERS’ EQUITY: BREAKDOWN		
Items/Amounts	2009	2008
1. Capital	7,600,000	7,600,000
2. Issue premium	1,300,000	1,300,000
3. Reserves	7,560,592	3,009,035
- retained earnings		
a) legal	551,560	295,482
b) statutory	823,355	403,916
c) own shares		
d) other	6,185,677	2,309,637
- other		
4. Capital instruments		
5. (Own shares)		
6. Valuation reserves		
- Financial assets available for sale		
- Tangible assets		
- Intangible assets		
- Foreign investment hedges		
- Cash flow hedges		
- Exchange differences		
- Non-current disposal groups		
- Actuarial gains (losses) relating to defined benefit schemes		
- Shares of valuation reserves relating to subsidiaries valued using the equity method		
- Special revaluation laws		
7. Gains (losses) for the year	3,967,218	5,121,556
Total	20,427,810	17,030,591

Section 2 – Shareholders’ equity and regulatory ratios

2.1 Regulatory capital

- **Qualitative disclosure**

1. Core capital

Pursuant to Title I, Chapter 2 of Banca d’Italia Circular 263 of 27 December 2006, the Regulatory Capital of Banca Simeica consists of Tier 1 capital only, comprising the share capital, reserves and income for the period as positive items and intangible assets as the negative item.

- **Quantitative disclosure**

2.1 REGULATORY CAPITAL		
	2009	2008
A. Core capital prior to the application of prudential filters	20,420,807	17,021,249
B. Core capital prudential filters:		
B1 positive IAS/IFRS prudential filters (+)		
B2 - negative IAS/IFRS prudential filters (-)		
C. Core capital gross of amounts to be deducted (A+B)	20,420,807	17,021,249
D. Amounts to be deducted from core capital	-	-
E. Total core capital (TIER1) (C-D)	20,420,807	17,021,249
F. Supplementary capital prior to the application of prudential filters	-	-
G. Supplementary capital prudential filters:		
G1- positive IAS/IFRS prudential filters (+)		
G2- negative IAS/IFRS prudential filters (-)		
H. Supplementary capital gross of amounts to be deducted(F+G)	-	-
I. Amounts to be deducted from supplementary capital		-869,963
L. Total supplementary capital (TIER2) (H-I)	-	-869,963
M. Amounts to be deducted from the total of core and supplementary capital	-	-
N. Regulatory capital(E + L - M)	20,420,807	16,151,286
O. TIER 3 capital	-	
P. TIER 3 capital (N + O)	20,420,807	16,151,286

NB: The regulatory capital as at 31/12/2008 was calculated according to the laws governing securities firms.

2.2 Capital adequacy

• Qualitative disclosure

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

• Quantitative disclosure

B. QUANTITATIVE DISCLOSURE				
Categories/Amounts	Non-weighted items		Weighted items/ requirements	
	2009	2008	2009	2008
A. RISK ASSETS				
A.1 CREDIT AND COUNTERPARTY RISK				
1. Standardised approach	5,026,925	6,782,096	402,154	542,568
2. IRB approach				
2.1 Foundation				
2.2 Advanced				
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 CREDIT AND COUNTERPARTY RISK				
B.2 MARKET RISK				
1. Standard method			1,577,074	668,575
2. Internal models				
3. Concentration risk				
B.3 OPERATIONAL RISK				
1. Basic approach			1,311,572	1,065,071
2. Standardised approach				
3. Advanced approach				
B.4 OTHER PRUDENTIAL REQUIREMENTS				
B.5 TOTAL PRUDENTIAL REQUIREMENTS				
C. RISK ASSETS AND CAPITAL RATIOS			3,290,800	2,276,214
C.1 Weighted risk assets				
C.2 Tier 1 capital/Weighted risk assets (Tier 1 capital ratio)			41,135,000	28,452,671
C.3 Regulatory capital TIER 3/Weighted risk assets (Total capital ratio)			49.64%	59.82%
C.3 Patrimonio di vigilanza incluso TIER 3/Attività di rischio ponderate (Total capital ratio)			49.64%	56.77%

Part H – Transactions with related parties

1. Remuneration of directors with strategic responsibilities

Fees paid to Directors and Statutory Auditors are shown in the table below (in Euro thousand).

	2009	2008
Directors	257,095	252,067
Statutory Auditors	32,105	28,770
TOTAL	289,200	280,837

2. Transactions with related parties

In accordance with the provisions of art. 2427 of the Italian Civil Code, related parties are defined in accordance with IAS 24.

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

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

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

BANCA SIMETICA S.p.A.
Registered office in Biella
Share capital € 7.600.000,00 fully paid-in
Number in the Biella Register of Companies and tax code: 02071270025

Report of the Board of Statutory Auditors to the Financial Statements for the year ended 31/12/2009

The financial statements for the year ended at 31/12/2009, the company's eighth year of business, which include the balance sheet, the profit and loss account, the statement of changes in shareholders' equity, the statement of cash flows, the notes to the financial statements and the report on operations, which have been submitted to you by the Board of Directors for approval, have been drawn up in accordance with international accounting standards (IAS/IFRS) as required by Circular No. 262 issued by Banca d'Italia on 22.12.2005 and amended on 18.11.2009.

The financial statements have been audited by Deloitte & Touche S.p.A. who, on 9 April 2010 certified their compliance with the IAS/IFRS and relative laws implementing said rules. The Independent Auditors have also confirmed that the financial statements give a true and fair view of the company's state of affairs and of the financial position, profit, changes in shareholders' equity and cash flows. The report on operations has also been certified as reflecting the financial statements for the year ended 31 December 2009.

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

The financial statements have been drawn up in accordance with the IAS/IFRS developed by the IASB and the relative implementing provisions.

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

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

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

As regards our work during 2009, we state the following:

- we have verified compliance with the law, with the company's bylaws and observance of the principles of good administration;
- we were called and took part in meetings of the Board of Directors and of Shareholders; we verified that those meetings were held in accordance with all statutory and legal requirements and regulations;
- the directors provided us, also during Board Meetings, with all the information we requested concerning general trends in management and the outlook for the future, and regarding the main activities. We can reasonably state that the actions decided upon by the Board of Directors were taken in accordance with current legislation and were not manifestly imprudent or capable of damaging the integrity of the company's assets;
- we met and exchanged information with the person responsible for auditing activities. We did not find any significant data and/or information to be included in this report;
- we verified the work of those responsible for internal controls and found nothing significant to

report;

- we assessed and continuously monitored the adequacy of the company's organisational structure, also by gathering information from the respective department managers, and have nothing particular to report;
- we assessed and monitored the adequacy of the administrative and accounting systems, and the reliability of the latter in correctly representing management events, by obtaining information from the department managers, and have nothing particular to report;
- we constantly verified the timeliness and regularity of the various notifications submitted at regular intervals to the Banca d'Italia and the Italian Regulatory Commission for Companies and the Stock Exchange (CONSOB), and did not find any irregularities;
- we monitored the activities of the Ethics Committee, established under art. 20 of the company's bylaws. Our opinion on the company's Social Report is stated in a separate report;
- we did not receive any complaints pursuant to art. 2408 of the Italian Civil Code;
- we certify that in fulfilling our mandate we did not discover any significant facts worthy of mention in this report.

That stated, and on the basis of the results of the work carried out by the Independent Auditors, we propose that the Meeting should approve the financial statements for the year ended at 31/12/2009 and the relative allocation of profits, as drawn up and submitted for approval by the Directors.

Biella, 9.4.2010

THE BOARD OF STATUTORY AUDITORS

dott. Mario Rovetti

dott. Enzo Mario Napolitano

rag. Giovanni Spola



BANCA SIMETICA S.p.A.



Registered Bank, registration No. 5713 – ABI code No. 3398.5
Member of the Fondo Nazionale di Garanzia (National Guarantee
Fund) and of the Fondo Interbancario di Tutela dei Depositi (Interbank
Deposit Protection Fund).

Head Office: Via N. Sauro, 10 – 13900 BIELLA, Italy.

Tel. 015/21660 – Fax 015/8351086

Website: www.bancasimetica.it – e-mail: info@simetica.it

