BANCA UBAE S.p.A.

Annual Report & Financial Statements
Fortieth Financial Year

Share Capital	**Euro**	**151,060,800.00 fully paid up**
Reserves (as at 31 December 2012)	**Euro**	**43,828,021.71**

Libyan Foreign Bank, Tripoli	67.55%
UniCredit SpA, Rome	10.79%
Eni Adfin SpA (Eni Group), Rome	5.39%
Banque Centrale Populaire, Casablanca	4.66%
Banque Marocaine du Commerce Extérieur, Casablanca	4.34%
Sansedoni Siena SpA (Fondazione Monte dei Paschi di Siena), Siena	3.67%
Intesa Sanpaolo SpA, Turin	1.80%
Telecom Italia SpA, Milan	1.80%

	HEAD OFFICE	**MILAN BRANCH**
Address	Via Quintino Sella, 2 - 00187 Rome, Italy	Piazza A. Diaz, 7 - 20123 Milan, Italy
P.O. Box	290	--
Telephone	+39 06 423771	+39 02 7252191
Cable	UBAE ROMA	UBAE MILANO
Fax	+39 06 4204641	+39 06 42046415
Swift	UBAI IT RR	UBAI IT RR MIL
Web	www.bancaubae.it	
Dealing room tel.	+39 06 42046301-4	
Reuters	UBAE	

TRIPOLI REPRESENTATIVE OFFICE (Libya)

Address	Omar Mukhtar Street – Omar Mukhtar Investment Complex
Telephone	+218 21 4446598 / 4447639
Fax	+218 21 3340352

BOARD OF DIRECTORS 2012-2014 (1)

Chairman Abdullatif El Kib*

Vice Chairman Alberto Rossetti *

Directors

Yousef A. Abdelmaula* (2)
Omran M. Abosrewil (3)
Radaedin M. Banuga
Mohamed Benchaaboun
Luigi Borri
Abdelrazak M. Elhoush *
Omran M. Elshaibi (4)
Ernesto Formichella *
Abdusslam A. Gehawe (4)
Saleh A. Keshlaf * (2)
Ahmed A. Omar Ragib * (3)

* member of the Executive Committee

Secretary to the Board of Directors and the Executive Committee
Priscilla Simonetta

BOARD OF AUDITORS (1)

Chairman	**Statutory Auditors**	**Alternate Auditors**
Marco Leotta	Fernando Carpentieri (5)	Fabio Gallassi (6)
	Cosimo Vella	Francesco Rocchi
		Daniele Terenzi (7)

(1) Appointed by the Ordinary General Meeting that was held on 29 February 2012 in conformity with Banca d'Italia's authorization of 24 February 2012
(2) Resigned 31 August 2012
(3) Co-opted by the BD on 31 August 2012 and formally appointed by the OGM of 10 September 2012
(4) Appointed by the OGM of 10 September 2012
(5) Deceased 28 June 2012
(6) Replaced Mr. Carpentieri as a Statutory Auditor as of 29 June 2012 in accordance with art. 2401 of the Civil Code
(7) Appointed as an Alternate Auditor by the OGM of 10 September 2012, which thus restored the BA to full membership

MANAGEMENT

General Manager Biagio Matranga
Deputy General Manager Jamal R. Elbenghazi **(1)**
Assistant General Manager Operations Adel Aboushwesha

Chief Commercial Officer Massimo Castellucci
Chief Administrative Officer Fabio Fatuzzo

Manager of the Bank's Representative Office in Tripoli Mahmud Ali Elesawi

(1) End of secondment period from Libyan Foreign Bank: 30 June 2012

Mr. Ezzedden Amer was appointed **Assistant General Manager Finance** by the BD on 25 June 2012 and took up his position on 8 March 2013.

ANNUAL REPORT
1 March - 31 December 2012

Chairman’s Statement

Macroeconomic data for 2012 reveal a world economy that was largely stagnant. While many countries were in outright recession, the United States showed some incipient signs of growth, though still too weak to lift GDP back to pre-crisis levels. A widespread contraction in cross-border trade, combined with falling investment, also had a severe impact on emerging markets. In the euro zone, economic growth was flat on average, albeit with significant differences between member states. Italy in particular experienced a sharp downturn that was brought about not just by deteriorating conditions abroad, but just as meaningfully by a steep drop in domestic demand, as well as by tension over its sovereign debt which the government has tried to defuse through a range of measures.

With a genuine economic recovery seemingly still a long way off and ongoing sovereign-debt crises in several European countries, financial markets were obviously penalized. A breakdown of trust among credit institutions weighed heavily on interbank dealings, which in turn led to an erosion of liquidity. The European Central Bank tried to remedy the situation by both conventional and unconventional means, including two auctions of three-year loans (the so-called “long-term refinancing operations”). Interest rates have been on a downward trend, as might be expected from the ECB’s expansionary monetary policy, while the euro-dollar exchange rate remained volatile throughout the year.

Although comparatively unharmed by the financial crisis, the Bank’s traditional markets in North Africa and the Middle East suffered from the protracted political instability that followed the Arab uprisings of 2011, and indeed from a worsening of conditions in places such as Syria and Egypt.

Operating in an environment that was complex to say the least from both a political and an economic standpoint, the Bank posted yet another positive result for financial year 2012. Unusually, this was a 10-month period that began on 1 March 2012, when UBAE emerged from the spell in extraordinary administration which Banca d’Italia had imposed as of 18 April 2011 in the wake of events in Libya.

The result obtained at 31 December 2012 indicates clearly that despite a relative pause in business operations during its time in administration, the Bank maintained solid ties in the countries representing its core markets - Libya first and foremost. This allowed it to profit from their enduring demand for European goods and services on the one hand, and from ongoing trade in energy products on the other. The net result we are submitting to the shareholders appears all the more satisfying in that it exceeds the figure covering the previous 14-month period (to 29 February 2012) after accounting for provisions in line with IAS criteria and the Bank's own well-established prudential approach.

Granted the foregoing, it must be acknowledged that UBAE's excellent performance was achieved thanks *inter alia* to crucial support from its shareholders. Most notably, Libyan Foreign Bank provided timely financial assistance. The majority shareholder's continued readiness to meet the Bank's needs is borne out by the placement in March this year of a deposit worth USD 400 mn under a "security agreement" designed to supply financial cover for new business initiatives with LFB and its affiliates, given the limits prescribed by current regulations governing transactions with related parties.

Even as it was engaged in a robust revival of banking activities with domestic and foreign counterparties, Banca UBAE devoted unwavering attention to the task of refining internal controls. Acting under the constant oversight of the Board of Directors, the departments and officers charged with controls gave their utmost to ensure full compliance with the regulatory framework in force. Activities geared to preventing and combating money laundering were a top priority in this context, as was the monitoring of the Bank's capital and risk ratios through the Internal Capital Adequacy Assessment Process (ICAAP), whose figures denote an altogether reassuring level of solvency relative to Tier-1 capital.

A final point worth highlighting is the very significant effort that went into analyzing and implementing new directives on corporate governance (the self-assessment process set out in Governor Visco's note of 11 January 2012, the ban on interlocking appointments introduced by art. 36 of Law Decree 201/2011 a.k.a. the "Salva Italia" decree) and on certain decision-making and decision–implementing processes (central bank regulations governing exposures and conflicts of interest arising from dealings with related parties).

In submitting the Annual Report and Financial Statements for the 10-month period ended on 31 December 2012 to the shareholders for approval, we feel confident that the Bank's enviable market position within its region of interest, its distinctive and consolidated role as a financial intermediary for certain niche markets, and newly-formulated strategies for broadening its range of services will propel it on a steady path to growth and equally gratifying results in 2013. In this way, Banca UBAE will have proven itself once again a profitable and worthwhile investment for its shareholders.

BREAKDOWN OF ITALIAN IMPORTS/EXPORTS AND BANCA UBAE'S SHARE OF YEARLY TOTALS

EUR/mn

COUNTRIES	2012		2011		2010	
	IMPORTS	EXPORTS	IMPORTS	EXPORTS	IMPORTS	EXPORTS
1) TURKEY	5,257	10,618	5,978	9,628	5,161	8,031
2) UAE	651	5,511	862	4,736	451	3,685
3) SAUDI ARABIA	7,483	4,042	7,209	3,718	3,090	2,675
4) ALGERIA	8,972	3,767	8,275	3,018	7,904	2,872
5) SOUTH KOREA	2,804	3,465	3,258	2,932	2,973	2,513
6) INDIA	3,751	3,349	4,782	3,740	3,811	3,389
7) TUNISIA	2,251	3,170	2,575	3,049	2,315	3,430
8) EGYPT	2,296	2,863	2,528	2,590	1,888	2,936
9) LIBYA	12,874	2,404	3,972	613	11,838	2,705
10) MALTA	249	1,690	260	1,401	248	1,076
11) IRAN	2,240	1,407	5,328	1,866	4,673	2,061
12) MOROCCO	587	1,367	615	1,477	529	1,430
13) LEBANON	34	1,243	35	1,331	28	1,038
14) QATAR	2,329	1,026	2,060	766	1,500	940
15) KUWAIT	99	835	80	580	108	734
16) JORDAN	54	667	58	628	62	421
17) IRAQ	3,512	634	2,857	490	3,047	446
18) PAKISTAN	430	611	584	492	489	568
19) CYPRUS	112	560	89	666	89	760
20) OMAN	94	465	126	330	77	307
21) SYRIA	61	244	960	906	1,134	1,168
22) BANGLADESH	770	235	715	312	536	252
23) SRI LANKA	352	206	399	220	361	159
24) BAHRAIN	161	196	217	163	112	142
25) SUDAN	15	160	242	138	7	156
26) YEMEN	34	79	14	54	8	124
27) MAURITANIA	179	58	211	36	109	20
28) BURKINA FASO	3	39	12	37	5	20
29) CHAD	0	26	3	17	0	22
TOTAL	**57,654**	**50,937**	**54,304**	**45,934**	**52,553**	**44,080**
UBAE'S SHARE	**1,042**	**2,022**	**878**	**1,188**	**2,377**	**2,064**
%	1.81	3.97	1.62	2.59	4.52	4.68

SUMMARY OF OPERATIONS
1 March - 31 December 2012

SUMMARY OF OPERATIONS
1 MARCH – 31 DECEMBER 2012

INTRODUCTION

The Bank's spell in "extraordinary administration" ended on 29 February 2012. Unless otherwise specified, the results discussed in this Report refer to the 10-month period running from 1 March to 31 December 2012 and are compared with those appearing in the financial statements which the Extraordinary Commissioners submitted to Banca d'Italia for the 14-month period 1 January 2011-29 February 2012 (and which Banca d'Italia approved on 31 August 2012). Pursuant to central bank directives, closing balances for each of those periods were used for the comparison.

To render the information more meaningful given the non-homogeneous character of the official accounting periods being compared, reclassified income and cost data for the 12-month periods 1 January-31 December 2011 and 1 January-31 December 2012 are also provided, as are those for the 10-month period 1 March 2011-31 December 2011 (set against the official figures for the 10-month period under review). All such reclassified data are pro-forma and unaudited.

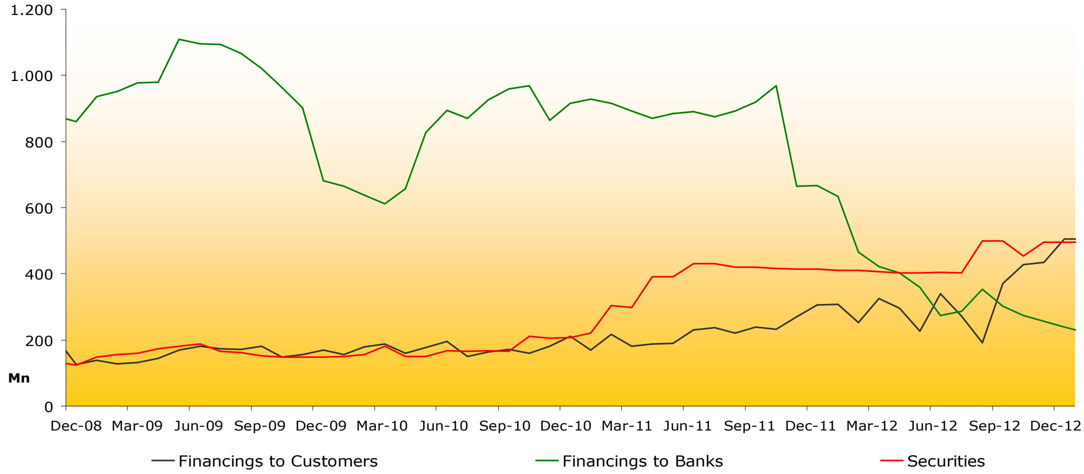
BANKING OPERATIONS

Loans and Advances

The focus of activity at Banca UBAE is the provision of financial assistance to corporate clients engaged in import/export business or contract works in target countries, while retail credit plays only a marginal role.

Notwithstanding the difficulties arising from the protracted financial crisis which the markets continued to endure throughout the period under consideration, the Bank recorded an increase in loans and advances to customers. Loans and advances to banks declined, though the drop was offset by private-placement schemes entered into with a number of credit institutions.

The movements reflect a deliberate adjustment to the Bank's lending policy in favour of a more balanced structure:



Given their riskiness and above all their extraneousness to the Bank's core business, short-term loans to corporate clients for purposes other than trade finance are kept to a minimum and are reserved for parties who do business with Banca UBAE on a regular basis. Credit risk is thus generally modest.

Commercial Operations on Foreign Markets

In 2012 as in previous years, commercial activity with selected countries was the main pillar of UBAE's banking operations and a very significant source of revenue which the Bank was able to draw upon to cope with adverse conditions in the financial markets. The international scene proved especially complex, characterized as it was by political unrest following "Arab Spring" uprisings in several North African and Middle Eastern countries the year before (and indeed by a worsening climate in places such as Syria and Egypt), coupled with an unstable financial environment in the United States as well as in Europe and Italy itself.

Thanks *inter alia* to a strong market position built up over the years, the Bank's response to economic and financial uncertainty was prompt and effective. Efforts focused on business development, with the definition of new customer targets and the offering of a wider range of services to existing commercial counterparties wherever possible. This policy enabled UBAE to maintain a substantial flow of letters of credit.

On the other hand, the Bank never failed to scrutinize its clients with care and monitor them closely, so as to be in a position to deal with any credit, market and operational risks effectively.

With the Libyan crisis over and international restrictions on the country finally lifted, UBAE resumed its activities on that market, even as various segments of the Libyan economy - and the banking sector in particular - were being reorganized. Operations in all departments quickly gained momentum, enabling the Bank to post satisfying monthly turnover and profit results.

The Bank's renewed emphasis on business development was paired with an overhaul of the departments and units concerned. This was followed by vigorous and altogether successful marketing campaigns aimed both at consolidating market share in countries where UBAE's position was being threatened by international competition and at penetrating new, fast-growing markets.

After the decline recorded in the previous accounting period in the wake of political events in Libya, the flow of "oil" L/Cs picked up again as trade in the energy sector surged. Aware of the industry's prime significance, the Bank revitalized its contacts with leading international oil companies and established relations with major energy traders, developing a line of business that was not necessarily restricted to oil products. The strategy bore fruit and is reflected positively in the accounts for the period ended on 31 December 2012.

EUR/000

	2012		**2011**		**2 0 1 0**	
	Value / no.	+/- %	Value / no.	+/- %	Value / no.	+/- %
Letters of credit: Number	4,756	41.30	3,366	-28.85	4,731	-15.06
Non Oil Letters of Credit: Value	1,527,230	28.50	1,188,480	-42.42	2,064,160	-3.94
Oil Letters of credit: Value	2,208,180	151.43	878,250	-63.05	2,377,180	-52.21
% of total exports		3.97		2.59		4.68
% of total imports		1.81		1.62		4.52
Commissions accrued	15,213	59.52	9,537	-38.76	15,572	-9.31

Guarantees were mostly issued on behalf of leading domestic and EU-based export firms and/or companies performing contract works in the Bank's target countries. Political turmoil in some of these led to a fall in turnover (- 24.5%), though revenue grew somewhat (+ 8.2%) as a result of pricing adjustments introduced to reflect the risks actually run by the Bank.

EUR/000

	2012		**2011**		**2010**	
	Value	+/- %	Value	+/- %	Value	+/- %
Guarantees issued in year	113,295	-24.53	150,123	-55.74	339,156	-32.07
Guarantees: Outstanding at EoY	343,970	-10.19	383,000	-17.86	466,250	-6.11
Commissions received	3,236	8.16	2,992	-31.67	4,379	5.19

Financial Market Operations

Throughout 2012, Banca UBAE endeavoured to find the most profitable ways to employ funding from institutional counterparties and other cashflow.

Amounts transacted began to decline around March-April 2012. As the end of the EU embargo on Libya freed up funds there, financial requirements associated with the country's political and economic recovery meant funding from Libya slowed down in the first half of the year. It subsequently stabilized, thanks to the resumption of oil sales and growth in bilateral trade driven by Libyan demand for basic goods. As it happened UBAE was among the very first credit institutions to channel funds for reconstruction, as well as for the revival of commercial exchange.

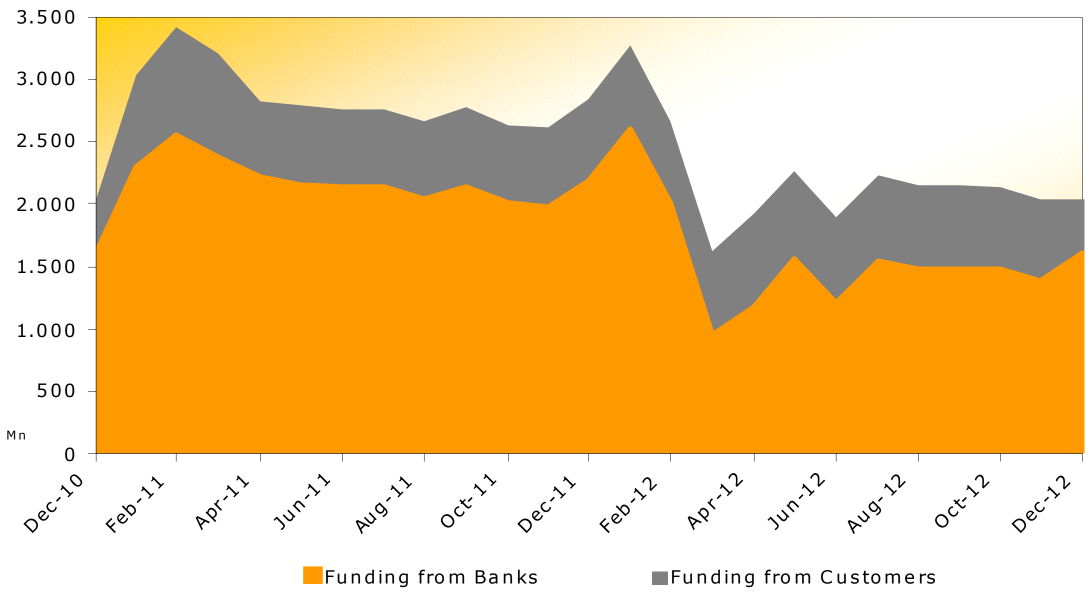
Business with companies operating in the energy sector rebounded substantially as Libyan oil production was restored to full capacity, and as a result of Banca UBAE's revised strategy in this department.

Total funding (ie, liabilities to banks and customers) is quantified in the table below, which shows the average for each quarter and the relevant variation.

EUR/000

FUNDING 2012							
First quarter		Second quarter		Third quarter		Fourth quarter	
Value	+/- %	Value	+/- %	Value	+/- %	Value	+/- %
2,615,890	20.81	**2,129,702**	-18.59	**2,278,508**	6.99	**2,165,369**	-4.97

A monthly breakdown is provided in the following chart:



Managing Financial Assets

Portfolio activity remained stable across different classes of financial instruments over the 10 months to December 2012. The Bank did not restrict itself to renewing certain issues on maturity, but sought yields that were in line with those afforded by other kinds of earning assets.

The overall financial climate, combined with enduring liquidity shortages and financial hardship in some countries, prompted the Bank to screen counterparties and assess margins carefully, yet also encouraged trading activity geared to to seizing the most profitable opportunities the market had in store. Turnover in the trading (HFT) portfolio remained largely stable, marking a minimal drop from the previous period.

Banca UBAE continued to lend to other credit institutions, including through private placements of debt issues discountable with the European Central Bank (ECB), thus boosting the volume of securities held to maturity (HTM portfolio).

Financial assets at year-end consisted chiefly of bonds whose average residual life was 0.6 years for the HFT portfolio and 1 year for the HTM portfolio. The use of derivatives to mitigate interest rate risk resulted in average durations of 1.5 months for the HFT and 5.5 months for the HTM portfolio. In essence, the Bank maintained very low credit and interest rate risk profiles for the HFT portfolio.

It has been the Bank's policy to avoid equity markets other than where current and prospective risks could be monitored closely, and to limit the purchase of adjustable rate bond issues so as to contain the risk associated with interest rate fluctuations.

Operating in a climate marred by financial crises, widespread political instability and the downgrading of numerous banks, business enterprises and sovereign states by credit-rating agencies, the Bank nonetheless proved capable of posting strong results in the HFT department (securities, derivatives and forex).

Once again this year, the BD resolved to forgo the option it had approved in 2008 of moving issues from the HFT to the HTM portfolio.

The introduction of additional, specific software tools enabled Banca UBAE to keep its securities position under even more stringent control, in harmony with a policy that emphasizes the close monitoring of risks alongside portfolio performance.

Agreed guidelines for the purchase of securities led to privilege:
> for the HTM portfolio (issues held to maturity/available for sale),

- adjustable rate issues with a substantial spread, resulting in yields higher than the interbank rate
- fixed rate issues classifiable as short-term by virtue of the hedging instruments implied by asset swap strategies;

- mostly adjustable rate issues subscribed with Italian credit institutions (private placements) in order to contain liquidity risk by increasing the Bank's liquidity buffer;

> for the HFT portfolio,

- fixed or adjustable rate issues chosen for their aptitude to yield short-term capital gains
- shares in top-tier, highly capitalized domestic and international companies, and futures on share indexes (FIB).

In spite of a sluggish economy and turbulence across financial markets, Banca UBAE's securities portfolios performed well relative to the industry average. Given general market conditions (and indications from its own customers), however, the Bank opted to defer the use of new formulas and novel instruments, such as harmonized financial products and OICRs, for proprietary trading purposes.

Interbank Transactions

Problems in financial markets worldwide, including in the US and Asia; the difficulties that emerged on interbank markets; and measures taken by the ECB to discourage currency speculation all had a definite impact on dollar and euro interest rates, which remained low throughout 2012.

Rates were also affected by the markets' failure to emerge from recession and by the ECB's repeated efforts to avert possible liquidity crises, whereby the banking system was supplied with injections of medium- and long-term finance via the discounting of debt issued by supervised institutions and guaranteed by national governments (the so-called "long-term refinancing operations").

The treasury management strategy adopted by Banca UBAE in those circumstances proved successful, for despite a fall in the volume of funds transacted, earnings were quite respectable. Indeed, short-term treasury transactions and short- and medium-term loans to foreign banks all diminished, but remained substantial in absolute terms.

Total funds administered for money market purposes in major currencies amounted to the equivalent of EUR 2.3 bn, down from EUR 3.2 bn in the previous period.

To support current and prospective medium-term investment levels, the Bank took steps to consolidate its sources of funds - market uncertainties permitting - by securing extensions to the maturity of deposits placed by certain counterparties.

Year-End Results

At EUR 15.8 mn, net profit for the 10-month accounting period under review marked an improvement over the previous (14-month) result, confirming the Bank's excellent income-generating capabilities - without prejudice to its customary prudent approach. To a large extent, those capabilities are the fruit of an unrelenting drive to develop new business opportunities in both the commercial and financial spheres. They also reflect a unique flexibility in the way the Bank dealt with the difficulties thrown up by the international political and economic environment.

When reading UBAE's earnings results it is essential, needless to say, to bear in mind the reduced span of the accounting period to which they refer.

The Bank's gross operating result worked out to EUR 21 mn, down 40.22% from the figure posted at 29 February 2012. The fall was influenced by a drop in net interest income as earning assets themselves declined. The result remains satisfactory, in any case, and attests to the sound management of funds under administration.

Net non-interest income was up 6.6% thanks to increased revenue from fees and commissions, as well as from trading activity.

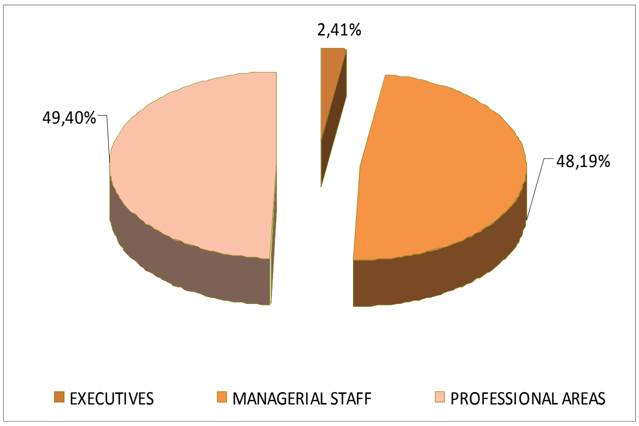
Asset value adjustments and provisioning reflect the BD's propensity towards a conservative valuation of the Bank's assets. In line with the criteria adopted in the past, the amount set aside against credit risk from target countries in particular was deemed adequate. As a result, the item is a positive quantity (EUR 1.8 mn).

Net income tax totalled EUR 5.8 mn, which is over 60% less than for the previous (14-month) period. As indicated in the Notes (cf. Part C, "Information on the Income Statement", Section 18, p. 120), the difference reflects a pre-tax result that was 18% short of the figure recorded at 29 February 2012 and generated EUR 7.3 mn of gross tax liabilities (vs. EUR 11.8 mn). Pre-paid taxes for around EUR 1.5 mn were another mitigating factor, whereas the previous accounting period had been burdened with some EUR 2.8 mn of deferred income tax.

ORGANIZATION AND PERSONNEL

1. Personnel

Reorganisation of the workforce continued during the year in line with the bank's marketing goals, also by setting up a hiring policy aimed at strengthening the core processes as well as the handover to another generation.



In this sense, these activities have led to the hiring of 9 people (professional areas) and the exit of 3 people (1 executive and 2 employees in the professional areas), giving a workforce of 166 people. In relation to the main groupings, the personnel is distributed as follows:

- 2.41% executives
- 48.19% managerial staff
- 49.40% professional areas

The table on the right highlights the workforce breakdown by level in 2011 and 2012:

	31/12/2012		31/12/2011	
	No.	%	No.	%
EXECUTIVES	4	2.41%	3	1.88%
MANAGERIAL STAFF	80	48.19%	80	50.00%
PROFESSIONAL AREAS	82	49.40%	77	48.13%
	166		**160**	

To enhance workforce stability, fixed-term work contracts were converted into their open-ended equivalents over the course of the year.
Several initiatives were implemented to optimize the development and management of UBAE's human resources, including:

1. maintaining and updating the Bank's performance management system so as better to understand and assess staff performance;
2. consolidation of a career development policy supported by internal mobility and career advancement paths; rules for promotion (in rank or pay) were improved by the introduction of mechanisms that furthered the enrichment of UBAE's human capital;
3. consolidation of a reward system based on performance and results;
4. consolidation of an integrated on-the-job training system that builds on the steps first taken by the Bank in 2008, when it began to design and implement competence-enhancement opportunities supported by industry-wide funds for workers in the credit and insurance sectors. Activities were designed to provide the

knowledge and skills needed for a fruitful bank-client relationship in the context of UBAE's core processes (L/Cs, credit, accounts and budgeting) and in the light of recent regulatory developments (MiFID, Basel 2), with a view to creating value for both sides.

In addition to mandatory training intended to keep staff abreast of shifting rules in such areas as personal data, safety and security in the workplace and money laundering prevention, new training programmes were introduced to cover specialist and managerial aspects (leadership, personnel management and development).

2. Internal Organization

Activity in the organizational sphere focused on the evaluation of software packages and the assessment of IT services on offer from different outsourcers. In line with a directive from the BD, established IT providers were invited to submit bids with a view to equipping Banca UBAE with a system better suited to its operating characteristics in general and its international operations in particular. The results of that survey were submitted to the BD, whose final decision on the matter is pending.

Other accomplishments during the period 1 March-31 December 2012 include:
- the introduction of a set of products for monitoring structural liquidity and asset/ liability management processes;
- the activation of a new computerized procedure (Matrico) enabling the continuous monitoring of non-compliance risk;
- the activation of a new platform for financial information and online trading services;
- the completion, jointly with current outsourcer SEC Servizi, of an analysis to define the procedures that will enable the Bank to launch internet banking services shortly;
- the second-half launch of the new Customer Relationship Management (CRM) platform: Salesforce , which will boost the effectiveness of business development activities by providing a shared database accessible to all the Bank's departments;
- the completion of business continuity trials at the Milan Branch, along with a revision of the relevant operating manuals;
- the successful completion of disaster recovery tests;
- with regard to physical/digital security and systems for safeguarding the Bank's assets, the implementation of measures ensuring compliance with the pertinent regulations, thus shielding the Bank from third-party liability;
- with appropriate assistance from the Compliance & Money Laundering Prevention unit, the audit and monitoring of all IT procedures, including those ensuring the efficiency of the Bank's central electronic database (AUI).

3. Marketing

Over the course of 2012, the Marketing & Product Development Dept. was concerned with value-added projects which put the focus of attention squarely on the customer.

The aim was to bolster the Bank-client relationship and encourage client fidelity by developing new products and services, supporting business growth and the opening of new markets, and building up an effective system of institutional communication. Efforts revolved around four broad areas of activity.

a) Strategic Analysis

This involves researching and producing reports apt to provide Senior Management and the head of Business Development with a clear and succinct picture of issues relevant to strategic decision-making. Documents submitted during the period included analyses of potential new markets (eg, Angola, Mozambique); presentations for use by Management and Business Development in the context of discussion forums, seminars and conferences attended by Banca UBAE in a speaker capacity, such as those hosted by Ansa and the Padova-Vicenza and Ascoli Piceno chapters of Confindustria; support and development activities - conducted in collaboration with the IT & Organization Division - geared to the creation of the Salesforce platform.

b) Business Development

Performed in concert with the Bank's business development divisions, activity in this area sought to expand the institution's strategic opportunities as a way to expand business and consolidate relations with top domestic and international customers. Here are the main initiatives brought to fruition in 2012:

- the organization, in collaboration with Libyan Foreing Bank, of a training seminar in Libya on letters of credit and letters of guarantee for staff from major local banks and companies;
- the hosting of a seminar on trade finance for UBAE's foreign correspondents;
- on-the-job training sessions for interns from leading foreign correspondents who were paired with UBAE staff;
- hosting of the second edition of the Bank's annual meeting with its international business advisors.

c) Institutional Marketing and External Communication

The purpose of communication in this sphere is to manage Banca UBAE's image to optimal effect. In 2012 the development of institutional and external communication was mostly coordinated by the Press Room, which was involved in handling relations with news agencies, preparing press releases and news articles, keeping the corporate website up to date with information on all salient activities undertaken by the Bank, and managing contacts with the various bodies and associations of which Banca UBAE is a member.

d) Corporate Identity and Operational Aspects

On a fourth front, tasks included managing, improving and updating UBAE's corporate website, revising and updating its forms (with particular regard to those needing to be filled out for customer due diligence purposes) and seeing to the upkeep of multiple publications sponsored by Banca UBAE.

4. Risk Management

The Bank has diligently applied the procedures and methods for calculating overall internal capital, as described in the relevant ICAAP reports, all the while improving the tools for identifying, evaluating and monitoring risks.

From an organizational standpoint, the supervisory review process is based on the ICAAP Operating Manual, which not only defines the roles and duties accruing to the various units involved in the process but also provides guidance for managing each type of risk, measurable or otherwise, calculating the internal capital requirement if a risk is quantifiable, and choosing the correct stress test methodology.

For the purposes of Basel 2, Pillar II risk measurement methods in particular, Banca UBAE is a Class 3 credit institution, which means it may adopt simplified methods for quantifiable risks and risk mitigating policies and procedures for non-quantifiable risks.

Pursuant to the rules governing risks that cannot be quantified, moreover, the Bank improved the process for managing liquidity risk by revising its internal policy and its contingency funding plan, as well as by adopting a set of internal operating limits that are regularly monitored.

Capital adequacy was further safeguarded by the introduction of an additional assessment parameter reflecting country risk. Quantified by a method developed in-house, the new parameter is meant to take account of the risk associated with the Bank's operations in specified countries.

The supervisory review process aims to ensure ongoing compliance with established capital requirements (in relation both to the risks contemplated under Pillar I and to the quantifiable risks considered in Pillar II). At the same time, it provides the BD and Management with the information they need to devise policies that will strengthen the Bank's capital base effectively and efficiently. More specifically, the process has served to pursue the following objectives:

- raise the governing bodies' awareness of risk- and capital planning-related issues;
- improve the Bank's understanding of the exposure to various types of risk which its business operations entail;
- quantify previously unquantified risks (credit concentration risk, interest rate risk in the banking book) and bolster organizational safeguards and risk management tools for others (liquidity, reputational and strategic risks, country risk);
- emphasize the need to acquire ever-more efficient and effective risk measurement and risk monitoring tools;
- expand the time frame for internal (forward-looking) analyses and stress tests;
- improve the strategic planning process by introducing capitalization policies that are strictly linked to the Bank's risk profile, ie, to the results emerging from the ICAAP as it was performed.

The ICAAP report relating to the situation at 31 December 2012 will be forwarded to Banca d'Italia not later than 30 April 2013.

The Bank will meet public disclosure requirements by posting the qualitative and quantitative information called for in Basel 2, Pillar III on its website under Financials within the same time frame as applies to the publication of its annual financial statements.

Market Risk

Business conducted by the Finance Division and compliance with the operational limits set out in the Internal Regulations are monitored constantly by the functions charged with first, second and third-order controls, which rely extensively on the Master Finance front-office platform.

Reports are produced daily, are posted on the corporate intranet and are traceable to the desks that generated them. They are concerned with portfolio composition, with daily, monthly and yearly performance, and with movements in risk and sensitivity indicators (potential loss, BPV, VaR, stop loss).

Observance of internal operating limits is monitored on a daily basis and any breaches are reported to the units concerned without delay to allow for prompt remedial action and/or the start of the relevant approval process in accordance with the Bank's own internal rules.

The Risk Management unit submits a quarterly report on monitoring activities carried out, problems found and progress assessments made to the Risk Committee, the Internal Control Committee and the BD.

The Bank does not intend to apply for the recognition of any internal models for calculating its capital requirement against market risks.

Credit and Counterparty Risk

Principles of sound and prudent risk management underpin the granting, monitoring and revision of credit facilities. Safeguards for different phases of the lending process include:

- the systematic assignment of a "credit access score" to both bank and corporate borrowers;
- regular monitoring of loan performance and recording of any breach of internal limits (overruns) or external anomalies (central credit database);
- periodic stress testing.

Aside from the observance of approved borrowing limits, which is monitored by a dedicated unit within the Guarantees, Facilities & Reporting Division, exposure to credit risk is tracked by Risk Management in terms of the deterioration of portfolio quality and thus capital absorption. In particular, the unit produces a monthly report for the Risk Committee, the Internal Control Committee and the BD on the distribution of loans across the Bank's region of interest and on compliance with internally-set country credit ceilings.

For ICAAP purposes, furthermore, Risk Management monitors credit concentration risk and prepares for stress tests by performing scenario analyses simulating the impact of shocks such as sovereign defaults, industry-specific crises or economic downturns on the capital requirement against credit risk.

As for counterparty risk, which is primarily associated with exposures to sellers of OTC derivatives for the HFT portfolio, Risk Management works with the Finance Division to monitor positions daily on a mark-to-market basis.

Operational Risks

Though it chose the Basic Indicator Approach for determining its capital requirement against operational risks under the supervisory regulations in force, Banca UBAE is implementing a dedicated operational risk management system to evaluate and monitor exposure to operational risks and the losses these may entail.

In the course of 2012, an assessment of the areas the Bank deemed most at risk was made to map all relevant processes, catalogue the operational risks to which the Bank is exposed, and conduct a qualitative evaluation (frequency, severity) of possible adverse events.

Other Risks

- *Liquidity Risk*

Exposure to liquidity risk is subject to constant monitoring by the Treasury Department, while Risk Management is responsible for weekly checks on compliance with internal operating limits, as well as for weekly reports to Banca d'Italia.

The operating guidelines set out in the Bank's internal policy and in its "contingency liquidity" plan were reviewed in the light of regulatory developments in this domain. Internal operating limits and stress-test design were refined to bring them into line with the latest regulatory provisions. A "risk tolerance threshold" was also introduced, while the existing set of early-warning indicators was expanded.

The Bank's tools include an online maturity ladder within the Master Finance platform plus an ALM product (ERMAS) that is fed directly from the accounting ledgers and is used quarterly to generate the Bank's maturity ladder, as well as to supply a database for stress testing.

- *Credit Concentration Risk*

In introducing an additional capital requirement, Pillar II placed a special emphasis on credit concentration risk associated with individual counterparties or groups of related counterparties in the corporate loan portfolio. Internal capital is quantified by software supplied by the outsourcer, which processes data from the Bank's periodic supervisory reports by the simplified method foreseen by Banca d'Italia. For stress test purposes, Risk Management carries out internal simulations to gauge the impact of any shifts in strategy or operational approach.

As far as "single-name" concentration risk from bank counterparties is concerned, the Bank has implemented internal operating limits to contain its exposure. These are monitored on a quarterly basis.

Credit concentration risk does not need to be broken down by business sector and geographical area at present, so the Bank has opted for a strictly qualitative assessment. That said, staff regularly attend industry-body courses and events to gain new insights for analysis and acquaint themselves with different methodological approaches.

- *Interest Rate Risk in the Banking Book*

Using Master Finance, Risk Management each month monitors compliance with the relevant internal operating limit, which was set below the regulatory threshold as a measure of precaution.

For ICAAP purposes, the accounting ledgers are used as direct inputs for ERMAS (the ALM application), which generates a maturity ladder and provides a basis for quantifying the Bank's exposure to interest rate risk (both by the simplified method allowed by Banca d'Italia and by the full evaluation method). The same tool is used for stress testing against hypothetical parallel and non-parallel shifts in the interest rate curve.

- *Reputational and Strategic Risks*

These risks complete the Bank's risk profile. Because they are inherently tricky to quantify, they call for qualitative evaluations, risk mitigation policies and above all risk avoidance measures.

The Bank adopted an internal policy for managing reputational risk that defines the role and duties of each unit potentially concerned, draws a model of adverse events, sets out risk mitigation policies aimed at forestalling the occurrence or limiting the consequences of such events, and establishes a strategy for coping with a "reputation crisis".

As for strategic risk, the Bank is in the process of finalizing a procedure for delineating scenarios as required to prepare annual budgets and three-year plans, and to measure the variability of gross operating income (which is taken as an approximation of this particular risk).

- *Country Risk*

Given the Bank's peculiar operating characteristics, a new internal capital requirement to guard against country risk was introduced in 2012. The amount was quantified by an in-house method based on data produced for UBAE's periodic supervisory reports and on ABI Country Risk Forum estimates for the probability of a banking or liquidity crisis in each country concerned.

5. IT Systems

Over the course of 2012, Banca UBAE endeavoured to complete a number of projects that had been set in train the year before. Investment was moderate, though, pending final decisions on the IT front. The utmost attention was devoted to aligning the relevant systems and software with newly-introduced regulatory provisions and operating procedures, so as to mitigate any risks associated with an incorrect use of electronic tools.

In particular:
- The Reuters platform was switched from Xtra to Eikon.
- Digital security shielding against unauthorized access to the Bank's IT systems was brought up to date.
- Uninterruptible power supply (UPS) equipment was upgraded at both the Rome and Milan offices to ensure operational continuity in the event of power outages, thus minimizing any impact on banking operations.

6. Performance Assessment Reports for Senior Management

The Bank further refined its information gathering and reporting tools to ensure Senior Management could draw on an increasingly well-organized and readily-accessible store of analytical and reconciled data on the Bank's performance.

In this context, the Performance Control unit deployed a range of IT resources to reduce the information's "time to market", thus helping to meet the need for timely and accurate reporting to senior bodies and across the Bank's departments, all the while taking account of evolving planning and performance-control requirements.

By using existing IT systems to their full potential, Performance Control achieved good results not just in terms of the efficacy and efficiency of the Bank's reconcilement tools; daily and monthly accounting data relevant to a proper evaluation of the Bank's assets and liabilities, its income-generating capabilities and the stability of revenue streams over time were also made easier to consult.

As IT projects currently in progress boost integration the Bank should reap substantial benefits on multiple fronts: greater accuracy and thoroughness of the information being generated, even shorter data processing times, the development of novel areas of analysis, and improved reporting quality.

7. Security Blueprint

Since the coming into force of Law Decree 5/2012 (as subsequently amended and converted into Law 35/2012, which was published in issue no. 82 of the Official Gazzette on 6 April 2012), producing and updating a Security Blueprint is no longer mandatory for any class of business enterprise. Banca UBAE is still required to adopt the "other minimum security standards" referred to in articles 33-35 of Legislative Decree 196/2003 (commonly known as the personal data protection code), some of which are described in the technical guidelines provided in Schedule B thereof.

8. Logistics

In addition to routine maintenance, a number of improvements were carried out to render the Rome and Milan offices more serviceable.

The premises housing the Bank's archives also witnessed some renovation work to ensure proper upkeep of the building and the safety of its occupants.

Certification of technical plant at the Milan Branch was updated by outside specialists working alongside UBAE's own technical personnel. Based at the Branch, the team is responsible for all ordinary and extraordinary maintenance work, which is physically done by local firms.

RECLASSIFIED BALANCE SHEET

EUR/000

	Balance as at :		Change	
	31.12.12	**29.02.2012**	**Amount**	**%**
ASSETS				
Cash and cash equivalents	129	369	-240	-65.04%
Loans and advances				
- to customers	502,805	250,511	252,294	100.71%
- to banks	1,327,140	2,300,682	-973,542	-42.32%
Financial assets held for	49,223	110,017	-60,794	-55.26%
Fixed assets				
- financial [1]	445,024	298,270	146,754	49.20%
- tangible	23,818	24,133	-315	-1.31%
- intangible	1,616	2,186	-570	-26.08%
Other assets [2]	27,317	25,012	2,305	9.22%
Total assets	**2,377,072**	**3,011,180**	**-634,108**	**-21.06%**
LIABILITIES				
Accounts payable				
-to customers	442,710	648,091	-205,381	-31.69%
-to banks	1,681,437	2,105,719	-424,282	-20.15%
Financial liabilities held for	4,925	3,234	1,691	52.29%
Earmarked provisions [3]	2,514	2,386	128	5.36%
Other liabilities [4]	34,765	38,133	-3,368	-8.83%
Shareholders' equity				
-Capital and reserves	194,888	201,876	-6,988	-3.46%
-Net profit for the year	15,833	11,741	4,092	34.85%
Total liabilities	**2,377,072**	**3,011,180**	**-634,108**	**-21.06%**

[1] Inclusive of financial assets HTM and AFS

[2] Inclusive of tax assets and other assets

[3] Inclusive of staff severance fund and provisions for risks and charges

[4] Inclusive of tax liabilities and other liabilities

RECLASSIFIED INCOME STATEMENT

EUR/000

	Balance as at :		Change	
	31.12.12 10 months	**29.02.12** 14 months	**Amount**	**%**
Net interest income	24,760	44,266	-19,506	-44.07%
Net non-interest income [1]	17,465	16,383	1,082	6.60%
Gross operating income	**42,225**	**60,649**	**-18,424**	**-30.38%**
Personnel expenses	-13,930	-18,241	4,311	-23.63%
Other administration expenses and operating charges [2]	-7,289	-7,267	-22	0.30%
Gross operating result	**21,006**	**35,141**	**-14,135**	**-40.22%**
Net adjustments to tangible and intangible fixed assets	-1,237	-1,902	665	-34.96%
Provisioning, write-downs and write-ups [3]	1,860	-6,989	8,849	-126.61%
Pre-tax profit from continuing operations	**21,629**	**26,250**	**-4,621**	**-17.60%**
Income tax for the year	-5,796	-14,509	8,713	-60.05%
Net profit from continuing operations	**15,833**	**11,741**	**4,092**	**34.85%**
Net result from non-continuing operations				
Net profit for the year	**15,833**	**11,741**	**4,092**	**34.85%**

[1] Inclusive of net commissions, dividends and net trading income and profits (losses) on disposal or repurchase of financial assets available for sale

[2] Inclusive of other administration expenses and other operating income

[3] Inclusive of net impairment adjustments and net provisioning for risk and charges

The difference displayed by "Income tax for the year" is largely attributable to pre-paid taxes (EUR 1.5 mn approx.) and the fact that these had been a negative quantity (EUR -2.8 mn approx.) in the previous period. The net positive impact was thus EUR 4.3 mn approx.

COMMENTS

COMMENTS ON BALANCE-SHEET ITEMS

EUR/000

	Balance as at :		Variation	
	31.12.12	29.02.2012	Amount	%
Loans and advances to customers:				
§ In euros	429,310	215,942	213,368	98.81%
§ In other currencies	73,495	34,569	38,926	112.60%
Loans and advances to banks:				
§ In euros	125,487	526,706	-401,219	-76.18%
§ In other currencies	1,201,653	1,773,976	-572,323	-32.26%
Total	**1,829,945**	**2,551,193**	**-721,248**	**-28.27%**

Loans and Advances to Customers

The increase in non-bank loans topped 100% as UBAE's trade finance operations saw strong growth. The underlying business development effort took account, *inter alia*, of the need to spread credit risk across a wider pool of borrowers in light of the limits imposed by supervisory directives governing "large exposures". The loans' main purpose, regardless of whether they were granted directly or through syndicated facilities arranged by major lending institutions, was to support domestic clients engaged in trade with countries in the Bank's region of interest.

Loans are shown at face value net of individual or collective adjustments. Valuation criteria are reviewed in the Notes to the Financial Statements.

Non-performing positions account for 0.02% of total loans and advances to customers.

The value of outstanding loans was written down by EUR 2.5 mn (after write-backs of EUR 77,000 approx. representing amounts collected against previous write-downs). The sum stands for anticipated losses plus the portion of non-performing debt that was judged recoverable to a marginal extent at best.

Loans and Advances to Banks

Loans and advances to banks dropped by EUR 973,542 (-42.32%), chiefly as a result of diminished funding from customers, which the Bank dealt with by concentrating short-term loans on its corporate clientele.

The item was only marginally affected by the rebound in "oil" funds that followed the gradual lifting of restrictions against Libya in 2011 and by the Bank's ensuing liquidity investment policy.

Provisioning for country risk from previous years was offset by EUR 4 mn-worth of repayments on positions that had earlier been classified as "at risk".

Financial Assets

Financial assets, comprising securities, derivatives and minority equity stakes, amounted to EUR 489,322,936, for a net increase of EUR 84,270,001 over the previous accounting period. This was the combined result of more moderate trading activity on the one hand and growth in the HTM portfolio - in line with the Bank's policy goal of seizing opportunities for investment in securities providing an attractive yield - on the other.

In the wake of the financial crisis, UBAE implemented its policy for financing bank counterparties by subscribing debt issues that were discountable with the ECB, while screening them carefully for yield and issuer's standing. In this way, the Bank also retained access to ECB-sponsored "open market transactions" in case of need.

The Bank did not transfer any assets from one portfolio to another during the period.

On the whole, UBAE's policy in this department yielded satisfactory results.

EUR/000

	Balance as at :		Variation	
	31.12.2012	29.02.2012	Amount	%
Financial assets				
§ Assets held for trading	49,223	110,017	-60,794	-55.26
§ Liabilities held for trading	-4,925	-3,234	-1,691	52.29
§ Assets available for sale	56,908	10,525	46,383	440.69
§ Assets held to maturity	388,116	287,745	100,371	34.88
Total	**489,322**	**405,053**	**84,269**	**20.80**

The criteria for valuing securities and for assigning issues to the investment or the trading portfolio are discussed in the Notes to the Financial Statements (pp.61-63).

Assets held for trading and derivatives were valued at market prices; other securities (HTM, AFS) were valued at amortized cost.

Accounts Payable

Accounts payable to banks and customers are shown at amortized cost. The table below gives a breakdown of changes in funding from banks and customers in euros and other currencies.

As mentioned, funding from institutional counterparties was affected by the lifting of international sanctions on the Bank's Libyan correspondents, which had been called upon to meet the financial requirements of the Libyan state. As a result, funding from banks declined in the early months of the year, though it then levelled off.

Funding from corporate customers, most of whom are located in the various countries in the Bank's region of interest, remained significant.

EUR/000

	Balance as at :		**Variation**	
	31.12.2012	**29.02.2012**	**Amount**	**%**
Payable to customers				
§ In euros	66,880	85,488	-18,608	-21.77
§ In other currencies	375,830	562,603	-186,773	-33.20
Payable to banks				
§ In euros	608,064	749,689	-141,625	-18.89
§ In other currencies	1,073,373	1,356,030	-282,657	-20.84
Total	**2,124,147**	**2,753,810**	**-629,663**	**-22.87**

Shareholders' Equity

Movements in shareholders' equity may be represented as follows:

EUR/000

	Capital	Share premium	Reserves	Retained profit	Net profit	**Total**
29.02.2012	**151,061**	**16,702**	**18,453**	**15,660**	**11,741**	**213,617**
29.02.12-31.12.12 Movements:						
§ Appropriation of profit: Reserves			587		-587	**0**
Dividends				-7,880	-11,154	**-19,034**
§ Valuation reserve			305			**305**
§ Net profit					15,833	**15,833**
31.12.2012	**151,061**	**16,702**	**19,345**	**7,780**	**15,833**	**210,721**

The legal reserve was boosted in accordance with the decision taken by the shareholders who approved the financial statements for the (14-month) period to 29 February 2012.

Dividend payments for a total of EUR 19,033,660.80 were approved by the shareholders during the year.

Shares

As of 31 December 2012 share capital amounted to EUR 151,060,800, divided into 1,373,280 common shares of EUR 110 each.

Subordinated Loan

In 2008, in line with the recapitalization goals set out in its three-year business plan, the Bank finalized a new ten-year subordinated loan agreement with Libyan Foreign Bank for a total of EUR 100,000,000 which has since been drawn in its entirety.

COMMENTS ON THE INCOME STATEMENT

As indicated in the introduction, tables in this section include a recalibration of results over equal 10- and 12-month periods to allow for a more meaningful appreciation of the Bank's performance during the past two (14- and 10-month) accounting periods. All reclassified figures are strictly pro-forma and are unaudited.

Reclassified results (over 10 months): 1.3.2011-31.12.2011

EUR/000

		Reclassified for internal purposes	**Change**	
	31.12.12 10 months	**31.12.11** 10 months	**Amount**	**%**
Net interest income	24,760	30,897	-6,137	-19.86%
Net non-interest income [1]	17,465	5,897	11,568	196.17%
Gross operating income	**42,225**	**36,794**	**5,431**	**14.76%**
Personnel expenses	-13,930	-13,154	-776	5.90%
Other administration expenses and operating charges [2]	-7,289	-5,304	-1,985	37.42%
Gross operating result	**21,006**	**18,336**	**2,670**	**14.56%**
Net adjustments to tangible and intangible fixed assets	-1,237	-1,361	124	-9.11%
Provisioning, write-downs and write-ups [3]	1,860	-7,988	9,848	-123.28%
Pre-tax profit from continuing operations	**21,629**	**8,987**	**12,642**	**140.67%**
Income tax for the year	-5,796	-8,151	2,355	-28.89%
Net profit from continuing operations	**15,833**	**836**	**14,997**	**1793.90%**
Net result from non-continuing operations				
Net profit for the year	**15,833**	**836**	**14,997**	**1793.90%**

[1] Inclusive of net commissions, dividends and net trading income and profits (losses) on disposal or repurchase of financial assets available for sale

[2] Inclusive of other administration expenses and other operating income

[3] Inclusive of net impairment adjustments and net provisioning for risk and charges

The 10 months to December 2012 generated a net profit of EUR 15.8 mn, compared with EUR 0.8 mn reckoned for the corresponding 10-month period one year earlier.

Other salient variations involve:

- net interest income, which fell to EUR 24.7 mn from EUR 30.8 mn - a moderate drop considering the significant decline in administered funds;

- net non-interest income, which was boosted both by L/C fees (as trade picked up after international sanctions imposed in 2011 were lifted) and by UBAE's new business policy for new as well as established markets. The item also reflects the performance of the HFT portfolio, whose value fell by around EUR 4.5 mn in 2011 but recovered strongly in the course of 2012;

- administration expenses, which rose as projects that had been put on hold in 2011 while the Bank was in extraordinary administration were reactivated and new outlays associated with the full resumption of banking operations and the development of new business strategies were approved and executed.

While consistently conservative, the Bank's asset valuation policy allowed for write-backs of EUR 1.8 mn on positions from countries at risk that had been written down at the end of 2011 (Bangladesh, in the instance, and above all Libya, whose economy showed signs of a vigorous revival as soon as restrictions were eased).

The gap in the tax burden is essentially due to the impact of deferred tax liabilities linked to non-deductible costs, which weighed more heavily on the 2011 result.

Reclassified results (over 12 months): 1.1.2011-31.12.2011 / 1.1.2012-31.12.2012

EUR/000

	reclassified for internal purposes		Change	
	31.12.12 12 months	**31.12.11** 12 months	**Amount**	**%**
Net interest income	32,653	36,373	-3,720	-10.23%
Net non-interest income [1]	23,668	10,180	13,488	132.50%
Gross operating income	**56,321**	**46,553**	**9,768**	**20.98%**
Personnel expenses	-16,387	-15,784	-603	3.82%
Other administration expenses and operating charges [2]	-8,678	-5,878	-2,800	47.64%
Gross operating result	**31,256**	**24,891**	**6,365**	**25.57%**
Net adjustments to tangible and intangible fixed assets	-1,517	-1,622	105	-6.47%
Provisioning, write-downs and write-ups [3]	2,840	-7,969	10,809	-135.64%
Pre-tax profit from continuing operations	**32,579**	**15,300**	**17,279**	**112.93%**
Income tax for the year	-9,866	-10,439	573	-5.49%
Net profit from continuing operations	**22,713**	**4,861**	**17,852**	**367.25%**
Net result from non-continuing operations				
Net profit for the year	**22,713**	**4,861**	**17,852**	**367.25%**

[1] Inclusive of net commissions, dividends and net trading income and profits (losses) on disposal or repurchase of financial assets available for sale

[2] Inclusive of other administration expenses and other operating income

[3] Inclusive of net impairment adjustments and net provisioning for risk and charges

Net Interest Income

EUR/000

	Balance as at :		Var 31.12.12 / 29.02.12	
	31.12.12 10 months	**29.02.12 14 months**	**Amount**	**%**
10. Interest income and related revenue	35,987	70,531	-34,544	-48.98
20. Interest charges	-11,227	-26,265	15,038	-57.25
Net interest income	**24,760**	**44,266**	**-19,506**	**-44.07**
30. Dividends and other proceeds	84	27	57	211.11

EUR/000

	reclassified for internal purposes		Var 31.12.12 / 31.12.11	
	31.12.12 12 months	**31.12.11 12 months**	**Amount**	**%**
10. Interest income and related revenue	48,421	58,097	-9,676	-16.65
20. Interest charges	-15,768	-21,724	5,956	-27.42
Net interest income	**32,653**	**36,373**	**-3,720**	**-10.23**
30. Dividends and other proceeds	84	27	57	211.11

Although average funds managed fell substantially, the Bank recorded only a limited decline in net interest income (-10.23%). The result bears out UBAE's ability - in spite of the international financial climate - to diversify its earning assets in a constant quest for adequate returns, while observing regulatory prescriptions on the mismatching of maturities.

Amounts calculated to represent UBAE's performance in calendar years 2011 and 2012 show that despite a negligible shift in spreads, the Bank's interest earnings were quite respectable.

Net Non-Interest Income

Non-interest income may be broken down as follows:

EUR/000

	Balance as at :		Var 31.12.12 / 29.02.12	
	31.12.12 10 months	**29.02.12 14 months**	**Amount**	**%**
40. Commissions received	17,629	19,141	-1,512	-7.90
50. Commissions paid	-2,064	-2,933	869	-29.63
Net commissions	**15,565**	**16,208**	**-643**	**-3.97**
80. Trading assets	2,003	148	1,855	1,253.38
100. Profits (Losses) on disposal or repurchase of AFS	-187		n.a.	n.a.
190. Other operating proceeds	854	2,116	-1,262	-59.64
Net non-interest income	**18,235**	**18,472**	**-237**	**-1.28**

EUR/000

	reclassified for internal purposes		Var 31.12.12 / 31.12.11	
	31.12.12 12 months	**31.12.11 12 months**	**Amount**	**%**
40. Commissions received	21,231	15,539	5,692	36.63
50. Commissions paid	-2,529	-2,468	-61	2.47
Net commissions	**18,702**	**13,071**	**5,631**	**43.08**
80. Trading assets	5,069	-2,918	7,987	-273.71
100. Profits (Losses) on disposal or repurchase of AFS	-187		n.a.	n.a.
190. Other operating proceeds	1,108	1,862	-754	-40.49
Net non-interest income	**24,692**	**12,015**	**12,677**	**105.51**

Net non-interest income more than doubled (+105.5%) from end-2011 to end-2012. The increase reflects a renewed push for business on the part of Banca UBAE, which moved swiftly to reorganize and resume robust marketing initiatives at home as well as in target countries. Widespread political turmoil and economic hardship in those countries notwithstanding, the result shows just how well the Bank is introduced in bilateral trade flows and attests to UBAE's long-established role as a privileged banking intermediary between Italy and the entire region.

Commissions received - particularly L/C-related fees - marked the strongest growth. Income from guarantees was up 8% approximately, even with a 25% drop in new guarantees issued and a 10% dip in total guarantees outstanding as at 31 December 2012.

Financial trading generated a decent profit margin, all the more so considering the adverse conditions characterizing financial markets as mentioned.

Other net operating income - relating to amounts recouped on costs incurred for commercial transactions and including the balance of extraordinary charges and proceeds - diminished relative to the previous period.

Administration Expenses

EUR/000

	Balance as at :		Var 31.12.12 / 29.02.12	
	31.12.12 10 months	**29.02.12 14 months**	Amount	%
a) Personnel expenses:				
§ wages and salaries	8,087	11,145	-3,058	-27.44
§ social security contributions	2,181	3,074	-893	-29.05
§ staff severance payments	669	909	-240	-26.40
§ other expenses	1,185	2,367	-1,182	-49.94
Total employee expenses	**12,122**	**17,495**	**-5,373**	**-30.71**
§ Administrators	1,321	539	782	145.08
§ Statutory Auditors	136	155	-19	-12.26
§ Non-staff associates	351	52	299	575.00
Total personnel expenses	**13,930**	**18,241**	**-4,311**	**-24**
b) other administration expenses	**8,143**	**9,383**	**-1,240**	**-13.22**
Total	**22,073**	**27,624**	**-5,551**	**-20.09**

EUR/000

	Balance as at :		Var 31.12.12 / 31.12.11	
	31.12.12 12 months	**31.12.11 12 months**	Amount	%
a) Personnel expenses:				
§ wages and salaries	9,721	9,511	210	2.21
§ social security contributions	2,667	2,588	79	3.05
§ staff severance payments	883	695	188	27.05
§ other expenses	1,200	2,352	-1,152	-48.98
Total employee expenses	**14,471**	**15,146**	**-675**	**-4.46**
§ Administrators	1,397	463	934	201.73
§ Statutory Auditors	168	123	45	36.59
§ Non-staff associates	351	52	299	575.00
Total personnel expenses	**16,387**	**15,784**	**603**	**3.82**
b) other administration expenses	**9,786**	**7,740**	**2,046**	**26.43**
Total	**26,173**	**23,524**	**2,649**	**11.26**

Total personnel expenses edged up 3.82% to EUR 16.4 mn. The result is the balance of a modest rise in “Wages and salaries” that ensued from a net increase in staff on the Bank’s payroll (and from the provisions of the new national collective labour contract which came into effect in 2012) and the departure of some staff members, including a few on fairly onerous employment contracts. “Other expenses” incurred for employees fell as a consequence of voluntary-retirement incentives and a decrease in the number of staff working on secondment.

Costs incurred for Directors and Auditors rose, of course, after the BD and the Board of Auditors were reinstated at the end of February 2012 when Banca UBAE’s spell in extraordinary administration drew to a close.

“Other administration expenses” - item b) in the tables - grew by 26.43% (EUR 2 mn) as a number of projects that had been frozen in the wake of international restrictions were revived in the course of 2012. The result also reflects costs sustained by UBAE in connection with the full resumption of its banking operations, and the development of new strategies in relation thereto.

Composition of the Bank's Net Result

EUR/000

	Balance as at :				Var 31.12.12 / 29.02.12	
	31.12.12 10 months		**29.02.12 14 months**		Amount	%
Gross operating profit		**21,006**		**35,141**	-14,135	40.22%
Net adjustments to tangible and intangible fixed assets		-1,237		-1,902	665	-34.96%
Net impairment adjustments:						
§ to loans	1,461		9,657			
§ to financial assets available for sale	-506		-30			
§ to financial assets held to maturity	-934		-1,830			
§ to other financial operations	1,911		-14,696			
§ net provisioning for risks and charges	-72		-90			
total		**1,860**		**-6,989**	8,849	126.61%
Profit before tax		**21,629**		**26,250**	-4,621	-17.60%
Income tax for the year		-5,796		-14,509	8,713	-60.05%
Net profit		**15,833**		**11,741**	4,092	34.85%

Reckoned over the official accounting period, net profit worked out to EUR 15.8 mn at 31 December 2012 (compared with EUR 11.7 mn at 29 February 2012) after EUR 5.8 mn had been set aside against income tax (-60% relative to the earlier period).

The result qualifies as excellent considering it was achieved in a mere ten months - and in an acutely recessionary economic climate besides.

EUR/000

	Balance as at :				Var 31.12.12 / 31.12.11	
	31.12.12 12 months		**31.12.11 12 months**		Amount	%
Gross operating profit		**31,256**		**24,891**	6,365	-25.57%
Net adjustments to tangible and intangible fixed assets		-1,517		-1,622	105	-6.47%
Net impairment adjustments:						
§ to loans	2,916		8,202			
§ to financial assets available for sale	-401		-135			
§ to financial assets held to maturity	-865		-1,899			
§ to other financial operations	1,311		-14,096			
§ net provisioning for risks and charges	-121		-41			
total		**2,840**		**-7,969**	10,809	135.64%
Profit before tax		**32,579**		**15,300**	17,279	112.93%
Income tax for the year		-9,866		-10,439	573	-5.49%
Net profit		**22,713**		**4,861**	17,852	367.25%

Viewed over homogeneous 12-month periods, the net result posted at 31 December 2012 far exceeds that recorded one year earlier. The figure was influenced, in particular, by the greater allocations for risk which UBAE's governing bodies had opted for in view of the political and economic instability afflicting some of the Bank's key markets.

In valuing exposures at 31 December 2012, and mindful of the encouraging progress registered by certain debt positions which had been cause for concern in previous years, the BD judged that existing provisions were adequate, hence refrained from allocating any additional sums.
It should be noted, moreover, that the net-profit figure calculated for the 12 months to December 2012 incorporates the truly excellent result achieved by the Bank in the early months of the year.

The valuation of the Bank's VAT position for financial years 2005 through 2008, which is the subject of an ongoing dispute with the tax authorities, was deemed correct by applicable legislation – consistently with the opinion expressed by tax consultants - and thus did not give rise to any provisioning.

The tables above illustrate the composition of the Bank's net profit for the 10-month period to December 2012 and the 14-month period to 29 February 2012 (official figures) and for the two 12-month periods to December 2012 and December 2011 respectively (reclassified figures). More information is provided in the Notes (Part C, "Information on the Income Statement").

The BD's recommendations for allocating net profit are set out in the section entitled "Appropriation of Net Profit" below.

SIGNIFICANT POST-YEAR-END EVENTS

In the early months of 2013, the Bank made further progress in the ongoing review of its existing IT setup, the purpose of which is to put the BD in a position to choose a solution that is adequate to the institution's requirements. Aware of the sensitiveness and strategic importance of information technology in today's financial environment, Banca UBAE is determined to equip itself with a software package that will ensure its compliance with the relevant regulatory provisions at all times, while supporting the efficient implementation of its business strategy.

In a decision announced in February this year, Fitch Ratings confirmed the Bank's BB credit rating.

In March this year, as mentioned in the Chairman's Statement, Libyan Foreign Bank placed a USD 400 mn deposit with Banca UBAE under a "security agreement" backing transactions initiated with LFB or any party connected thereto as from the agreement date. The scheme aims to ensure an ideal volume of business while maintaining full compliance with recently-enacted supervisory provisions governing business dealings with related parties. Mandatory limits introduced by those provisions for exposures to affiliated parties and entities connected to them are very stringent. Given the volume of business which UBAE routinely transacts with LFB and connected corporate entities, the enforcement of such limits in the absence of the aforementioned agreement would have curtailed the Bank's operations with its Libyan shareholder significantly.

ADDITIONAL INFORMATION

The Bank does not conduct any research and development activity.

The Bank does not hold any treasury shares.

Information regarding the Bank's dealings with related parties may be found in the relevant section of the Notes to the Financial Statements.

RECOMMENDATIONS TO THE SHAREHOLDERS

1. Approval of the Accounts for the Period 1 March-31 December 2012

Gentlemen:

We hereby ask that you formally approve, on the basis of this Report, the Financial Statements of Banca UBAE SpA for the period running from 1 March to 31 December 2012, including the Balance Sheet, Income Statement and Notes, considered both jointly and in their several postings, as proposed by this Board of Directors.

2. Appropriation of Net Profit (*)

We propose, furthermore, that profit be allocated as follows:

- Net result	EUR	15,833,066.00	-
- Less 5% to the Legal Reserve (art. 30, letter a) of the Articles of Association)	EUR	800,000.00	=
	EUR	15,033,066.00	-
- Less dividend (equal to 7% of Capital)	EUR	10,574,256.00	=
- Profit to be retained from the accounting period ended on 31.12.2012	EUR	4,458,810.00	+
- Profit retained from previous periods	EUR	7,780,944.43	=
	EUR	12,239,754.43	-
- Less allocation to the Extraordinary Reserve	EUR	12,200,000.00	=
- Profit to be carried forward	EUR	39,754.43	

If the above scheme is approved, Shareholders' Equity will therefore amount to EUR 200,147,631.71 and will be composed as follows:

- Share capital	EUR	151,060,800.00	+
- Share premium account	EUR	16,702,216.29	+
- Reserves and profit carried forward	EUR	32,079,376.04	+
- IAS-FTA reserve and carry-forward from IAS 2005 profit	EUR	305,239.38	=
(*)	**EUR**	**200,147,631.71**	

Rome, 28 March 2013

THE CHAIRMAN

(*)See page 190 Part F "Information on Shareholders' Equity"

Statutory Auditors' Report
for the Accounting Period Ended on 31 December 2012
(pursuant to and for the purposes of art.2429 of the Civil Code)

To the Annual General Meeting of Banca UBAE SpA

Gentlemen:

During the period to 31 December 2012, we monitored the Bank's compliance with the law and the Articles of Association, as well as its adherence to sound and prudent management principles. In doing so we referred, inter alia, to the National Boards of Professional Accountants' "Practical Guidelines for Statutory Auditors".

As you are aware, the Bank's spell in extraordinary administration ended on 29 February 2012, which means the financial statements we have reviewed cover a ten-month period only (1 March-31 December 2012). The Board of Directors has compared the Bank's results for this period with those appearing in the financial statements which the Extraordinary Commissioners had submitted to Banca d'Italia for the (14-month) period running from 1 January 2011 to 29 February 2012.

Pursuant to and for the purposes of our statutory duties, we attended the meetings of the Board of Directors and the Executive Committee, whose proceedings conformed to the law and the Bank's internal rules and whose resolutions were similarly valid and legitimate. In particular, none of the resolutions that were passed generated a conflict of interest or put shareholders' funds at risk.

We evaluated and monitored the adequacy of the Bank's administrative, organizational and book-keeping arrangements and assessed whether its accounting system could be relied upon to provide a fair and accurate representation of all relevant business events. To that end, we interviewed those in charge of the various functions, compared the information thus obtained with that recorded in the Bank's official documents, and scrutinized the findings of the Legal Auditors' quarterly reviews. No complaints under art. 2408 of the Civil Code were received.

You will recall that the ordinary general meeting which convened on 10 September 2012 entrusted the legal audit of the Bank's books to BDO SpA for financial years 2012 through 2020. Our statutory duties being circumscribed accordingly, we refer you to BDO's separate report in that respect.

Periodically over the course of the year and in conformity with the legal provisions in force, we were updated by the Board of Directors on the Bank's overall performance and foreseeable direction, as well as on those transactions deemed worthy of note on account of their calibre or characteristics. We may reasonably reassure you, in this light, that none of the actions taken by the Bank was at odds with either the law or the Articles of Association. No atypical and/or unusual dealings were detected - including with parties affiliated with or otherwise related to Banca UBAE.

Concerning the financial statements for the period ended on 31 December 2012 (albeit with reference to aspects other than the figures themselves), we monitored the way they took shape and verified the general adherence of their structure and manner of preparation to the relevant stipulations of the law. In particular, we ascertained that they had been compiled in accordance with the instructions laid down by Banca d'Italia and met international accounting standards. We held meetings with the firm legally responsible for auditing the Bank's books and at no time became acquainted with any facts or information susceptible to be mentioned in this report.

We likewise ascertained that the Directors' annual report on operations had been drafted as legally mandated and have no specific remarks to submit on that count. So far as we are aware, the Board of Directors did not invoke any exceptions under art. 2423, paragraph 4 of the Civil Code. The Notes to the financial statements, for their part, provide the information called for by Banca d'Italia in circular directive 262/2005, supplementing the data required by international accounting standards where and as appropriate.

We checked the financial statements against the facts and other information we had gathered over the course of the year; here again, no comments are in order.

To conclude, and in the light inter alia of the Legal Auditors' own findings, we encourage you to ratify the annual report and financial statements for the period 1 March-31 December 2012 as they were approved by the Board of Directors on 28 March 2013.

We similarly endorse the Board's proposals for the allocation of net profit.

Rome, 2 April 2013

THE BOARD OF AUDITORS

Marco Leotta

Fabio Gallassi

Cosimo Vella

Legal Auditors' Report

Tel: +39 0685304330
Fax: +39 0685305447
www.bdo.it

Via Nizza,128
00198 Roma
e-mail: roma@bdo.it

(Translation from the Italian original which remains the definitive version)

Auditors Report pursuant to
Articles 14 and 16 of Decree Law 27.1.2010, No. 39

To the shareholders of
Banca Ubae S.p.A.

1. We have audited the financial statements of Banca Ubae S.p.A. as of and for the year ended December 31, 2012, comprising of the balance sheet, income statement, statement of comprehensive income, statement of changes in shareholders' equity, cash flow statement and notes thereto. The Directors of the company are responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards adopted by the European Union and the Italian regulations implementing Article 9 of Legislative Decree No. 38/05. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing principles recommended by CONSOB (National Securities Exchange Commission). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the final financial statements of "Extraordinary Administration", referred to for the period from January 1, 2011 to February 29, 2012 (Commissionary period) presented for comparative purposes, we refer to our report dated June 26, 2012.

3. In our opinion, the financial statements of Banca Ubae S.p.A. for the period ended December 31, 2012 comply with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing Article 9 of Legislative Decree No. 38/05; Accordingly, they have been prepared with clarity and present a true and fair view of its patrimonial and financial position, the results of operations and cash flow of the company for the period from March 1, 2012 to December 31, 2012.

4. The period of "Extraordinary Administration" to which the Bank has been subjected, ended on February 29, 2012 with the appointment by the Shareholders meeting of the new administrative organs. The Financial Statements at December 31, 2012 refer to a period of only ten months and, in line with the directives of the Bank of Italy, are compared with the data in the final financial statements of the "Extraordinary Administration" relative to a period of fourteen months(from January 1, 2011 to February 29. 2012). In order to permit an easier comparison between non-homogeneous official accounting periods, the "Economic Data" section of the Management Report sets forth unaudited pro-forma data for the twelve months periods ended December 31, 2011 and December 31, 2012 and for the ten months period (from March1, 2012 to December 31, 2012) for comparison with the official figures of the ten months period under review.

5. The Directors of Banca Ubae S.p.A. are responsible for the preparation of a report on operations, in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the coherence of such report on operations with the financial statements, as foreseen by the law. Accordingly, we have performed the procedures indicated in Auditing Standard No. 001 emanated by the National Board of Public Accountants referred to above and recommended by CONSOB. In our opinion, such report on operations is coherent with the financial statements of Banca Ubae S.p.A. for the year ended December 31, 2012.

Rome, April 9, 2013

BDO S.p.A.
(signed in the original)

Felice Duca
(Partner)

FINANCIAL STATEMENTS

(AMOUNTS IN EUROS)

BALANCE SHEET: ASSETS

	Assets	31.12.2012	29.02.2012
10	Cash and cash equivalents	128,607	368,956
20	Financial assets held for trading	49,223,556	110,016,659
40	Financial assets available for sale	56,907,917	10,524,997
50	Financial assets held to maturity	388,115,740	287,745,277
60	Loans and advances to bank	1,327,140,103	2,300,681,971
70	Loans and advances to customers	502,804,813	250,511,138
110	Tangible fixed assets	23,818,374	24,132,716
120	Intangible fixed assets,	1,616,312	2,186,254
	of which: goodwill		
130	Tax assets	26,294,765	23,368,107
	a) current	17,878,534	16,374,831
	b) deferred	8,416,231	6,993,276
150	Other assets	1,021,517	1,643,974
	Total assets	**2,377,071,704**	**3,011,180,049**

BALANCE SHEET: LIABILITIES

	Liabilities	31.12.2012	29.02.2012
10	Accounts payable to banks	1,681,436,581	2,105,718,956
20	Accounts payable to customers	442,710,367	648,090,615
40	Financial liabilities held for trading	4,924,277	3,233,998
80	Tax liabilities	8,304,183	12,886,712
	a) current	8,304,183	12,797,947
	b) deferred		88,765
100	Other liabilities	26,460,114	25,246,407
110	Staff severance fund	2,139,893	2,020,600
120	Provisions for risks and charges	374,401	365,388
	a) pensions and similar		
	b) other	374,401	365,388
130	Valuation Reserves	599,402	294,292
160	Reserves	26,526,404	33,818,776
170	Share premium reserve	16,702,216	16,702,216
180	Share capital	151,060,800	151,060,800
190	Treasury stock		
200	Net profit for the year	15,833,066	11,741,289
Total liabilities and shareholders' equity		**2,377,071,704**	**3,011,180,049**

INCOME STATEMENT

	Items	31.12.2012	29.02.2012
10	Interest and similar income	35,987,283	70,531,010
20	Interest charges and similar expenses	(11,227,554)	(26,264,918)
30	**Net interest income**	**24,759,729**	**44,266,092**
40	Commission income	17,628,643	19,140,479
50	Commission expense	(2,064,065)	(2,932,918)
60	**Net commissions**	**15,564,578**	**16,207,561**
70	Dividends and similar income	84,000	27,050
80	Net trading income	2,003,338	148,172
100	Profits (Losses) on disposal or repurchase of:	(186,547)	
	a) to loans and advances		
	b) to financial assets available for sale	(186,547)	
	c) to financial assets held-to-maturity		
	d) to other financial assets		
120	**Gross operating income**	**42,225,098**	**60,648,875**
130	Net impairment adjustments:	1,932,251	(6,899,672)
	a) to loans and advances	1,461,161	9,656,510
	b) to financial assets available for sale	(505,927)	(30,364)
	c) to financial assets held-to-maturity	(934,274)	(1,830,081)
	d) to other financial assets	1,911,291	(14,695,737)
140	**Net income from financial operations**	**44,157,349**	**53,749,203**
150	Administration expenses:	(22,072,859)	(27,624,363)
	a) personnel	(13,929,984)	(18,241,209)
	b) other	(8,142,875)	(9,383,154)
160	Net provisioning for risks and charges	(72,247)	(89,486)
170	Net adjustments to tangible fixed assets	(617,391)	(904,559)
180	Net adjustments to intangible fixed assets	(619,932)	(997,002)
190	Other operating income / charges	854,014	2,116,010
200	**Operating charges**	**(22,528,415)**	**(27,499,400)**
250	**Profit from continuing operations before tax**	**21,628,934**	**26,249,803**
260	Income tax for the year on continuing operations	(5,795,868)	(14,508,514)
270	**Net profit from continuing operations**	**15,833,066**	**11,741,289**
290	**Net profit for the year**	**15,833,066**	**11,741,289**

COMPREHENSIVE NET INCOME DETAIL

	Items	31.12.2012	29.02.2012
10	**Net profit (loss)**	**15,833,066**	**11,741,289**
20	Financial assets available for sale	204,210	(298,337)
30	Tangible assets		
40	Intangible assets		
50	Hedging of foreign investments		
60	Hedging of financial flows		
70	Forex differentials		
80	Non-current assets earmarked for disposal		
90	Actuarial profit (loss) on defined-benefit plans		
100	Share of valuation reserves booked to shareholders' equity		
110	**Other sources of income, after tax**	**204,210**	**(298,337)**
120	**Comprehensive Net Income**	**16,037,276**	**11,442,952**

STATEMENT OF CHANGES IN EQUITY - 01.03.2012-31.12.2012

	Balance as at 29.02.2012	Change in opening balance	Balances as at 01.03.2011	Allocation of profit from previous year		Changes to reserves
				Reserves	Dividends and others	
Share capital						
a) ordinary shares	151,060,800		151,060,800			
b) other shares						
Share premium account	16,702,216		16,702,216			
Reserves						
a) from profits	33,818,776		33,818,776	587,100	(7,879,472)	
b) other						
Revaluation reserves	294,292		294,292			305,110
Capital instrument						
Own Shares						
Net profit for the year	11,741,289		11,741,289	(587,100)	(11,154,189)	
Shareholders' equity	**213,617,373**	**0**	**213,617,373**		**(19,033,661)**	**305,110**

Intervening variations							
Changes to Equity							**Shareholders' Equity as at 31.12.2012**
New Shares issued	Treasury stock bought	Extraordinary dividends paid	Changes to capital instruments	Derivatives on treasury stock	Stock options	31.12.2012 **Net Profit**	
							151,060,800
							16,702,216
							26,526,404
							599,402
						15,833,066	15,833,066
						15,833,066	**210,721,888**

STATEMENT OF CHANGES IN EQUITY - 01.01.2011-29.02.2012

	Balance as at 31.12.2010	Change in opening balance	Balances as at 01.01.2011	Allocation of profit from previous year		Changes to reserves
				Reserves	Dividends and others	
Share capital						
a) ordinary shares	151,060,800		151,060,800			
b) other shares						
Share premium account	16,702,216		16,702,216			
Reserves						
a) from profits	25,417,880		25,417,880	8,400,896		
b) other						
Revaluation reserves	733,461		733,461			(439,169)
Capital instrument						
Own Shares						
Net profit for the year	8,400,896		8,400,896	(8,400,896)		
Shareholders' equity	**202,315,253**	**0**	**202,315,253**			(439,169)

Intervening variations							
Changes to Equity						01.01.2011 / 29.02.2012 **Net Profit**	**Shareholders' Equity as at 29.02.2012**
New Shares issued	Treasury stock bought	Extraordinary dividends paid	Changes to capital instruments	Derivatives on treasury stock	Stock options		
							151,060,800
							16,702,216
							33,818,776
							294,292
						11,741,289	11,741,289
						11,741,289	**213,617,373**

CASH FLOW STATEMENT

	Indirect Method	31/12/2012	29/02/2012
A	**OPERATING ACTIVITIES**		
1	**Operations**	**7,816,463**	**23,354,908**
	Net profit for the year	15,833,066	11,741,289
	Capital gains (losses) on financial assets held for trading and financial assets/liabilities carried at fair value	(126,610)	(1,709,733)
	Capital gains (losses) on hedging assets		
	Net impairment adjustments	(1,932,252)	6,899,672
	Net adjustments to tangible and intangible assets	1,237,323	1,901,561
	Net provisions for risks and charges and Other revenues (costs)	9,013	(100,453)
	Unsettled taxes and duties	(7,509,187)	5,061,741
	Net post tax adjustments to groups of assets earmarked for disposal		
	Other adjustments	305,110	(439,169)
2	**Liquidity generated (absorbed) by financial assets**	**(738,060,695)**	**(549,961,621)**
	Financial assets held for trading	(60,919,713)	(7,210,110)
	Financial assets carried at fair value		
	Financial assets available for sale	46,382,920	7,021,344
	Loans and advances to banks: demand	(973,262,868)	(597,155,958)
	Loans and advances to banks: other		
	Loans and advances to customers	250,361,422	47,135,314
	Other financial assets	(622,456)	247,789
3	**Liquidity generated (absorbed) by financial liabilities**	**(626,360,344)**	**(375,500,282)**
	Account payable to banks: demand	(424,003,375)	(274,878,413)
	Account payable to banks: other		
	Account payable to customers	(205,380,248)	(113,459,635)
	Outstanding securities		
	Financial liabilities held for trading	1,690,279	(733,577)
	Financial liabilities carried at fair value		
	Other financial liabilities	1,333,000	13,571,343
	Net liquidity generated (absorbed) by operating activities	**119,516,814**	**197,816,247**

B	**INVESTMENT/DIVESTMENT ACTIVITIES**		
1	**Liquidity generated by:**	**0**	**0**
	Disposal of equity investments		
	Dividends received on equity investments		
	Disposal of financial assets held to maturity		
	Disposal of tangible fixed assets		
	Disposal of intangible assets		
	Disposal of business units		
2	**Liquidity absorbed by:**	**100,723,502**	**197,663,685**
	Purchase of equity investments		
	Purchase of financial assets held to maturity	100,370,463	196,644,571
	Purchase of tangible fixed assets	303,049	55,342
	Purchase of intangible assets	49,990	963,772
	Purchase of business units		
	Net liquidity generated (absorbed) by investment/divestment activities	**(100,723,502)**	**(197,663,685)**
C	**FUNDING**		
	Issue (purchase) of treasury stock		
	Issue (purchases) of capital instruments		
	Distribution of dividends and other	(19,033,661)	
	Net liquidity generated (absorbed) by funding activities	(19,033,661)	
NET LIQUIDITY GENERATED (ABSORBED) DURING THE YEAR		**(240,349)**	**152,562**

Reconciliation

	31/12/2012	29/02/2012
Cash and cash equivalents at start of year	**368,956**	**216,394**
Net liquidity generated/absorbed during the year	(240,349)	152,562
Cash and cash equivalents: effect of exchange rate variations		
Cash and cash equivalents at the year end	**128,607**	**368,956**

NOTES TO THE FINANCIAL STATEMENTS

PART A
ACCOUNTING POLICIES

A.1 – GENERAL ASPECTS

Section 1 – Compliance with International Accounting Standards

The financial statements (covering the period 1 March 2012 to 31 December 2012) comply with the International Accounting Standards Board's International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as well as with the rulings of the International Financial Reporting Interpretations Committee (IFRIC) as certified by the European Commission pursuant to EC Regulation 1606 of 19 July 2002. Reference was also made to the IFRS "systematic framework for the compilation and presentation of financial statements".

Section 2 – General Compilation Principles

As legally required, the financial statements refer to the 10-month period running from March through December 2012 and are compared with those submitted by the Bank's Extraordinary Commissioners and Supervisory Board for the 14-month period ended on 29 February 2012 (when UBAE's spell in extraordinary administration came to an end) to Banca d'Italia, which subsequently approved them.

In compiling the financial statements, particularly as regards the format for the Balance Sheet, the Income Statement and the Notes, the Bank followed the instructions set out in Banca d'Italia's circular directive 262 of 22 December 2005 (1st revision, 18 November 2009). Additional information was provided as required to meet international accounting standards and wherever it was judged appropriate from the standpoint of relevance or meaningfulness.

Amounts in the Balance Sheet and Income Statement are expressed in whole euros, while figures in the Notes are represented in thousands of euros.

The financial statements were drafted to reflect:
- the Bank's continuity over time;
- accrual-basis accounting;
- the relevance and meaningfulness of the information provided;
- the primacy of economic substance over legal form;
- the same classification and presentation criteria from one year to the next;
- no offsetting of any assets, liabilities, revenues or costs unless required or allowed by the Standards, the Interpretations or Banca d'Italia's circular directive;
- departures from the results recorded for the previous period.

The financial statements contain items and classes of items each of which is significant and homogeneous by nature and/or destination.

Section 3 – Events Occurring After the End of the Accounting Period

As indicated in the Report, no events requiring adjustments to the financial statements occurred after the end of the accounting period.

Section 4 – Other Aspects

Statement of Comprehensive Income

Introduced in financial year 2009 and prepared in accordance with changes made to IAS 1, the Statement of Comprehensive Income includes revenue and cost items that are not shown in the Income Statement but are nonetheless recorded under shareholders' equity as prescribed by international accounting principles.

“Comprehensive income” represents the variation in shareholders' equity that occurred over the accounting period as a result both of business operations contributing to net profit and of other transactions reckoned after the relevant tax effect. The latter comprise changes in the value of financial assets available for sale, tangible and intangible fixed assets, the hedging of foreign investments and financial flows, forex adjustments and actuarial profits or losses on staff defined-benefit plans, as recorded under shareholders' equity on the basis of a specified accounting principle.

A.2 - PRINCIPLES

1 - FINANCIAL ASSETS HELD FOR TRADING

Recognition
Financial assets held for trading are recorded on their settlement date, derivatives on the trade date.
Financial assets in this category are initially recognized at fair value, which is usually the amount paid or received for them. In cases where fair value differs from the amount paid or received, the asset is recognized at fair value and the balance of actual payment and fair value is recorded in the Income Statement.
Derivatives embedded in financial instruments or in other contractual arrangements which have financial characteristics and risks that are not correlated with the host instrument or that otherwise qualify them as derivatives are accounted for separately under "Financial assets held for trading" except in cases where the host instrument is assessed at fair value and this has an impact on the Income Statement. Where the implied derivative is separated from its host contract, the latter is subject to the accounting rules applying to its own particular instrument class.

Classification
HFT assets are financial assets held for short-term trading purposes, regardless of their technical form. The category extends to derivatives with a positive value and which are not part of effective hedging transactions, including implied derivatives that have been separated from host contracts.

Valuation
After initial recording, HFT items are assessed at fair value. The fair value of financial assets and liabilities is based on official year-end prices if the instruments are listed on active markets. If the instruments, including equity securities, are not listed on active markets, fair value is established through valuation techniques and data freely available to the public, such as active-market quotes for similar instruments, discounted cash-flow estimates, option pricing models, or the prices obtaining in recent, comparable trades.

Derecognition
Financial assets held for trading are removed from the Balance Sheet upon expiry of the contractual rights governing the relevant cash flows or in the event of a sale whereby all the risks and benefits associated with the asset are transferred to a third party.

Recognition of Gains and Losses
Gains and losses resulting from the valuation of financial assets held for trading are recorded in the Income Statement along with the relevant interest.

2 – FINANCIAL ASSETS AVAILABLE FOR SALE

Recognition
Financial assets available for sale are recognized on their settlement date. They are first recorded at fair value, which is usually the amount paid or received for them. In cases where fair value differs from the amount paid or received, the asset is recognized at fair value and the balance of actual payment and fair value is recorded in the Income Statement.
The amount recorded initially will include any accessory charges or income relating to the transaction.

Classification
The available-for-sale category refers to non-derivative assets which are not classified in the Balance Sheet as financial assets held for trading, financial assets held at fair value, financial assets held to maturity, loans and advances to banks, or loans and advances to customers.
The item includes equity holdings which do not qualify as controlling, jointly controlling or connected stakes, and which are not held for trading purposes.

Valuation
After their initial recording, financial assets available for sale are assessed at fair value.
Fair value is established by the method described in the section concerned with financial assets held for trading. If a plausible fair-value figure for equities cannot be obtained by technical assessments, these will be recorded at cost and adjusted for impairment losses if and as applicable.

Derecognition
Financial assets available for sale are removed from the Balance Sheet upon expiry of the contractual rights governing the relevant cash flows or in the event of a sale whereby all the risks and benefits associated with the asset are transferred to a third party.

Recognition of Gains and Losses
Gains and losses arising from changes in fair value are recorded in an ad hoc reserve within shareholders' equity and are kept there until the asset is reversed out. The changes are also recorded in the Statement of Comprehensive Income.
If there is evidence of an impairment loss at the end of the financial year, the loss is reversed out of shareholders' equity and charged to the Income Statement for an amount equal to the difference between purchase cost and fair value, after deducting any pre-existing impairment losses in the Income Statement.
If fair value should rise again after an impairment loss was recorded, the gain is entered in the Income Statement if the item is a debt instrument, though not if it is an equity.
Besides impairment losses, cumulative gains or losses in the shareholders' equity reserve are recorded in the Income Statement at the time of disposal of the asset concerned as indicated above. Interest reckoned by the actual interest rate method is recorded in the Income Statement. Dividends on financial assets available for sale are

recorded in the Income Statement when the right to receive payment matures.

3 – FINANCIAL ASSETS HELD TO MATURITY

Recognition
Financial assets held to maturity are recognized on their settlement date. They are first recorded at fair value, which is usually the amount paid or received. In cases where fair value differs from the amount paid or received, the asset is recognized at fair value and the balance of actual payment and fair value is recorded in the Income Statement.
The amount recorded initially will include any accessory charges or income relating to the transaction.

Classification
The HTM category comprises financial assets, other than derivatives, involving specified or specifiable contractual payments and a fixed maturity, in relation to which there is both a genuine intention and the ability to hold them to maturity. It includes listed bonds though not complex structured bond issues with embedded derivatives that cannot be unbundled.

Valuation
After initial recording, financial assets held to maturity are assessed at their amortized cost and are later checked for possible impairment losses.
The amortized cost of a financial asset is the value initially recorded, net of any principal reimbursed, plus or minus cumulative amortization as reckoned by the actual interest rate method on any difference between the initial value and value on maturity and net of any write-down (either direct or made by drawing on provisions) due to impairment or outright uncollectibility.
The amortized-cost method is not used for short-term financial assets, as applying it would not produce meaningful results; such assets are recorded at cost.

Derecognition
HTM assets are derecognized upon expiry of the contractual rights governing the relevant cash flows or in the event of a sale whereby all the risks and benefits associated with the asset are essentially transferred to a third party.

Recognition of Gains and Losses
Gains and losses are entered in the Income Statement at the time the HTM assets are removed from the Balance Sheet. Interest is reckoned by the amortized-cost method based on actual interest rates.
If evidence points to an impairment loss at the end of the financial year, this is entered in the Income Statement as the difference between the asset’s book value and the present value of future estimated cash flows, discounted by using the original actual interest rate.
If the reasons that gave rise to the impairment loss should cease to subsist after the loss was recognized, a write-back is recorded in the Income Statement. The gain cannot result in a higher book value than that which the asset’s amortized cost would

have exhibited if no impairment loss had been recorded.

4 – LOANS AND ADVANCES, GUARANTEES ISSUED

Recognition

Loans and advances are recorded in the Balance Sheet on the date they are disbursed (for debt instruments, on the settlement date). The value recorded initially is the amount disbursed or subscription price, including marginal costs and income directly attributable to the transaction and quantifiable at the date of recognition, even if paid later.

The initial value cannot include costs that will be reimbursed by the borrower, nor any portions of internal administrative costs.

The initial value of any loans disbursed at other than market rates should equal the fair value of such loans as established using valuation techniques; any difference between fair value and the amount disbursed or subscription price is recorded in the Income Statement.

Carry-over contracts and repurchase or resale agreements are recorded in the Balance Sheet as borrowing or lending transactions; spot sales and forward repurchases are recorded as liabilities for the spot amount received, whereas spot purchase and forward resale transactions are recorded as receivables for the spot amount paid.

Contingent liabilities, which include guarantees and commitment carrying credit risk, are designated at the fair value of the commitment given.

Financial guarantees are initially recognized at fair value, which is represented by the fee initially received and subsequently at the higher of the amount determined in accordance with IAS 37 and the amount initially recognized (less, where appropriate, cumulative amortization calculated on a straight-line basis).

Classification

Loans and advances that are disbursed directly or acquired from third parties, that are not listed on active markets and involve fixed, specifiable payments are classified under "L&As to Banks" or "L&As to Customers" save for those classified as financial assets held for trading, financial assets designated at fair value, or financial assets available for sale. Any instruments whose characteristics make them similar to loans are also treated as L&As, as are operating loans and repurchase agreements.

Valuation

After initial recognition, L&As are valued at their amortized cost as described above with reference to financial assets held to maturity.

The amortized cost method is not applied to short-term loans, to loans carrying an unspecified maturity, or to open-ended loans, as applying the amortized cost method would not be meaningful in such cases; all three types of loans are assessed at cost.

The loan portfolio is reviewed at the end of each financial year and checked for any instances of impairment that may lead to losses.

Bad debts, standstill positions, restructured debts and positions that are overdue by, or display overruns extending for, more than 90 days are considered impaired loans.

Impairment losses are only recorded in the accounts when, after initial recognition of the loan, there is objective evidence of events likely to cause a reduction in the loan's

value such that future estimated cash flows will be affected.
Bad debts, standstill positions or restructured debts that show a reduction in value based on objective evidence of impairment are valued individually. The loss is calculated as the difference between the asset's book value and the present value of estimated cash flows, discounted by using the original actual interest rate. Valuation takes into account:

- the "maximum collectable amount", which represents the best possible estimate of future cash flows from the loan and related interest: when collection is judged likely this also includes default interest and the realizable value of any collateral, net of collection costs;
- estimated time to collection based on contractual due dates, if such exist, or else on reasonable estimates;
- the discounting-back rate, which is the original actual interest rate; with respect to impaired loans existing at the transition date which proved too difficult to quantify, reasonable estimates are used, such as the average rate for loans during the year in which the loan was classified as a bad debt, or the restructuring rate.

For the purposes of valuation, cash flows estimated to occur over the short term are not discounted to present value. The original actual rate for each loan remains the same over time, even when restructuring has introduced a change in the contractually agreed rate or the loan no longer bears interest.
Loans that show no objective evidence of impairment (typically, performing loans to banks and customers, including loans to counterparties resident in countries deemed at risk) and positions that are overdue by, or display overruns extending for, more than 90 days are assessed collectively by creating groups of positions with a similar risk profile. The write-down is based on historical trends for losses on each group of positions; for this purpose, individually valued positions are left out of the loan population. Adjustments determined collectively in this way are recorded in the Income Statement. Recoveries in value (if any) are calculated differentially by reference to the entire portfolio of loans in a given class.
Contingent liabilities are also subject to review for impairment using methods similar to those adopted for loans valued individually and collectively. Any write-downs are recorded in the Income Statement and the contra-item entered under Other liabilities. The amount recognized as a provision in accordance with IAS 37 represents the best estimate of the expenditure required to settle the liability existing at the Balance Sheet date in connection with the financial guarantee valued individually or collectively.

Derecognition
Under the terms of IAS 39, the transfer of financial assets only leads to derecognition when basically all risks and benefits associated with the assets are transferred to a third party. If the Bank has not basically transferred all the risks and benefits associated with an asset and retains control over it, the Bank's "continuing involvement" in the asset (ie, the amount representing its exposure to changes in the value of the asset transferred) remains in the Balance Sheet.

Recognition of Gains and Losses
Gains and losses are entered in the Income Statement at the time a loan is derecognized as a result of impairment loss and by amortization of the difference

between the book value and the amount to be repaid at maturity, the latter being recorded in the Income Statement as interest.
Impairment losses as defined above in the section on loan valuation, are recorded in the Income Statement.
If the reasons that gave rise to the impairment loss should cease to subsist after the loss was recognized, a write-back is recorded in the Income Statement. The gain cannot result in a higher book value than that which the asset's amortized cost would have exhibited if no impairment loss had been recorded.
Write-backs linked to the passing of time, corresponding to interest accrued over the year on the basis of the original actual interest rate previously used to calculate impairment losses, are recorded under Net impairment write-downs.
Risks and charges relating to contingent liabilities are recorded in the Income Statement and the contra-entry under Other liabilities.

5 – FINANCIAL ASSETS DESIGNATED AT FAIR VALUE

There are no items in this category.

6 – HEDGING TRANSACTIONS

There are no items in this category.

7 – EQUITY INVESTMENTS

There are no items in this category.

8 – TANGIBLE FIXED ASSETS

Recognition

Tangible fixed assets are recognized in the Balance Sheet when their cost can be reasonably determined and it is likely that the relevant future economic benefits will accrue to the Bank, regardless of the formal transfer of ownership.
Tangible fixed assets are recognized initially at cost, including all directly related costs for the purchase and installation of the assets. Extraordinary maintenance expenses that lead to an increase in a fixed asset's future useful life are recorded as an increase in the value of the asset concerned, whereas ordinary maintenance costs are recorded in the Income Statement.

Classification

This line item includes fixed assets used in the production and supply of goods and services, or for administrative purposes, and that are intended to be used for a number of years. Tangible fixed assets include land, buildings, technical systems, furniture, fixtures and equipment.

Valuation

Tangible fixed assets are valued at cost less depreciation and losses for reductions in value.

Depreciation is calculated systematically on a straight-line basis over the residual useful life of the asset. Land included in the value of wholly-owned buildings is not depreciated.

Derecognition
A tangible fixed asset is derecognized at the time of its disposal or when it has been withdrawn permanently from use and no future benefits are expected as a result of its disposal.

Recognition of Gains and Losses
Depreciation is recorded in the Income Statement. If there is any indication of a potential reduction in the value of a tangible fixed asset, a comparison is made between the book value and the "recoverable value", the latter being the greater of the asset's use value, ie, the present value of future cash flows originating from the asset, and its fair value reckoned net of disposal costs. Any shortfall in book value relative to recoverable value is entered in the Income Statement. If the reasons for the write-down should cease to subsist, a write-back is entered in the Income Statement. The write-back cannot result in a higher book value than that which the asset would have exhibited, after depreciation, if no reduction in value had occurred.

9 – INTANGIBLE FIXED ASSETS

Recognition
Intangible fixed assets are non-monetary assets identifiable by virtue of legal or contractual rights. They have no physical form, are held for use over a number of years and are recognized in the Balance Sheet insofar as they are expected to generate future economic benefits. Intangible fixed assets are initially entered at cost.

Classification
The Bank's intangible fixed assets consist mostly of software.

Valuation
Intangible fixed assets are recorded at cost and are amortized on a straight-line basis.

Derecognition
Intangible fixed assets are removed from the Balance Sheet at the time of their disposal or when no future economic benefit is expected from their use or disposal.

Recognition of Gains and Losses
Amortization is recorded in the Income Statement. If there is any indication of a potential reduction in the value of an intangible fixed asset, a test is performed to assess the loss, and any shortfall in the asset's book value relative to recoverable value is entered as a write-down in the Income Statement. Should the reasons for the write-down of an intangible fixed asset other than goodwill cease to subsist, a corresponding write-back is entered in the Income Statement. The write-back cannot result in a higher book value than that which the asset would have exhibited, net of amortization, if no reduction in value had occurred.

10 – NON-CURRENT ASSETS WHOSE DISPOSAL IS UNDER WAY
There are no items in this category.

11 –TAX ASSETS AND LIABILITIES

Recognition
Income tax charges comprise current and deferred tax.
Prepaid tax assets are recognized to the extent that it is probable that future taxable income will be available against which such assets can be utilized. Deferred taxes are recognized in all cases in which the relevant liability is likely to arise.

Classification
Prepaid and deferred taxes are recorded in the Balance Sheet as open balances and are not offset; the former are recorded under Tax assets, the latter under Tax liabilities.

Valuation
When the results of transactions are recorded under shareholders' equity directly, taxes are recorded under shareholders' equity too.
Assets and liabilities representing prepaid and deferred taxes respectively are periodically reviewed to take account of any changes in regulations, tax rates or the likelihood that a tax benefit will no longer be realized.

Recognition of Gains and Losses
Income tax is recorded in the Income Statement by the same method used to record revenues and costs, except - as mentioned - those items debited or credited directly to shareholders' equity. Income tax for the year is calculated on the taxable result for the year, using the tax rates applying at year-end and any adjustments for taxes payable on previous years' income. Deferred tax assets and liabilities are measured at the tax rates that are expected apply when the assets are cashed in or the liabilities are settled, based on the rates applying at the Balance Sheet date. Deferred and prepaid income tax is reckoned on the temporary differences obtaining between assets and liabilities recorded in the Balance Sheet and the corresponding values recognized for tax purposes.

12 – STAFF SEVERANCE FUND

Recognition and Classification
The Staff Severance Fund (TFR) is recognized by the actuarial method prescribed in IAS 19 for staff defined-benefit programmes. Therefore, the liability recorded in the Balance Sheet is subject to actuarial estimates that also take into account, among other variables, future developments in the employment relationship.
The liability in the Balance Sheet represents the present value of the obligation, adjusted for any unrecognized actuarial gains and losses.

Valuation and Recognition of Gains and Losses
The present value of future TFR liabilities is calculated at year-end, based on the Project Unit Credit Method, by an independent accountant. The year-end book value is adjusted by the fair value of any assets pertaining to the plan.
Following legislative reforms, only TFR liabilities outstanding as at 31 December 2006 are still held by the Bank and subject to the actuarial valuation method described.
Actuarial gains and losses are recorded directly in the Income Statement. In the case of (external) defined-contribution pension funds, the Bank's contribution is calibrated to work performed and charged to the Income Statement.
Each year the TFR liability is determined on the basis of contributions due for that year.
As a result of the legislative reform, based on the choice made by each individual employee, TFR amounts due from 1 January 2007 onward are transferred to an external pension fund or the INPS treasury fund and as such are no longer considered a "defined-contribution plan".

13 - PROVISIONS FOR RISKS AND CHARGES

Recognition and Classification
Provisioning for risks and charges is entered in the Income Statement as well as in the Balance Sheet under liabilities provided the item meets the following conditions:
- a current liability exists (legal or implied) arising from a past event;
- it is deemed probable that financial resources will be disbursed to settle the liability;
- a reliable estimate can be made of the probable future disbursement.

Allocations are made based on the best estimate of the amount required to settle the liability, or to transfer it to a third party at the end of the year concerned.
When the financial impact linked to the passing of time is significant and the dates for settling the liabilities can be estimated reliably, the allocation is stated at present value using the market rates applying at the end of the financial year.

Valuation and Recognition of Gains and Losses
Amounts provisioned for are reassessed at the end of each financial year and adjusted to reflect the best estimate of the expense required to settle outstanding liabilities.
The impact of time elapsed and any changes in interest rates are reflected in the Income Statement under Net provisioning for the year.

Derecognition
Provisions are used solely against the liabilities for which they were originally recorded. If it is deemed that settlement of the liability will no longer require the use of resources, then the provision is reversed and the effect of this is reflected in the Income Statement.

14 – ACCOUNTS PAYABLE

Recognition
Initial recognition is based on the fair value of the liability, which is normally the

amount received, adjusted for marginal costs and income directly attributable to the transaction and not reimbursed by creditor, though not for any internal administrative costs.
Any financial liabilities issued at other than market conditions are recorded at estimated fair value and the discrepancy with the amount paid or the issue price is recorded in the Income Statement.

Classification
Payables include financial liabilities not held for short-term trading purposes, such as the various kinds of interbank funding and customer deposits.

Valuation and Recognition of Gains and Losses
After initial recognition, these items are valued at amortized cost by the actual interest rate method, save for short-term liabilities whose relevance warrants their recognition at fair value (ie, amount received adjusted for any directly related charges/proceeds). The method for determining amortized cost is discussed in the sub-section above on Financial assets held to maturity.

Derecognition
Financial liabilities included in this category are removed from the Balance Sheet when settled or at maturity.

15 – FINANCIAL LIABILITIES HELD FOR TRADING

Recognition
Recognition of HFT liabilities carries the settlement date (if derivatives, the trade date). Liabilities are initially recorded at fair value, which normally equals the amount received.
If the amount received differs from fair value, the financial liability is recorded at fair value and the balance of the two quantities is recorded in the Income Statement.
Derivatives embedded in financial instruments or in other contract formats, and whose financial characteristics and risks are unrelated to the host instrument, or which have other features that qualify them as derivatives, are accounted for separately, if negative, under Financial liabilities held for trading, except where the complex instrument in which they are embedded is designated at fair value and the impact is reflected in the Income Statement.

Classification
This line item includes the negative value of derivatives that are not part of hedging transactions and also the negative value of implied derivatives embedded in complex contracts.

Valuation
After initial recognition, financial liabilities held for trading are assessed at fair value. The method for determining fair value is discussed in the sub-section on Financial assets held for trading.

Derecognition
Financial liabilities held for trading are reversed out when settled or at maturity.

Recognition of Gains and Losses
Gains and losses from the valuation of financial liabilities held for trading are recorded in the Income Statement.

16 – FINANCIAL LIABILITIES CARRIED AT FAIR VALUE

There are no items in this category.

17 – FOREIGN CURRENCY TRANSACTIONS

Recognition
When initially recognized, forex transactions are recorded in euros (the accounting currency) by applying the exchange rate in effect on the date of the transaction.

Recognition of Gains and Losses
At year-end positions denominated in foreign currency are assessed as follows:

- monetary positions are converted at the exchange rate in effect at the end of the financial year;
- non-monetary positions valued at historical cost are converted at the exchange rate in effect on the date of the transaction;
- non-monetary positions assessed at fair value are converted at the exchange rate in effect at the end of the financial year.

Exchange rate differences arising from the settlement of monetary positions or from the conversion of monetary positions at rates different from those used initially for such positions (or for the conversion of the previous balance sheet) are entered in the Income Statement relating to the period in which they arose.
When a gain or loss relating to a non-monetary position is recorded under shareholders' equity, the exchange rate difference for that item is also recorded under shareholders' equity. On the other hand, when a gain or loss is recorded in the Income Statement, the related exchange rate difference is recorded there too.

18 – ADDITIONAL INFORMATION

Fair Value
Fair value is defined as the amount for which an asset may be traded, or a liability settled, in an unconstrained transaction between informed and mutually independent parties.
The methods adopted by the Bank for quantifying fair value may be grouped into three broad categories or levels:

Level 1: Quotes derived from active markets (mark to market), where valuation is based on the price commanded by the same instrument, unmodified and unrecombined, as quoted on an active market. A market is considered active when its listed prices reflect normal market conditions, are regularly and readily available through bourses, listing services and/or brokers, and represent actual and regular market operations.

Level 2: Methods based on observable market parameters, such as market quotes for similar instruments, or on the fact that all the instrument's significant factors, including credit and liquidity spreads, can be derived from observable market data. Methods in this group hold little scope for discretion since all parameters used, be it for the same or similar instruments, are ultimately drawn from the market, hence allow for the replication of quotes from active markets.

Level 3: Methods based on unobservable market parameters (mark to model). These are widely accepted and used, and include discounting back future cash flows and estimating volatilities; models are revised during their development and periodically thereafter to ensure maximum and durable consistency. Because methods in this group rely heavily on significant inputs from sources other than the market, their use will require estimates and assumptions by the Management.

<u>For securities traded on active markets</u> fair value is represented by:

- the official price on the last trading day of the relevant period if the instrument is listed by Borsa Italiana;
- the official price (or its equivalent) on the last day of the relevant period if it is listed on foreign bourses.

<u>For securities not traded on active markets</u> fair value is represented by (in descending order of preference):

- the reference price from recent trades;
- price indications, if available and reliable, from sources such as Bloomberg or Reuters;
- the price obtained by applying valuation methods generally accepted in the financial community, eg:
  - for debt instruments, the discounting back of future cash flows, based on the yield rates applying at the end of the period for an equivalent residual life and taken account of any counterparty risk and/or liquidity risk;
  - for equities (if the amount is significant), the price obtained through independent expert assessments if available, or else a price that is equal to the fraction of shareholders' equity held as recognized in the company's latest approved accounts;
- the price supplied by the issuer, suitably adjusted for counterparty risk and/or liquidity risk;
- cost, as adjusted to take account of any material depreciation, if fair value cannot reliably be determined by any of the previously mentioned criteria.

<u>For derivatives</u>, fair value is represented by:

- the quoted price on the last trading day of the relevant period if the instrument is traded on a regulated market;
- if the instrument is an OTC derivative, its market value on the relevant reference date as determined in accordance with the type of derivative being valued, ie:
  - interest rate contracts: the "replacement cost" obtained by discounting back the balances, as applying on the scheduled settlement dates, of cash flows

generated at contract rates and expected cash flows generated at the (objectively determined) market rates current at the end of the period for an equivalent residual life;

- forex derivatives: the forward forex rates applying at the reference date for maturities equivalent to those of the transactions being valued;
- derivatives on securities, commodities and precious metals: the forward prices applying at the reference date for maturities equivalent to those of the underlying assets.

Recognition of Revenues and Costs

Revenues are recognized when they are received or, in any event, when it is likely that future benefits will be received that can be quantified in a reliable manner. In particular:

- dividends are recognized in the Income Statement when their distribution is formally approved;
- revenue from dealings in financial instruments held for trading (consisting in the difference between the transaction price and the instruments' fair value) is entered in the Income Statement when the trades are recognized if fair value can be determined by reference to parameters or recent transactions observable in the same market as that in which the instruments were traded;
- revenue from financial instruments for which the above assessment is not possible is recorded in the Income Statement over the duration of the transaction.

Costs are recognized in the Income Statement in the same year as the related revenues. If the link between costs and revenues can be made in a general and indirect manner, costs are recorded over a number of years using rational and systematic procedures. Costs that cannot be associated with revenues are recorded in the Income Statement immediately.

Assumptions on Corporate Continuity

Given the current state of financial markets and the real economy and the worrying outlook for both over the short and medium term, assumptions on corporate continuity need, unlike in the past, to rest on a careful assessment of the Bank's circumstances.

Pursuant to the guidelines issued by Banca d'Italia, Consob and Isvap in their joint document on the subject (no. 4 of 3 March 2010) and after taking full account of the risks and uncertainties associated with the present macroeconomic climate, we judge it reasonable to anticipate that the Bank will continue to operate for the foreseeable future. The financial statements for the period running from 1 March to 31 December 2012 were compiled on that assumption, not least considering UBAE's profitability in 2012 and earlier years, the unique context in which it operates, and the encouraging near-term forecasts for the Bank's earnings and its overall financial health.

Accounting Estimates

IFRS requires that management provide valuations, estimates and projections bearing on the application of accounting principles and the book value of assets, liabilities, expenses and revenue. Estimates and related projections are based on past experience and other factors deemed relevant, and are used to quantify assets -

signally financial assets - and liabilities whose value is not readily obtained from other sources.

Estimates and projections are periodically reviewed. Any adjustments are recognized in the period in which the review was carried out, provided the review concerns just that period. If the review concerns both the current and future periods, adjustments are recognized in the current and/or future periods, as appropriate.

New Accounting Principles
Amendments to IAS 1 (submission of financial statements) and IAS 19 (staff benefits) were officialized over the course of 2012. The former apply to financial statements for accounting periods that began on or after 1 July 2012, the latter to those covering periods beginning on or after 1 January 2013.

The amendments introduced in IAS 1 had no impact on the Bank, while amendments to IAS 19 will be reflected in its financial statements for 2013.

Publication
The Board of Directors held on 28 March 2013 resolved that the financial statements could be published any time after the AGM to be held on 18 or 19 April 2013.

A.3 FAIR VALUE DETAIL

A.3.1 Transfers between portfolios

A.3.1.1 Reclassified financial assets: carrying amount, fair value and effects on comprehensive income

A.3.1.2 Reclassified financial assets: effects on comprehensive income before transfer

A.3.1.3 Transfers of financial assets held for trading

A.3.1.4 Effective interest rate and expected future cash flows from reclassified assets

A.3.2 Fair value hierarchy

A.3.2.1 Accounting portfolios: Breakdown by fair value level

Financial assets/liabilities measured at fair value		31.12.2012			29.02.2012		
		L1	L2	L3	L1	L2	L3
1	Financial assets held for trading	48,413	810		109,481	536	
2	Financial assets designated at fair value						
3	Financial assets available for sale		56,030	878		9,657	868
4	Hedging derivatives						
	Total	**48,413**	**56,840**	**878**	**109,481**	**10,193**	**868**
1	Financial liabilities held for trading		4,925		17	3,217	
2	Financial liabilities designated at fair value						
3	Hedging derivatives						
	Total		**4,925**		**17**	**3,217**	

Legend:
L1= Level 1
L2= Level 2
L3= Level 3

A.3.2.2 Annual changes in financial assets designated at fair value through profit and loss (level 3)

A.3.2.3 Annual changes in financial liabilities designated at fair value through profit and loss (level 3)

A.3.3 Information on the “day one profit/loss”

PART B
INFORMATION ON THE BALANCE SHEET

ASSETS

Section 1 – Cash and cash equivalents - Item 10

1.1 Cash and cash equivalents: Composition

		31.12.2012	29.02.2012
a)	Cash	128	364
b)	Free deposits with central banks	1	5
	Total	**129**	**369**

Section 2 – Financial assets held for trading – Item 20

2.1 Financial assets held for trading: Composition by type

Items / Values			31.12.2012			29.02.2012		
			L1	L2	L3	L1	L2	L3
A	**Non-derivative assets**							
1	Debt securities		47,702			109,120		
	1.1	Structured securities						
	1.2	Other debt securities	47,702			109,120		
2	Equity securities		711			361		
3	Holdings in UCI							
4	Loans							
	4.1	Repo						
	4.2	Other debt securities						
		Total (A)	**48,413**			**109,481**		
B	**Derivatives:**							
1	Financial derivatives			810			536	
	1.1	For trading		810			536	
	1.2	Connected at fair value option						
	1.3	Other						
2	Credit derivatives							
	2.1	For trading						
	2.2	Connected at fair value option						
	2.3	Other						
		Total (B)		810			536	
		Total (A+B)	**48,413**	**810**		**109,481**	**536**	

Legend:
L1= Level 1
L2= Level 2
L3= Level 3
UCI= Undertakings in collective investments

2.2 Financial assets held for trading: Composition by class of debtor/issuer

	Items / Values	31.12.2012	29.02.2012
A	**Non-derivative assets**		
1	**Debt securities**	**47,702**	**109,120**
a)	Governments and central banks		
b)	Other public-sector entities		
c)	Banks	42,311	98,531
d)	Other issuers	5,391	10,589
2	**Equity securities**	**711**	**361**
a)	Banks		
b)	Other issuers	711	361
	- Insurance undertakings		
	- Financial companies		
	- Non-financial companies	711	361
	- Other		
3	**Unit in UCI**		
4	**Loans**		
a)	Governments and central banks		
b)	Other public-sector entities		
c)	Banks		
d)	Other		
	Total (A)	**48,413**	**109,481**
B	**Derivatives**		
a)	Banks	807	513
	- *fair value*	807	513
	-		
b)	Customers	3	23
	- *fair value*	3	23
	-		
	Total (B)	**810**	**536**
	Total (A+B)	**49,223**	**110,017**

2.3 Financial assets held for trading: annual variation

			Debt securities	Equities	Holdings in UCI	Loans	**Total**
A	**Opening balance**		**109,120**	**361**			**109,481**
B	**Increases**		**2,282**	**18,649**			**20,931**
	B1	Purchases		18,441			
	B2	Variations (+) in FV	1,347				
	B3	Other variations	935	208			
C	**Decreases**		**63,700**	**18,299**			**81,999**
	C1	Sales		18,101			
	C2	Redemptions	62,750				
	C3	Variations (-) in FV		119			
	C4	Transfers from other portfolios					
	C5	Other variation	950	79			
D	**Closing balance**		**47,702**	**711**			**48,413**

Section 3 – Financial assets designated at fair value – Item 30

3.1 Financial assets designated at fair value: Composition by type

3.2 Financial assets designated at fair value: Composition by class of debtor/issuer

3.3 Financial assets designated at fair value: Yearly variations

Section 4 – Financial assets available for sale – Item 40

4.1 Financial assets available for sale: Composition by type

Items/Values		31.12.2012			29.02.2012		
		L1		L3	L1	L2	L3
1	Debt securities		56,030	814		9,657	804
	1.1 Structured						501
	1.2 Other		56,030	814		9,657	303
2	Equities			64			64
	2.1 Valued at fair value						
	2.2 Valued at cost			64			64
3	Holdings in UCI						
4	Loans						
	4.1 Structured						
	4.2 Others						
	Total		**56,030**	**878**		**9,657**	**868**

4.2 Financial assets available for sale: Composition by class of debtor/issuer

Items/Values		31.12.2012	29.02.2012
1	**Debt securities**	**56,844**	**10,461**
	a) Governments and central banks	2,752	2,191
	b) Other public-sector entities		
	c) Banks	54,092	8,270
	d) Other issuers	0	
2	**Equities**	**64**	**64**
	a) Banks		
	b) Other issuers	64	64
	- Insurance undertakings		
	- Financial companies	18	18
	- Non-financial companies	46	46
	- Other		
3	**Holdings in UCI**		
4	**Loans**		
	a) Governments and central banks		
	b) Other public-sector entities		
	c) Banks		
	d) Other public-sector entities		
	Total	**56,908**	**10,525**

4.3 Financial assets available for sale: assets subject to micro-hedging

4.4 Financial assets available for sale: Yearly variation

			Debt securities	Equities	Holdings in UCI	Loans	**Total**
A	**Opening balance**		**10,461**	**64**			**10,525**
B	**Increases**		**93,170**				**93,170**
	B1	Purchases	91,500				
	B2	Variations (+) in FV	432				
	B3	Write-backs	0				
		- booked to income statement					
		- booked to shareholders' equity					
	B4	Transfers from other portfolios					
	B5	Other variations	1,238				
C	**Decreases**		**46,787**				**46,787**
	C1	Sales	45,750				
	C2	Redemptions					
	C3	Variations (-) in FV	230				
	C4	Write-downs caused by impairment:					
		- booked to income statement					
		- booked to shareholders' equity					
	C5	Transfers to other portfolios					
	C6	Other variations (*)	807				
D	**Closing balance**		**56,844**	**64**			**56,908**

(*) The item includes Eur 505,927 representing value adjustments entered into the profit and loss account, of which Eur 74,629 relating to bad debts. It includes, furthermore, Eur 186,547 representing a trading loss

Section 5 – Financial assets held to maturity – Item 50

5.1 Financial assets held to maturity: Composition by type

		31.12.2012				29.02.2012			
		BV	FV			BV	FV		
			L1	L2	L3		L1	L2	L3
1	**Debt securities**	388,116	386,620	1,541		287,745	283,815	1,251	
1.1	Structured								
1.2	Other	388,116	386,620	1,541		287,745	283,815	1,251	
2	**Loans**								

Legend:
BV= Book Value
FV= Fair value

L1= Level 1
L2= Level 2
L3= Level 3

5.2 Financial assets held to maturity: Composition by class of debtor/issuer

		31.12.2012	29.02.2012
1	**Debt securities**	**388,116**	**287,745**
a)	Governments and central banks	1,810	1,820
b)	Other public-sector entities		
c)	Banks	386,306	285,925
d)	Other issuers		
2	**Loans**		
a)	Governments and central banks		
b)	Other public-sector entities		
c)	Banks		
d)	Other public-sector entities		
	Total	**388,116**	**287,745**
	Total fair value	**388,161**	**285,066**

5.3 Financial assets held to maturity: Assets subject to micro-hedging

5.4 Assets held to maturity: Yearly variations

			Debt securities	Loans	Total
A	**Opening balance**		**287,745**		**287,745**
B	**Increases**		**103,014**		**103,014**
	B1	Purchases	99,760		99,760
	B2	Write-backs	3		3
	B3	Transfers from other			
	B4	Other variations	3,251		3,251
C	**Decreases**		**2,643**		**2,643**
	C1	Sales			
	C2	Redemptions	75		75
	C3	Write-downs	937		937
	C4	Transfers to other			
	C5	Other variations	1,631		1,631
D	**Closing balance**		**388,116**		**388,116**

Section 6 – Loans and advances to banks – Item 60

6.1 Loans and advances to banks: Composition by type

			31.12.2012	29.02.2012
A		**L&As to central banks**	**2,887**	**2,482**
	1	Term deposits		
	2	Mandatory reserve		
	3	Repos		
	4	Other	2,887	2,482
B		**L&As to other banks**	**1,324,253**	**2,298,200**
	1	Current accounts and free deposits	632,175	1,105,370
	2	Term deposits	475,811	783,255
	3	Other	216,267	354,475
		3.1 Repos		
		3.2 Financial leases		
		3.3 Other	216,267	354,475
	4	Debt securities		55,100
		4.1 Structured		
		4.2 Other		55,100
		Total book value	**1,327,140**	**2,300,682**
		Total fair value	**1,327,140**	**2,300,682**

The “mandatory reserve” observed indirectly amounts to EUR 20,212,878.61 (formerly EUR 27,394,325.25)

Impaired assets consist of:
>EUR 1.33 mn of rescheduled debts (entered under exposures to central banks), formerly EUR 1.58 mn
>EUR 0.98 mn of bad debts (entered under other L&As), formerly EUR 2.21 mn

6.2 Loans and advances to banks: Assets subject to micro-hedging

6.3 Financial leases

Section 7 – Loans and advances to customers – Item 70

7.1 Loans and advances to customers: Composition by type

		31.12.2012			29.02.2012		
		Bonis	Impaired		Bonis	Impaired	
			Bought	Other		Bought	Other
1	Current accounts	750		1,757	707		213
2	Repos						
3	Mortgages	7,079		121	6,433		89
4	Credit cards, personal loans and loans backed by salaries	1,948		37	2,153		
5	Financial leases						
6	Factoring						
7	Other (*)	491,113			240,916		
8	Debt securities						
8.1	Structured						
8.2	Other						
	Total book value	**500,890**		**1,915**	**250,209**		**302**
	Total fair value	**500,890**		**1,915**	**250,209**		**302**

(*) The figure of Euro 491,113 th mainly consists of the following components: Euro 122,508 the active subsidies not regulated in current account at fixed rate; Euro 287,267 the discounted pro soluto; Euro 81,256 the export financing.

7.2 Loans and advances to customers: Composition by class of debtor/issuer

			31.12.2012			29.02.2012		
			Bonis	Impaired		Bonis	Impaired	
				Bought	Other		Bought	Other
1	**Debt securities**							
	a)	Governments						
	b)	Other public-sector						
	c)	Other issuers						
		- Non-financial companies						
		- Financial companies						
		- Insurance companies						
		- Others						
2	**L&As to**		**500,890**		**1,915**	**250,209**		**302**
	a)	Governments						
	b)	Other public-sector	3,286					
	c)	Others	497,604		1,915	250,209		302
		- Non-financial companies	460,282		1,744	189,095		212
		- Financial companies	20,028			40,627		
		- Insurance companies						
		- Others (*)	17,294		171	20,487		90
		Total	**500,890**		**1,915**	**250,209**		**302**

(*) The amount includes EUR 4,963,970 relevant to International Organization

7.3 Loans and advances to customers: Assets subject to micro-hedging

7.4 Financial leases

Section 8 – Hedging derivatives - Item 80

8.1 Hedging derivatives: Composition by type of contract and underlying assets

8.2 Hedging derivatives: Composition by portfolio and type of hedging

Section 9 - Adjustments to financial assets subject to macro-hedging - Item 90

9.1 Adjustments to hedged assets: Composition by portfolio hedged

9.2 Assets subject to macro interest rate risk hedging: Composition

Section 10 – Equity investments – Item 100

10.1 Equity investments in subsidiaries, jointly controlled companies and companies subject to significant influence

10.2 Equity investments in subsidiaries, jointly controlled companies and companies subject to significant influence: Accounting data

10.3 Equity investments: Yearly variations

10.4 Commitments relating to investments in subsidiaries

10.5 Commitments relating to investments in jointly controlled companies

10.6 Commitments relating to investments in companies subject to significant influence

Section 11 – Tangible fixed assets - Item 110

11.1 Tangible fixed assets: Composition of assets carried at cost

Items/Values			31.12.2012	29.02.2012
A	**Assets held for operational use**			
1.1	**Owned**		**23,818**	**24,133**
	a)	land	8,187	8,187
	b)	buildings	15,198	15,657
	c)	movables	175	178
	d)	electronic systems	85	49
	e)	other	173	62
1.2	**Leased**			
	a)	land		
	b)	buildings		
	c)	movables		
	d)	electronic systems		
	e)	other		
		Total (A)	**23,818**	**24,133**
B	**Assets held for investment**			
2.1	**Owned**			
	a)	land		
	b)	buildings		
2.2	**Leased**			
	a)	land		
	b)	buildings		
		Total (B)		
		Total (A+B)	**23,818**	**24,133**

11.2 Tangible fixed assets: Composition of assets designated at fair value or revalued

11.3 Tangible fixed assets held for operational use: Yearly variations

			Land	Buildings	Movables	Electronic systems	Other	Total
A		**Opening gross balance**	**8,187**	**20,335**	**1,621**	**2,277**	**2,041**	**34,461**
	A.1	Total net write-downs		4,678	1,443	2,228	1,979	10,328
	A.2	Opening net balance	8,187	15,657	178	49	62	24,133
B		**Increases**		**50**	**42**	**56**	**154**	**302**
	B1	Purchases		50	42	56	154	302
	B2	Improvements capitalized						
	B3	Write-backs						
	B4	Positive changes in fair value booked to:						
		a) shareholders' equity						
		b) income statement						
	B5	Forex gains						
	B6	Transfers from assets held for investment						
	B7	Other increases						
C		**Decreases**		**509**	**45**	**20**	**43**	**617**
	C1	Sales						
	C2	Depreciation		509	45	20	43	617
	C3	Write-downs for impairment booked to:						
		a) shareholders' equity						
		b) income statement						
	C4	Negative changes in fair value booked to:						
		a) shareholders' equity						
		b) income statement						
	C5	Forex losses						
	C6	Transfers to:						
		a) shareholders' equity						
		b) income statement						
	C7	Other decreases						
D		**Net closing balance**	**8,187**	**15,198**	**175**	**85**	**173**	**23,818**
	D1	Total net write-downs		5,187	1,488	2,248	2,022	10,945
	D2	Gross closing balance	8,187	20,385	1,663	2,333	2,195	34,763
E		**Valuation at cost**	**8,187**	**15,198**	**175**	**85**	**173**	**23,818**
		Depreciation rate applied	0%	3%	12%	20%	15-20-25%	

11.4 Tangible fixed assets held for investment: Yearly variations

11.5 Commitments for purchases of tangible fixed assets (IAS 16/74.c)

Section 12 – Intangible fixed assets – Item 120

12.1 Intangible fixed assets: Composition by type

			31.12.2012		29.02.2012	
			Limited Life	Unlimited Life	Limited Life	Unlimited Life
A1	Goodwill					
A2	Other intangible assets		1,616		2,186	
	A2.1	Assets valued at cost	1,616		2,186	
		a) Intangible assets developed in-house				
		b) Other assets	1,616		2,186	
	A2.2	Assets designated at fair value				
		a) Intangible assets developed in-house				
		b Other assets				
		Total	**1,616**		**2,186**	

12.2 Intangible fixed assets: Yearly variations

			Good-will	Other: generated in-house		Other: generated externally		Total
				Limited	Unl	Limited	Unl	
A	**Opening balance**					2,186		**2,186**
	A1	Total net write-downs						
	A2	Net opening balance				2,186		2,186
B	**Increases**					50		**50**
	B1	Purchases				50		50
	B2	Increases in internal assets						
	B3	Write-backs						
	B4	Positive changes in fair value booked to:						
		- shareholders' equity						
		- income statement						
	B5	Forex gains						
	B6	Other increases						
C	**Decreases**					620		**620**
	C1	Sales						
	C2	Write-downs:						
		- amortization				620		620
		- devaluations						
		- shareholders' equity						
		- income statement						
	C3	Negative changes in fair value booked to:						
		- shareholders' equity						
		- income statement						
	C4	Transfers to non-current assets being divested						
	C5	Forex losses						
	C6	Other decreases						
D	**Net closing balance**					1,616		**1,616**
	D1	Total net write-downs						
E	**Gross closing balance**					1,616		**1,616**
F	**Valuation at cost**					1,616		**1,616**

12.3 Other information

Section 13 – Tax assets and tax liabilities - Item 130 (assets) and Item 80 (liabilities)

13.1 Pre-paid tax assets: Composition

		31.12.2012	29.02.2012
	Total	**8,416**	**6,993**
Income statement		8,416	6,993
1	Tax losses		
2	Loan losses	8,162	6,858
3	Other	254	135
Shareholders' equity			
4	Valuation reserves		
5	Other		

13.2 Deferred Tax liabilities: composition

		31.12.2012	29.02.2012
	Total		**89**
1	Income statement		89

13.3 Changes in pre-paid tax assets: Contra-item in the income statement

			31.12.2012	29.02.2012
1	**Opening balance**		**6,993**	**9,821**
2	**Increases**		**1,513**	
	2.1	Pre-paid tax assets recorded during the year	1,513	
		a) relating to earlier years		
		b) due to changes in accounting policies		
		c) write-backs		
		d) other	1,513	
	2.2	New taxes or increases in tax rates		
	2.3	Other increases		
3	**Decreases**		**90**	**2,828**
	3.1	Pre-paid tax assets annulled during the year	90	2,828
		a) reversals	90	2,828
		b) write-downs for intervening non-recov.		
		c) due to changes in accounting policies		
		d) others		
	3.2	Reductions in tax rates		
	3.3	Other decreases		
4	**Closing balance**		**8,416**	**6,993**

13.4 Changes in deferred tax liabilities: Contra-item in the income statement

		31.12.2012	31.12.2012
1	**Opening balance**	**89**	**89**
2	**Increases**		
2.1	Deferred tax liabilities recorded during the year		
	a) relating to earlier years		
	b) due to changes in accounting policies		
	c) write-backs		
	d) other		
2.2	New taxes or increases in tax rates		
2.3	Other increases		
3	**Decreases**	**89**	
3.1	Deferred tax liabilities annulled during the year	89	
	a) reversals	89	
	b) due to changes in accounting policies		
	c)other		
3.2	Reductions in tax rates		
3.3	Other decreases		
4	**Closing balance**		**89**

13.5 Changes in pre-paid tax assets: Contra-item in shareholders' equity

13.6 Changes in deferred tax liabilities: Contra-item in shareholders' equity

13.7 Other information

Section 14 – Non-current assets and groups of assets being divested and associated liabilities – Item 140 (assets) and Item 90 (liabilities)

14.1 Non-current assets and groups of assets being divested: Composition by type

14.2 Other information

14.3 Information on holdings - not entered under shareholders' equity - in companies subject to significant influence

Section 15 – Other assets – Item 150

15.1 Other assets: Composition

		31.12.2012	29.02.2012
1	Gold, silver and precious metals		
2	Accrued income		
3	Improvements to assets pertaining to third parties		
4	Other (illiquid items, as yet unprocessed amounts)	1,022	1,644
	Total	**1,022**	**1,644**

LIABILITIES

Section 1 – Accounts payable to banks - Item 10

1.1 Accounts payable to banks: Composition by type

			31.12.2012	29.02.2012
1	**Accounts payable to central banks**		**358,087**	**324,378**
2	**Accounts payable to other banks**		**1,323,350**	**1,781,341**
	2.1	Current accounts and free deposits	473,525	1,101,234
	2.2	Term deposits	749,704	579,635
	2.3	Loans	100,121	100,472
		2.3.1 Repo		
		2.3.2 Other	100,121	100,472
	2.4	Liabilities in respect of commitments to repurchase own equity		
	2.5	Other liabilities		
		Total	**1,681,437**	**2,105,719**
		Fair value	**1,681,437**	**2,105,719**

1.2 Detail of item 10 “Accounts payable to banks”: Subordinated liabilities

Accounts payable to banks	
Subordinated Liabilities	**100,121**

1.3 Detail of item 10 “Accounts payable to banks”: Structured liabilities

1.4 Accounts payable to banks: Items subject to micro-hedging

1.5 Financial-leasing liabilities

Section 2 – Accounts payable to customers - Item 20

2.1 Accounts payable to customers: Composition by type

			31.12.2012	29.02.2012
1	Current accounts and free deposits		131,313	121,741
2	Term deposits		311,397	526,350
3	Loans			
	3.1	Repo		
	3.2	Other		
4	Liabilities in respect of commitments to repurchase own equity			
5	Other accounts payable			
		Total	**442,710**	**648,091**
		Fair value	**442,710**	**648,091**

2.2 Detail of item 20 "Accounts payable to customers": Subordinated liabilities

2.3 Detail of item 20 "Accounts payable to customers": Structured liabilities

2.4 Accounts payable to customers: "Items subject to micro-hedging"

2.5 Financial-leasing liabilities

Section 3 – Debt securities outstanding - Item 30

3.1 Debt securities outstanding: Composition by type

3.2 Detail of item 30 "Debt securities outstanding": Subordinated securities

3.3 Debt securities outstanding: Securities subject to micro-hedging

Section 4 – Financial liabilities held for trading – Item 40

4.1 Financial liabilities held for trading: Composition by type

	31.12.2012					29.02.2012				
	NV	FV			FV*	NV	FV			FV*
		L1	L2	L3			L1	L2	L3	
A Cash liabilities										
1 Accounts payable to banks										
2 Accounts payable to customers										
3 Debt securities										
3.1 Bonds										
3.1.1 Structured										
3.1.2 Others										
3.2 Other securities										
3.2.1 Structured										
3.2.2 Others										
Total A										
B Derivatives										
1 Financial derivatives	221,060		4,925			184,429	17	3,217		
1.1 Held for trading	221,060		4,925			184,429	17	3,217		
1.2 Linked to fair value option										
1.3 Other										
2 Credit derivatives										
2.1 Held for trading										
2.2 Linked to fair value option										
2.3 Other										
Total B	221,060		4,925			184,429	17	3,217		
Total (A+B)	221,060		4,925			184,429	17	3,217		

Legend:

FV= fair value

FV = fair value as reckoned by excluding variations in value due to changes intervened in the issuer's creditworthiness since the issue date*

NV= nominal or notional value

L1= Level 1 *L2= Level 2* *L3= Level 3*

4.2 Detail of item 40 "Financial liabilities held for trading": Subordinated liabilities

4.3 Detail of item 40 "Financial liabilities held for trading": Structured liabilities

4.4 Cash liabilities (except “technical overdrafts”) held for trading: Yearly variations

Section 5 – Financial liabilities designated at fair value – Item 50

5.1 Financial liabilities designated at fair value: Composition by type

5.2 Detail of item 50 “Financial liabilities designated at fair value”: Subordinated liabilities

5.3 Financial liabilities designated at fair value: Yearly variations

Section 6 – Hedging derivatives - Item 60

6.1 Hedging derivatives: Composition by type of contract and underlying assets

6.2 Hedging derivatives: Composition by portfolio and type of hedging

Section 7 – Adjustment to financial liabilities subject to macro-hedging – Item 70

7.1 Adjustment to hedged liabilities: Composition by portfolio

7.2 Liabilities macro-hedged against interest rate risk: Composition

Section 8 – Tax liabilities – Item 80

See Assets, section 13

Section 9 – Liabilities associated with assets held for divestment – Item 90

See Assets, section 14

Section 10 – Other liabilities – Item 100

10.1 Other liabilities: Composition

			31.12.2012	29.02.2012
1	Liabilities arising from the impairment of:		16,000	18,072
	a	*Contingent exposures*	*16,000*	*18,072*
	b	*Credit derivatives*		
	c	*Irrevocable commitments to disburse funds*		
2	Payment agreements based on own shares			
3	Accrued expenses			
4	Other liabilities (illiquid items, amounts available for customers)		10,461	7,174
		Total	**26,461**	**25,246**

Section 11 – Staff severance fund - Item 110

11.1 Staff severance fund: Yearly variations

			31.12.2012	29.02.2012
A	**Opening balance**		**2,021**	**2,129**
B	**Increases**		**206**	**205**
	B.1	Provisioning for the year	206	205
	B.2	Other increases		
C	**Decreases**		**87**	**313**
	C.1	Severance payments	87	313
	C.2	Other decreases		
D	**Closing balance**		**2,140**	**2,021**
		Total	**2,140**	**2,021**

11.2 Rates

Annual technical	2.40%
Annual inflation rate	2.00%
Real annual salary	n.a.
Overall annual salary	n.a.
Gross annual SSF	3.00%

11.3 Reconciliation of actuarial valuations under IAS 19

	31.12.2012	29.02.2012
Opening balance	**2,021**	**2,129**
Realignment		
Pension cost		
Financial charges	56	102
Benefits paid	(87)	(313)
Transfers		
Expected liabilities	**1,990**	**1,918**
Actuarial loss	150	103
Closing balance	**2,140**	**2,021**

In previous periods, the present value of post-employment benefits for the purposes of IAS 19 had been calculated by applying a discount rate based on bond yields for corporates rated AA or better. For the period ended on 31 December 2012, the Bank decided to apply a discount rate based on A-rated corporates in view of the drawn-out economic and financial crisis that had affected eurozone countries and led to the downgrading of numerous business enterprises. In the event, the revised approach did not have a significant impact on the resulting actuarial loss, since preserving a discount rate based on AA-rated corporates would have generated an extra charge on the order of EUR 50,000 only.

11.4 Other information

Provisioning for the year	**206**
Pension costs	
Financial charges	56
Actuarial loss	150
Other	

Section 12 – Provisions for risks and charges – Item 120

12.1 Provisions for risks and charges: Composition

		31.12.2012	29.02.2012
1	Company pension plans		
2	Other provisions for risks and charges	374	365
	2.1 Litigation		
	2.2 Staff charges	374	365
	2.3 Other		
	Total	**374**	**365**

12.2 Provisions for risks and charges: Yearly variations

			Company pension funds	Other provisions	Total
A	**Opening balance**			**365**	**365**
B	**Increases**			**72**	**72**
	B.1	Provisioning for the year		72	
	B.2	Variations due to the passing of time			
	B.3	Variations due to changes in discount rate			
	B.4	Other increases			
C	**Decreases**			**63**	**63**
	C1	Amount drawn during the year		63	
	C2	Variations due to changes in discount rate			
	C3	Other decreases			
D	**Closing balance**			**374**	**374**

12.3 Company defined-benefit pension funds

1. Description of funds
2. Changes in funds during the period
3. Changes in plan assets and other information during the period
4. Reconciliation between the fund's present value, the present value of the plan assets and the assets and liabilities recorded in the balance sheet
5. Description of main actuarial assumptions
6. Comparative data

12.4 Provisions for risk and charges – other provisions

Provision for unenjoyed staff holidays	374
Other	
Total	**374**

Section 13 – Insurance reserves - Item 140

13.1 Insurance reserves: Composition

Section 14 – Shareholders' equity - Items 130, 150, 160, 170, 180, 190, 200

14.1 "Share capital" and "Treasury stock": Composition

	Items / Values	31.12.2012	29.02.2012
1	Share capital	151,061	151,061
2	Share premium account	16,702	16,702
3	Reserves	26,526	33,819
4	Capital instruments		
5	(Treasury stock)		
6	Valuation reserves	599	294
7	Profit (Loss) for the year	15,833	11,741
	Total	**210,721**	**213,617**

14.2 Share capital: Yearly variations in number of shares

			Common	Other
A	**Shares at start of year**		**1,373,280**	
		- fully paid up	1,373,280	
		- not fully paid up		
	A1	Treasury Stock		
	A2	Shares outstanding: Opening balance	1,373,280	
B	**Increases**			
	B1	New share issues		
		rights issues:		
		- combination of companies		
		- conversion of bonds		
		- exercise of warrants		
		bonus issues:		
		- for employees		
		- for directors		
		- other		
	B2	Sale of treasury stock		
	B3	Other increases		
C	**Decreases**			
	C1	Cancellations		
	C2	Purchase of treasury stock		
	C3	Disposal of companies		
	C4	Other decreases		
D	**Shares outstanding: Fiscal closing balance**		**1,373,280**	
	D1	Treasury stock(+)		
	D2	Shares at end of year	1,373,280	
		- fully paid up	1,373,280	
		- not fully paid up		

Each of the Bank's 1,373,280 shares has a face value of EUR 110.

14.3 Share capital: Other information

14.4 Profit reserves: Other information

		Amount	Options for allocation	Available portion	Allocations over past three years
	Share capital	**151,061**			
	Capital Reserves	**16,702**			
	Share premium account	16,702	A,B,C	16,702	
	Reserves	**26,526**			
	a) Legal Reserve	10,710	B	10,710	
	b) Extraordinary Reserve	7,730	A,B,C	7,730	
	c) FTA/IFRS reserves	(95)			
	d) retained profitIFRS 2005	400			
	e) retained profit	7,781	A,B,C	7,781	
	Other Reserves				
	Total	**43,228**			
	Amount not allocatable	11,015			
	Amount allocatable	**32,213**			

Legend:
A= capital increase
B= cover for losses
C= distribution to shareholders

14.5 Stock: Composition and yearly variations

14.6 Valuation reserves: Composition

Other information

1 Guarantees issued and commitments

			31.12.2012	29.02.2012
1)	**Financial guarantees issued**		**40**	**506**
	a)	to banks	40	58
	b)	to customers		448
2)	**Commercial guarantees issued**		**784,823**	**923,337**
	a)	to banks	403,182	536,104
	b)	to customers	381,641	387,233
3)	**Irrevocable commitments to disburse funds**		**547**	**34,538**
	a)	to banks		567
	i)	draw-down certain		566
	ii)	draw-down uncertain		1
	b)	to customers	547	33,971
	i)	draw-down certain		
	ii)	draw-down uncertain	547	33,971
4)	**Commitments underlying credit derivatives: hedging sales**			
5)	**Assets pledged as collateral for third-party liabilities**			
6)	**Other commitments**		**38,544**	
		Total	**823,954**	**958,381**

2 Assets pledged as collateral for own liabilities and commitments

3 Information on operational leasing

4 Asset management and brokerage services

Services			Amount
1	**Trading in financial instruments on behalf of third parties**		
	a)	Purchases	
	1	settled	
		not yet settled	
	b)	Sales	
	1	settled	
		not yet settled	
2	**Asset management**		
	a)	Individual	
	b)	Collective	
3	**Custody and administration of securities**		**558,613**
	a)	Third-party securities held as part of depositary bank services (asset management excluded)	
		1 issued by reporting bank	
		2 other	
	b)	Other third-party securities on deposit (asset management excluded)	57,697
		1 issued by reporting bank	35,428
		2 other	22,269
	c)	Third-party securities deposited with third parties	7,662
	d)	Self-owned securities deposited with third parties	500,916
4	**Other transactions**		

As at 31 December 2012, the Bank held EUR 2.7 bn-worth of third party-owned funds with depositories (EUR 2.4 bn at 29 February 2012). Representing the redemption of third-party securities and related coupons, the funds were tied up by an international judicial attachment which might be lifted, albeit partially, once the current suit is settled.
Since such funds are neither owned by nor available to the Bank, there are no apparent reasons why the eventual ruling by the US court should generate a liability for Banca UBAE.

PART C
INFORMATION ON THE INCOME STATEMENT

Section 1 - Interest - Items 10 and 20

1.1 Interest and similar income: Composition

		Debt securities	Loans	Other assets	31.12.2012	29.02.2012
1	Financial assets held for trading	1,488			**1,488**	**3,604**
2	Financial assets available for sale	1,552			**1,552**	**597**
3	Financial assets held to maturity	7,690			**7,690**	**10,453**
4	L&As to banks	1,058	14,236		**15,294**	**45,262**
5	L&As to customers		9,963		**9,963**	**10,615**
6	Financial assets designated at fair value					
7	Hedging derivatives					
8	Financial assets disposed of but not derecognized					
	Total	**11,788**	**24,199**		**35,987**	**70,531**

Interest income from impaired L&As to customers amounted to EUR 49,593 compared to EUR 27,256 as at 29.02.12
Interest income from impaired L&As to banks amounted to to EUR 11,430 compared to EUR 17,599 as at 29.02.12
Bank's interest referring to deteriorated activities, regarding other banks and classified amongst the “assets available for sale”, amounted to EUR 88,504 compared to Euro 115,505 as at 29/02/2012

1.2 Interest and similar income: Hedging differentials

1.3 Interest and similar income: other information

1.3.1 Interest income from financial assets denominated in foreign currency

		Performing assets		Impaired assets	Other assets	31.12.2012	29.02.2012
		Debt securities	Loans				
1	Financial assets held for trading					**0**	**0**
2	Fin.assets available for sale	373		88		**461**	**597**
3	Financial assets held to maturity	99				**99**	**127**
4	L&As to banks		11,320	11		**11,331**	**21,833**
5	L&As to customers		2,393	6		**2,399**	**2,245**
6	Financial assets designated at fair value						
7	Hedging derivatives						
8	Financial assets disposed of but not derecognized						
9	Other assets						
	Total	**472**	**13,713**	**105**		**14,290**	**24,802**

1.3.2 Interest income from leasing transactions

1.4 Interest charges and similar expenses: Composition

		Accounts payable	Securities	Other liabilities	31.12.2012	29.02.2012
1	Accounts payable to central banks	2,651			**2,651**	**1,190**
2	Accounts payable to banks	6,697			**6,697**	**22,991**
3	Accounts payable to customers	1,879			**1,879**	**2,084**
4	Securities outstanding					
5	Financial liabilities held for trading					
6	Financial liabilities designated at FV					
7	Other liabilities and allowances					
8	Hedging derivatives					
	Total	**11,227**			**11,227**	**26,265**

1.5 Interest charges and similar expenses: Hedging differentials

1.6 Interest charges and similar expenses: Other information

1.6.1 Interest charges on liabilities denominated in foreign currency

		Accounts payable	Securities	Other liabilities	31.12.2012	29.02.2012
1	Accounts payable to central banks	1,791			**1,791**	**657**
1	Accounts payable to banks	2,772			**2,772**	**7,767**
2	Accounts payable to customers	1,770			**1,770**	**1,705**
3	Securities outstanding					
4	Financial liabilities held for trading					
5	Financial liabilities designated at fair value					
7	Other liabilities and allowances					
8	Hedging derivatives					
	Total	**6,333**			**6,333**	**10,129**

1.6.2 Interest charges on leasing transactions

Section 2 - Commission income and expense - Items 40 and 50

2.1 Commission income: Composition

			31.12.2012	29.02.2012
a)	**Guarantees issued**		**17,144**	**18,309**
b)	**Credit derivatives**			
c)	**Management, brokerage and advisory services**		**332**	**633**
	1	trading in financial instruments	271	436
	2	forex	47	147
	3	asset management		
		3.1 individual		
		3.2 collective		
	4	custody and administration of securities	14	50
	5	depositary bank services		
	6	placement of securities		
	7	collection of orders		
	8	advisory services		
		8.1 in matters of investment		
		8.2 in matters of financial structure		
	9	distribution of third-party services		
		9.1 asset management:		
		9.1.1 individual		
		9.1.2 collective		
		- insurance products		
		- other products		
d)	**Collection and payment services**			
e)	**Securitization servicing**			
f)	**Factoring services**			
g)	**Tax and debt collection services**			
h)	**Management of multilateral trading services**			
i)	**Keeping and management of current accounts**		**45**	**35**
j)	**Other services**		**108**	**164**
		Total	**17,629**	**19,141**

2.2 Commission income: distribution channels of products and services

2.3 Commission expense: Composition

		31.12.2012	29.02.2012
a)	**Guarantees received**	**1,831**	**2,669**
b)	**Credit derivatives**		
c)	**Management and brokerage services**	**26**	**126**
1	trading in financial instruments	26	126
2	forex		
3	asset management		
	3.1 own portfolio		
	3.2 third-party portfolios		
4	custody and administration of securities		
5	placement of securities		
6	off-premises distribution of securities, products and services		
d)	**Collection and payment services**		
e)	**Other services**	**207**	**138**
	Total	**2,064**	**2,933**

Section 3 – Dividends and similar income – Item 70

3.1 Dividends and similar income: Composition

		31.12.2012		29.02.2012	
		Dividends	Income from investment funds	Dividends	Income from investment funds
A	Financial assets held for trading	84		26	
B	Financial assets available for sale			1	
C	Financial assets designated at fair value				
D	Equity investments				
	Total	**84**		**27**	

Section 4 – Net trading income – Item 80

4.1 Net trading income: Composition

			Capital gains **(A)**	Trading gains **(B)**	Capital losses **(C)**	Trading losses **(D)**	**Net Income** A+B)-(C+D
1	**Financial assets held for trading**		**1,347**	**1,945**	**119**	**104**	**3,069**
	1.1	Debt securities	1,347	639	0	25	1,961
	1.2	Equities		208	119	79	10
	1.3	Holdings in UCI					
	1.4	Loans					
	1.5	Other (*)		1,098			1,098
2	**Financial liabilities held for trading**						
	2.1	Debt securities					
	2.2	Other					
3	**Other financial liabilities: forex differentials**						**1,403**
4	**Derivatives (**)**		**720**	**1,128**	**2,074**	**2,243**	**(2,469)**
	4.1	Financial derivatives:	720	1,128	2,074	2,243	(2,469)
		- on debt securities and interest rates	208	475		1,461	(778)
		- on equities and equity indices		213		570	(357)
		- on foreign currencies and gold	512	440	2,074	212	(1,334)
		- other					
	4.2	Credit derivatives					
		Total	**2,067**	**3,073**	**2,193**	**2,347**	**2,003**

(*) The amount indicates profits arising from currency negotiations with banking and corporate counterparties

(**) The capital gains (Euro 720 th) and losses (Euro 2,074 th), reflecting the fair value of the financial derivatives on interest rates and on currency, are included respectively in item 20 of the assets (infra Euro 810 th) and item 40 of liabilities (infra Euro 4.9 mn)

Section 5 – Net income from hedging activities – Item 90

5.1 Net income from hedging activities: Composition

Section 6 – Net income from disposals and repurchases – Item 100

6.1 Net income from disposals and repurchases: Composition

	31.12.2012			29.02.2012		
	Profit	Loss	Net Results	Profit	Loss	Net Results
Financial Assets						
1 Due from banks						
2 Loans to Customers						
3 Financial assets available for sale						
3.1 Debt securities (*)		187	(187)			
3.2 Equities						
3.3 Quotas of UCI						
3.4 Loans						
4 Financial assets held to maturity						
Total Assets		**187**	**(187)**			
Financial Liabilities						
1 Due to banks						
2 Due to customers						
3 Securities issued						
Total Liabilities						

(*) The loss refers to debt instruments that were purchased and subsequently disposed of during the period.

Section 7 – Net result from financial assets/liabilities designated at fair value – Item 110

7.1 Net result from financial assets/liabilities designated at fair value: Composition

Section 8 – Net impairment adjustments – Item 130

8.1 Net impairment adjustments to loans and advances: Composition

		Write-downs (1)			Write-backs (2)				31.12 2012 (1-2)	29.02 2012 (1-2)
		Specific		Port-folio	Specific		Portfolio			
		write -offs	Others		A	B	A	B		
A	L&As to banks		551			1,736		2,790	**3,975**	**10,987**
	- Loans		551			1,736		2,278	3,463	10,065
	- Securities							512	512	922
B	L&As to customers bought		218	2,373		77			**(2,514)**	**(1,330)**
	- Loans		218	2,373		77			(2,514)	(1,330)
	- Securities									
	Others									
	- Loans									
	- Securities									
C	**Total**		**769**	**2,373**		**1,813**		**2,790**	**1,461**	**9,657**

8.2 Net impairment adjustments to financial instruments available for sale: Composition

		Write-downs (1) Specific		Write-backs (2) Specific		31.12 2012 (1-2)	29.02 2012 (1-2)
		write -offs	Others	A	B		
A	Debt securities (*)		506			(506)	(30)
B	Equities						
C	Holdings in UCI						
D	L&As to banks						
E	L&As to customers						
F	**Total**		**506**			**(506)**	**(30)**

(*) Adjustments to financial instruments available for sale include write-downs for EUR 74,629 on impaired positions.

Legend:
A = from interest
B = other write-backs

8.3 Net impairment adjustments to financial instruments held to maturity: Composition

	Write-downs (1)			Write-backs (2)				31.12 2012 (1-2)	29.02 2012 (1-2)
	Specific		Port-folio	Specific		Portfolio			
	write -offs	Others		A	B	A	B		
A Securities			937				3	(934)	(1,830)
B L&As to banks									
C L&As to customers									
D Total			**937**				**3**	**(934)**	**(1,830)**

Legend A = from interest B = other write-backs

8.4 Net impairment adjustments to other financial instruments: Composition

	Write-downs (1)			Write-backs (2)				31.12 2012 (1-2)	29.02 2012 (1-2)
	Specific		Port-folio	Specific		Portfolio			
	write -offs	Others		A	B	A	B		
A Guarantees issued		5,510					7,421	1,911	(14,696)
B Credit derivatives									
C Commitments to disburse funds									
D Other instruments									
E Total		**5,510**					**7,421**	**1,911**	**(14,696)**

Section 9 – Administration expenses – Item 150

9.1 Personnel expenses: Composition

			31.12.2012	29.02.2012
1	**Staff**		**12,122**	**17,495**
	a)	Wages and salaries	8,087	11,145
	b)	Social security contributions	2,181	3,074
	c)	Severance payments		
	d)	Pension payments		
	e)	Allocations to the staff severance fund	56	96
	f)	Allocations to the provision for pensions and similar liabilities:		
		- defined contribution	613	813
		- defined benefit		
	g)	Payments to external complementary pension funds:		
		- defined contribution		
		- defined benefit		
	h)	Costs arising from agreements to make payments in own equity instruments		
	i)	Other benefits to staff	1,185	2,367
2	Non-salaried personnel		**351**	**52**
3	Directors (*)		**1,457**	**694**
4	Retired personnel			
5	Expenses recouped for staff seconded to other institutions			
6	Expenses reimbursed for staff seconded from other institutions			
		Total	**13,930**	**18,241**

9.2 Average number of staff: Breakdown by category

a)	Senior managers	4
b)	Executive cadres	80
c)	Other staff	82
	Total	**166**

9.3 Company defined-benefit pension funds: Total cost

9.4 Other staff benefits

		31.12.2012	29.02.2012
	Early retirement payments	239	771
	Other payments	946	1,596
		1,185	**2,367**

9.5 Other administration expenses: Composition

		31.12.2012	29.02.2012
	It expenses	1,242	1,574
	Expenses for movable/immovable property:		
	- rentals and other fees	130	179
	- other	448	920
	Expenses for the purchase of goods and non-professional services	2,539	3,004
	Expenses for professional services	2,328	2,642
	Insurance premiums	87	110
	Advertising	206	95
	Indirect duties and taxes	467	348
	Other	696	511
	Total	**8,143**	**9,383**

Section 10 – Net provisioning for risks and charges – Item 160

10.1 Net provisioning for risks and charges: Composition

		31.12.2012	29.02.2012
	Litigation		
	Other risks and charges	72	90
	Total	**72**	**90**

Section 11 – Net adjustments to tangible fixed assets - Item 170

11.1 Net adjustments to tangible fixed assets: Composition

			Depreciation (a)	Impairment write-downs (b)	Write-backs (C)	Net result (a+b-c)
A	**Tangible fixed assets**					
	A1	Owned	617			617
		- used in operations	617			617
		- held for investment				
	A2	Leased				
		- used in operations				
		- held for investment				
		Total	**617**			**617**

Section 12 – Net adjustments to intangible fixed assets – Item 180

12.1 Net adjustments to intangible fixed assets: Composition

			Depreciation (a)	Impairment write-downs (b)	Write-backs (C)	Net result (a+b-c)
A	**Intangible fixed assets**					
	A1	Owned	620			620
		- developed in-house				
		- other	620			620
	A2	Leased				
		Total	**620**			**620**

Section 13 – Other operating income / charges – Item 190

13.1. Other operating charges: Composition

		31.12.2012	**29.02.2012**
	Other operating charges	301	119
	Total	**301**	**119**

13.2. Other operating income: Composition

		31.12.2012	29.02.2012
	Duties and taxes recouped	30	24
	Rentals and fees	100	153
	Income from IT services rendered:		
	- to companies within the banking group		
	- to others		
	Expenses recouped:		
	- for own staff seconded to third parties		
	- on deposits and current accounts	503	1,121
	- other	319	468
	SSF attribution to profit and loss		
	Other income	203	469
	Total	**1,155**	**2,235**

Section 14 – Gains (losses) from equity investments - Item 210

14.1 Profit (loss) from equity investments: Composition

Section 15 – Net adjustments to fair value of tangible and intangible assets – Item 220

15.1 Net adjustments to fair value of tangible and intangible assets: Composition

Section 16 – Adjustments to goodwill – Item 230

16.1 Adjustments to goodwill: Composition

Section 17 – Gains (losses) from the disposal of investments - Item 240

17.1 Gains (losses) from the disposal of investments: Composition

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

18.1 Income tax for the year on continuing operations: Composition

		31.12.2012	29.02.2012
1	**Current tax (-)**	**(7,308)**	**(11,681)**
2	Variations in current tax for prior years (+/-)		
3	Current tax rebate for the year (+)		
4	Variation in pre-paid taxes (+/-)	1,423	(2,828)
5	Variation in deferred taxes (+/-)	89	
6	**Income tax for the year (-) (-1+/-2+-3+/-4+/-5)**	**(5,796)**	**(14,509)**

18.2 Reconciliation of theoretical tax liability and actual book liability

	31.12.2012	29.02.2012
Profit before tax	**21,629**	**26,250**
Theoretical IRES and IRAP due (32.32%)	7,153	8,720
IRAP adjustments for administration expenses	455	916
IRAP adjustments for write-offs	104	400
Taxes on non-deductible costs	(403)	1,713
Pre-paid and deferred taxes	(1,513)	2,828
Net Worth increase benefit		(68)
Total taxes	**5,796**	**14,509**
Net profit	**15,833**	**11,741**

Section 19 – Net profit (loss) from groups of assets being divested - Item 280

19.1 Net profit (loss) from groups of assets being divested: Composition

19.2 Breakdown of income tax in respect of groups of assets/liabilities being divested

Section 20 – Other information

Section 21 – Profit per share

21.1 Average number of diluted common shares

	31.12.2012	29.02.2012
Net profit	15,833	11,741
Number of Shares	1,373,280	1,373,280
Profit per Share	**11.53**	**8.55**

21.2 Other information

		Gross Amount	Income Taxes	Net Amount
10	**Net profit (loss)**			**15,833**
20	Financial assets available for sale:	305	101	204
	a) fair-value adjustments	202	67	135
	b) income statement reversals			
	- from impairment			
	- from disposals			
	c) other adjustments	103	34	69
30	Tangible assets			
40	Intangible assets			
50	Hedging of foreign investments:			
	a) fair-value adjustments			
	b) income statement reversals			
	c) other adjustments			
60	Hedging of financial flows:			
	a) fair-value adjustments			
	b) income statement reversals			
	c) other adjustments			
70	Forex differentials:			
	a) value adjustments			
	b) income statement reversals			
	c) other adjustments			
80	Non-current assets earmarked for disposal:			
	a) fair-value adjustments			
	b) income statement reversals			
	c) other adjustments			
90	Actuarial profit (loss) on defined-benefit plans			
100	Share of valuation reserves booked to shareholders' equity:			
	a) fair-value adjustments			
	b) income statement reversals			
	- from impairment			
	- from disposals			
	c) other adjustments			
110	**Other sources of income**	**305**	**101**	**204**
120	**Comprehensive Net Income**	**305**	**101**	**16,037**

PART E
RISKS AND THEIR COVERAGE

Section 1 – Credit

QUALITATIVE INFORMATION

1. General aspects

The Bank's policy for monitoring and managing credit risk is set out in a frame directive approved by the Board of Directors which defines:

- the identity and powers of the bodies and officials authorized to extend credit;
- the process for selecting and evaluating credit facilities;
- the criteria for allocating exposure by debtor and country;
- procedures for monitoring and enforcing compliance with the Basel 2, Pillar I capital requirement against credit risk and central bank directives on large exposures;
- operating limits on debt exposures as weighted by risk size and type and by debtor category and country of residence.

The adequacy of the criteria and policies adopted for managing credit risk is evaluated annually by the Board of Directors, which makes reference to current and prospective exposure data supplied by the Bank's Risk Management unit.

The Bank's mission is to promote and develop all manner of financial, commercial and industrial relations in the international sphere. Business activities are targeted primarily, though not solely, at supporting the relations of Mediterranean and Middle Eastern countries with Europe and the rest of the world. Fulfilling that mission, as Banca UBAE has been doing for over three decades, implies the adoption of stringently professional borrower-selection and credit policies.

The emphasis is on financing trade transactions across the Bank's region of interest, where beneficiaries may be resident or non-resident, bank or non-bank enterprises. The commercial nature of such transactions is reflected in the type of credit facilities granted as well as in the beneficiary's overall business approach as assessed by Banca UBAE.

The extension of purely financial credit lines to parties other than target-country banks is subject to qualitative and quantitative constraints. Each year, in particular, the Board of Directors sets individual risk-weighted exposure limits for specific countries and types of credit facility on the basis of detailed scenario analyses and in conformity with sound and prudent management principles.

As regards prudential regulations in force, UBAE has equipped itself with the necessary tools/procedures to calculate overall internal capital and evaluate the Bank's capital adequacy.

Regulations prescribe that methods used for calculating capital requirements against market, credit and operational risks (Pillar I) will vary according to a bank's size and complexity, as well as with the supervisory authorities' own assessment.

UBAE has adopted the "standardized" method for calculating the capital requirement against credit risk and the Basic Indicator Approach for calculating the requirement against operational risks.

Due to Basel 2 "supervisory review process" banks will have to estimate their own overall capital adequacy in relation to other types of risk not addressed under Pillar I. The estimate will be reviewed by Banca d'Italia, who may ask a bank to take corrective action and/or impose additional capital requirements (Pillar II).

The supervisory review process thus comprises two distinct phases: an internal capital adequacy process (ICAAP) which is a matter for banks, and a supervisory review and evaluation process (SREP) administered by Banca d'Italia.

The principle of proportionality governing the entire arrangement stipulates that risk management procedures, internal control mechanisms, economic capital valuation methods, and the frequency and depth of central bank reviews will vary in accordance with the nature, size and operational complexity of each institution.

Banca d'Italia has divided banks and assimilated financial institutions into three groups for the purposes of compliance with Pillar II. UBAE belongs to Group 3, representing banks that adopted the standardized method under Pillar I and whose gross assets are less than EUR 3.5 bn. Group 3 banks will adopt simplified methods for evaluating the various other risks addressed by Pillar II. Among these, credit concentration risk (as linked to individual borrowers or groups of related borrowers) and interest rate risk in the banking book will be calculated by a method entailing additional capital requirements with respect to Pillar I (1)

[1] Instead of an additional capital requirement, the other "quantifiable" risk, i.e., **liquidity risk**, is managed by a combination of means including construction of a maturity ladder, stress testing, and the formulation of in-house policies and contingency plans.

The activities conducted under the supervisory review process is reported annually to the Supervisor by the ICAAP report.
The Bank's ICAAP report, compiled on data as at 31.12.12, will be delivered to Banca d'Italia by April 2013.

As regards the public disclosure of information on exposure to specified risk categories (Pillar III), the Bank will post the relevant qualitative and quantitative charts and tables on its corporate website ("Financials" section) by the deadline applying to the publication of its financial statements.

2. Policies for Managing Credit Risk

2.1 Organizational aspects

On the Credit Committee's proposal (as based on an opinion from the competent units), the Board of Directors or the Executive Committee resolves annually on the extension of credit facilities to eligible parties. In doing so the BD/EC will specify:

- the risk group to which the prospective beneficiary belongs;
- the Bank's maximum risk-weighted exposure;
- the technical format(s) in which facilities may be authorized (including their validity and the characteristics of acceptable guarantees) and the exposure that will result from the weighting system adopted.

Technical formats include financial-market transactions (deposits and forex) and the purchase of bonds for the HTM portfolio.

In approving facilities in favour of banks from countries lacking an investment grade rating, the Board of Directors will pass a single resolution stipulating risk-weighted exposure sub-limits for each bank concerned and an overall country limit (*plafond*).

The General Manager will proceed each year to assign the Treasury Division its annual VaR, consisting of a maximum weighted-exposure limit for risks taken on from clients or groups of connected clients in favour of whom the Board of Directors has approved credit facilities.

For each department within the Treasury Division, the General Manager will specify:

- a list of clients and/or groups of clients, their respective risk groups and risk ceilings;
- the individual risk ceilings assigned to the Treasury Division expressed in percentage terms;
- a breakdown by technical format, expressed in percentage terms, of the Treasury Division's risk ceilings.

Provided he cites clear risk-containment reasons and notifies the Board of Directors of his decision, the General Manager may order the curtailment of any risk positions opened by the Treasury Division with a client or group of connected clients, even though they fell within the previously established risk limits.

The Risk Management unit performs daily checks to ensure lending limits applying to the recipients of facilities from the Treasury Division are duly observed, while the *progress* of exposures is a matter for a separate function within the Guarantees, Facilities & Reporting Division.

Facilities granted to any one client or group of connected clients will not, in any case, exceed the lending limit established by existing regulations on large exposures, as calibrated to the Bank's eligible capital [(2)].

Should a position exceed its approved limits, finally, the procedure that needs to be set in train - including signatory powers and the quantitative and temporal terms on which the exposure must revert to approved status - is that described in the Internal Regulations

2.2 Measuring, managing and monitoring credit risk

In reviewing a request for the extension or revision of credit facilities, the Credit Processing Department assign or adjust the beneficiary's credit access score, which is a condensed creditworthiness assessment.

The score is arrived at through a dedicated software product enabling a comparison between the financials of the proposed borrower and those contained in various databases for similar banking and non-banking, domestic and foreign counterparties. Though based on peer analysis, the final score may take into account the analyst's own evaluation of the borrower from an organizational or other qualitative standpoint. The weighting of each factor contributing to the final score is the result of a tried and tested methodology which the Bank has refined over the years.

Assigning a credit access score enables the Bank to place borrowers in homogeneous risk classes, hence adopt risk-weighted pricing models and obtain a ready picture of the overall quality of the loans portfolio - all to the benefit of the business planning process.

For the purposes of monitoring loan performance, the unit in charge of *Monitoring of Loan Performance* draws on assistance from the competent business departments to keep a list of the Bank's problem loans, i.e., risk positions to be kept under observation on the basis of information gathered from sources both external (CRB data, detrimental-action records, press releases) and internal (automated monitoring of credit line utilization/overrun rates, reports from the competent business departments on particular countries and/or business sectors, events of default on payments due, legal steps taken by the Bank to collect amounts due).

The heads of the competent business departments provide monthly updates to the the unit in charge of *Monitoring of Loan Performance* on the reasons underlying any anomalies detected in such positions and on any action that was undertaken to mitigate credit risk. At the same time, they are required to forward any information deemed useful for keeping the list of problem loans up-to-date to the unit in charge of *Monitoring of Loan Performance* without delay.

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2) In order to be prudent the Bank has fixed a lending limit below the regulatory level.

The unit in charge of *Monitoring of Loan Performance* submits regular updates to the General Manager as well as a quarterly update to the Board of Directors on the progress of all problem loans.

Any proposals for new facilities in favour of clients or groups of connected clients whose positions are under observation must be approved by the Board of Directors or the Executive Committee, irrespective of the amount or technical format involved.

If it deems it appropriate - and definitely in the event of occurrences that might impair the Bank's ability to recover even part of its exposure - the unit in charge of *Monitoring of Loan Performance* will promptly present the General Manager with a written statement recommending that a risk position is downgraded to standstill or bad-debt status.

Risk Management is responsible for monitoring the capital requirement against credit risk (Pillar I) on the basis of its quarterly risk-matrix report to Banca d'Italia. It also submits a quarterly report on capital adequacy to the Risk Committee. For ICAAP purposes, it formulates stress testing hypotheses so the Risk Committee can evaluate the impact in terms of internal capital.

Risk Management collects quarterly data on large exposures and the Bank's individual lending limit (25% of eligible capital).

Finally, it is up to Risk Management to determine the simplified indicator for "single name" credit concentration risk in the corporate portfolio and the additional capital requirement called for by Pillar II in relation to overall internal capital. As regards concentration by banking counterparty, a system of internal operating limits has been set up to limit this risk. And lastly, credit concentration by branch of business and geographical area is covered by a qualitative evaluation of sector-specific indicators upon which to construct stress testing scenarios relevant to credit risk is carried out for ICAAP purposes.

2.3 Credit risk mitigation techniques

An individual risk position may be backed by personal guarantees or by collateral.

The Bank's risk position with a guaranteed party may be replaced by its risk position with the guarantor, provided the latter is characterized by a lesser risk-weighting factor and that the following conditions apply:

- the guarantee is specific, i.e., covers the risk associated with a specified ordinary or ad hoc credit facility;
- the guarantee is unconditional, in the sense that the Bank may have recourse to the guarantor at any time;
- the guarantor is independent of the guaranteed party, in the sense that the likelihood of default by the guarantor is not linked to the likelihood of default by the guaranteed party.

Unless such conditions are fulfilled, the guaranteed party's individual risk position may not be replaced by the guarantor's when calculating the Bank's overall credit risk.

The following types of collateral may be lodged in the Bank's favour, subject to the customary contractual formulations:

- cash sums deposited with the Bank;
- cash sums deposited with banks that have been accorded credit lines by UBAE or are otherwise acceptable to it; in the latter case, acceptance of any real guarantees is subject to approval by the competent loan-granting official or body;
- bonds deposited with the Bank, provided they are issued by institutions whose rating is investment-grade;
- bonds issued by entities whose rating is investment-grade and which are deposited with international clearing bodies or with banks that have been accorded credit lines by UBAE or are otherwise acceptable to it; in the latter case, acceptance of collateral is subject to approval by the competent loan-granting official or body;
- matured trade receivables;
- not-yet matured trade receivables;
- residential and commercial property.

The value of cash sums and the market-price value of financial instruments lodged as collateral (though not that of matured/not yet matured trade receivables or property) is deducted from the individual credit risk generated by the ordinary or ad hoc credit facilities to which the collateral refers. The resulting individual net credit risk will be considered for the purposes of calculating the Bank's overall credit risk.

The resolution approving an ordinary or ad hoc facility that is backed by collateral may indicate the minimum value, expressed in percentage terms, which the guarantee must preserve relative to the value of the approved exposure.

Banca UBAE does not purchase credit derivatives (CDS) as a means of protection against credit risk.

2.4 Impaired financial assets

On the basis of a report submitted by the credit control function and after consulting with the heads of the competent business departments, the General Manager will decide whether or not the relevant problem loans should be reclassified as standstill positions or bad debts.

Once a risk position has been reclassified as standstill, no new credit facilities may be granted to that client or any connected client, while measures geared to make good the Bank's exposure must be set in train immediately.

It is up to the General Manager to authorize negotiations with a client for the purpose of reducing the Bank's exposure from a standstill position (rescheduled position).

Any proposals for new credit facilities in favour of clients whose positions have been rescheduled must be approved by the Board of Directors, irrespective of the amount or technical format involved.

After consulting with the competent department heads and the credit control function, the General Manager will take all necessary action to safeguard the Bank's exposure; if a position has been reclassified as a bad debt, he will proceed without delay to cancel all facilities granted and initiate legal debt-recovery proceedings. The initiation of legal debt-recovery proceedings automatically entails a position's reclassification as a bad debt.

Should he deem it appropriate, the General Manager may authorize a given business department to continue dealing with a client whose position has been entered under bad debts, provided guidance is sought from the Legal unit.

Assisted by the credit control function and the Legal unit, the General Manager will update the Executive Committee and (on a quarterly basis) the Board of Directors on the progress of all bad debts, rescheduled debts and standstill positions, including details of loss forecasts if and as applicable.

QUANTITATIVE INFORMATION

A. Credit quality

A.1 Performing and non-performing credit positions: Amounts outstanding, write-downs, variations, distribution by business sector and geographical area

A.1.1 Distribution of financial assets by portfolio and credit quality (book value)

	Portfolio/credit quality	Bad debts	Standstill positions	Resche-duled debts	Past-due positions	Other	**Total**
1	Financial assets held for trading					47,702	**47,702**
2	Financial assets available-for-sale	814				56,030	**56,844**
3	Financial assets held to maturity					388,116	**388,116**
4	L&As to banks	988		1,332		1,324,820	**1,327,140**
5	L&As to customers	85	1,744		86	500,890	**502,805**
6	Financial assets designated at fair value						
7	Financial assets being divested						
8	Hedging Derivativesves						
	31.12.2012	**1,887**	**1,744**	**1,332**	**86**	**2,317,558**	**2,322,607**
	29.02.2012	**3,104**	**212**	**1,585**		**2,953,618**	**2,958,519**

A.1.2 Distribution of financial assets by portfolio and credit quality (gross and net values)

	Portfolio/credit quality	Impaired assets			Other assets			Total (net exposure)
		Gross exposure	Specific write-downs	Net exposure	Gross exposure	Specific write-downs	Net exposure	
1	Financial assets held for trading				47,702		47,702	**47,702**
2	Financial assets available-for-sale	2,764	1,950	814	56,551	521	56,030	**56,844**
3	Financial assets held to maturity				391,721	3,605	388,116	**388,116**
4	L&As to banks	7,973	5,653	2,320	1,336,642	11,822	1,324,820	**1,327,140**
5	L&As to customers	12,947	11,032	1,915	506,120	5,230	500,890	**502,805**
6	Financial assets designated at fair value							
7	Financial assets being divested							
8	Hedging Derivatives							
	31.12.2012	**23,684**	**18,635**	**5,049**	**2,338,736**	**21,178**	**2,317,558**	**2,322,607**
	29.02.2012	**24,430**	**19,529**	**4,901**	**2,973,847**	**20,229**	**2,953,618**	**2,958,519**

Exposures "in bonis" do not include exposures under renegotiation as part of collective agreements

A.1.3 Cash and off-balance sheet exposure to banks: gross and net values

	Exposure type/values	Gross exposure	Specific write-downs	Portfolio write-downs	Net exposure
A	**CASH EXPOSURE**				
a)	Bad debts	9,390	7,588		1,802
b)	Standstill position				
c)	Rescheduled debts	1,347	15		1,332
d)	Past due positions				
e)	Other assets	1,822,625		15,910	1,806,715
	Total A	**1,833,362**	**7,603**	**15,910**	**1,809,849**
B	**OFF-BALANCE SHEET EXPOSURE**				
a)	Impaired				
b)	Other	411,874		1,653	410,221
	Total B	**411,874**		**1,653**	**410,221**
	Total A+B	**2,245,236**	**7,603**	**17,563**	**2,220,070**

A.1.4 Cash exposure to banks: changes in gross impaired positions

	Causal / categories	Bad debts	Standstill positions	Rescheduled debts	Past due positions
A	**Opening gross exposure**	**11,713**		**1,600**	
	of which: exposures assigned but not derecognized				
B	**Increases**	**315**		**44**	**356**
B1	inflows from performing positions				356
B2	transfers from other classes of impaired positions				
B3	other increases (*)	315		44	
C	**Decreases**	**(2,638)**		**(297)**	**(356)**
C1	outflows to performing positions				
C2	write-offs				
C3	items collected	(2,622)		(287)	(356)
C4	items assigned				
C5	transfers to other classes of impaired positions				
C6	other decreases (*)	(16)		(10)	
D	**Closing gross exposure**	**9,390**		**1,347**	
	of which: exposures assigned but not derecognized				

A.1.5 Cash exposure to banks: variations in total adjustments

	Causal / categories	Bad debts	Standstill positions	Rescheduled debts	Past due positions
A	**Opening gross exposure**	**8,699**		**15**	
	of which: exposures assigned but not derecognized				
B	**Increases**	**965**			**36**
B1	write-downs	800			36
B1bis	losses on disposal				
B2	transfers from other classes of impaired positions				
B3	other increases (*)	165			
C	**Decreases**	**(2,076)**			**(36)**
C1	valuation write-backs				
C2	collection write-backs	(1,826)			(36)
C2bis	profit on disposal				
C3	write-offs				
C4	transfers to other classes of impaired positions				
C5	other decreases (*)	(250)			
D	**Closing gross exposure**	**7,588**		**15**	
	of which: exposures assigned but not derecognized				

(*) The increases and decreases of value adjustments expressed in the other up-and-down variations, reflect changes in the exchange rates

A.1.6 Cash and off-balance sheet exposures to customers: gross and net values

	Exposure type/values	Gross exposure	Specific write-downs	Portfolio write-downs	Net exposure
A	**CASH EXPOSURE**				
a)	Bad debts	10,487	10,402		85
b)	Standstill positions	2,365	621		1,744
c)	Rescheduled debts				
d)	Past due positions (*)	95	9		86
f)	Other assets	516,111		5,268	510,843
	Total A	**529,058**	**11,032**	**5,268**	**512,758**
B	**OFF-BALANCE SHEET EXPOSURES**				
a)	Impaired	21,744	14,153		7,591
b)	Other	407,146		194	406,952
	Total B	**428,890**	**14,153**	**194**	**414,543**

(*) Past-due positions originated in June and July 2012. Unimpaired past-due exposures totalled EUR 28,944, of which EUR 407 originated in October 2012 and EUR 28,537 in December 2012. Being modest in size, the items were adjusted by applying the lump-sum write-down adopted for performing loans.

A.1.7 Cash exposures to customers: variations in gross impaired positions exposed to country risk

Causal / categories		Bad debts	Standstill positions	Rescheduled debts	Past due positions
A	**Opening gross exposure**	**10,468**	**649**		
	of which: exposures assigned but not derecognized				
B	**Increases**	**96**	**1,716**		**95**
B1	inflows from performing		1,422		95
B2	transfers from other classes of impaired positions		1		
B3	Other increases (*)	96	293		
C	**Decreases**	**(77)**			
C1	outflows to performing positions				
C2	write-offs				
C3	items collected (*)	(77)			
C4	items assigned				
C5	transfers to other classes of impaired positions				
C6	other decreases				
D	**Closing gross exposure**	**10,487**	**2,365**		**95**
	of which: exposures assigned but not derecognized				

(*) Eur 77 mila reflects amounts collected on bad debt totally derecognized in previous financial periods

A.1.8 Cash exposures to customers: changes in total adjustments

Causal / categories		Bad debts	Standstill positions	Rescheduled debts	Past due positions
A	**Opening gross exposure**	**10,378**	**437**		
	of which: exposures assigned but not derecognized				
B	**Increases**	**101**	**184**		**9**
B1	write-downs	24	142		9
B1bis	losses on disposal				
B2	transfers from other classes of impaired positions				
B3	Other Increases	77	42		
C	**Decreases**	**(77)**			
C1	valuation write-backs				
C2	collection write-backs	(77)			
C2bis	profit on disposal				
C3	write-offs				
C4	transfers to other classes of impaired positions				
C5	other decreases				
D	**Closing gross exposure**	**10,402**	**621**		**9**
	of which: exposures assigned but not derecognized				

A.2 Distribution of positions by external and internal ratings

A.2.1 Distribution of off-balance sheet and cash exposures through external rating bands (Book value)

Exposures		External rating bands						Unrated	Total
		class 1	class 2	class 3	class 4	class 5	class 6		
A	Cash Exposures	9,702	195,977	208,256	9,443	1,332		1,897,897	**2,322,607**
B	Derivatives		294	513				3	**810**
B1	Financial derivatives		294	513				3	810
B2	Credit derivatives								
C	Guarantees given		32,855			6,012		745,996	**784,863**
D	Commitments to disburse funds							39,091	**39,091**
E	Others								
	Total	**9,702**	**229,126**	**208,769**	**9,443**	**7,344**		**2,682,987**	**3,147,371**

Rating agencies used are Standard & Poor's Rating Services, Moody's Investors Service e Fitch Ratings as per following mapping:

External ratings bands	Moody's	S&P	Fitch
Class 1	Aaa/Aa3	AAA/AA-	
Class 2	A1/A3	A+/A-	
Class 3	Baa1/Baa3	BBB+/BBB-	
Class 4	Ba1/Ba3	BB+/BB-	
Class 5	B1/B3	B+/B-	
Class 6	Caa and below	CCC and below	

A 2.1 Distribution of off-balance sheet and cash exposures by internal rating bands

A.3 Distribution of guaranteed exposures by type of guarantee

A.3.1 Guaranteed Banks' exposures

			Net exposure Value	Collateral (1)			
				Property	Secu-rities	Other assets	Credit Linked Notes
1	**Cash exposures guaranteed**		**10,133**			**1,853**	
	1.1	fully guaranteed	5,433			1,675	
		- out of which, impaired					
	1.2	not fully guaranteed	4,700			178	
		- out of which, impaired					
2	**Off-Balance Sheet exposures guaranteed**		**21,749**			**7,144**	
	2.1	fully guaranteed	2,485			2,485	
		- out of which, impaired					
	2.2	not fully guaranteed	19,264			4,659	
		- out of which, impaired					

A.3.2 Guaranteed Clients' exposures

			Net exposure value	Collateral (1)			
				Property	Secu-rities	Other assets	Credit Linked Notes
1	**Cash exposures guaranteed**		**115,255**	**7,201**			
	1.1	fully guaranteed	107,878	7,201			
		- out of which, impaired	122	122			
	1.2	not fully guaranteed	7,377				
		- out of which, impaired					
2	**Off-Balance Sheet exposures guaranteed**		**99,669**			**3,332**	
	2.1	fully guaranteed	62,710			665	
		- out of which, impaired	362				
	2.2	not fully guaranteed	36,959			2,667	
		- out of which, impaired	4,811			2,383	

(following)

Personal (2)									Total (1+2)
Credit derivatives				**Endorsement**					
Other derivatives									
Gov't and Central Banks	Other public entities	Banks	Others	Gov't and Central Banks	Other public entities	Banks	Others		
				7,615					**9,468**
				3,758					5,433
				3,857					4,035
									7,144
									2,485
									4,659

(following)

Personal (2)									Total (1+2)
Credit derivatives				**Endorsement**					
Other derivatives									
Gov't and Central Banks	Other public entities	Banks	Others	Gov't and Central Banks	Other public entities	Banks	Others		
				8,553			**98,332**		**114,086**
				2,345			98,332		107,878
									122
				6,208					6,208
				33,648		**8,999**	**44,381**		**90,360**
				10,332		7,332	44,381		62,710
							362		362
				23,316		1,667			27,650
				2,292					4,675

B. Credit distribution and concentration

B.1 Distribution of cash and off-balance sheet credit exposures to customers by borrower sector

Exposures / Counterparties		Governments			Other public entities			Financial
		Net exposure	Specific write-downs	Port-folio write-downs	Net exposure	Specific write-downs	Port-folio write-downs	Net exposure
A	**CASH EXPOSURE**							
A1	Bad debts							
A2	Standstill positions							
A3	Rescheduled debts							
A4	Past due positions							
A5	Other assets	4,562		38	3,286		31	25,419
	Total (A)	**4,562**		**38**	**3,286**		**31**	**25,419**
B	**OFF-BALANCE SHEET EXPOSURES**							
B1	Bad debts							
B2	Standstill positions							
B3	Impaired							
B4	Other				75			
	Total (B)				**75**			
	Total (A+B) 31.12.2012	**4,562**		**38**	**3,361**		**31**	**25,419**
	Total (A+B) 29.02.2012	**4,011**		**32**	**144**			**45,924**

B.2 Distribution of cash and off-balance sheet exposures to customers by geographical area (book value)

Exposures / Geographical area		Italy		Other European countries	
		Net exposure	Total write-downs	Net exposure	Total write-downs
A	**CASH EXPOSURE**				
A1	Bad debts	85	10,390		
A2	Standstill positions	1,744	194		
A3	Rescheduled debts				
A4	Past due positions	85	9	1	
A5	Other assets	194,776	1,806	212,086	1,853
	Total (A)	**196,690**	**12,399**	**212,087**	**1,853**
B	**OFF-BALANCE SHEET EXPOSURES**				
B1	Bad debts	2,780	519		
B2	Standstill positions	4,811	12,497		
B3	Impaired				
B4	Other	366,705	189	2,242	1
	Total (B)	**374,296**	**13,205**	**2,242**	**1**
	Total (A+B) 31.12.2012	**570,986**	**25,604**	**214,329**	**1,854**
	Total (A+B) 29.02.2012	**463,429**	**19,463**	**119,144**	**686**

B.3 Distribution of cash and off-balance sheet exposures to banks by geographical area (book

(following)

companies		Insurance companies			Non financial companies			Others		
Specific write-downs	Portfolio write-downs	Net exposure	Specific write-downs	Portfolio write-downs	Net exposure	Specific write-downs	Portfolio write-downs	Net exposure	Specific write-downs	Portfolio write-downs
12						10,318		85	72	
					1,744	621				
								86	9	
	186				460,282		4,853	17,294		160
12	**186**				**462,026**	**10,939**	**4,853**	**17,465**	**81**	**160**
					2,780	519				
					4,811	13,634				
					406,877		195			
					414,468	**14,153**	**195**			
12	**186**				**876,494**	**25,092**	**5,048**	**17,465**	**81**	**160**
12	**378**				**616,130**	**19,542**	**2,478**	**20,577**	**65**	**190**

(following)

Americas		Asia		Rest of the World	
Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs
	12				
			427		
17,083	159	76,240	779	10,658	671
17,083	**171**	**76,240**	**1,206**	**10,658**	**671**
			1,137		
		1,860	1	36,145	4
		1,860	**1,138**	**36,145**	**4**
17,083	**171**	**78,100**	**2,344**	**46,803**	**675**
1,065	**22**	**36,850**	**1,848**	**66,298**	**687**

value)

Exposures / Geographical area		Italy		Other European countries	
		Net exposure	Total write-downs	Net exposure	Total write-downs
A	**CASH EXPOSURE**				
A1	Bad debts				
A2	Standstill positions				
A3	Rescheduled debts				
A4	Past due positions				
A5	Other assets	1,482,610	3,873	133,216	326
	Total (A)	**1,482,610**	**3,873**	**133,216**	**326**
B	**OFF-BALANCE SHEET EXPOSURES**				
	B1 Bad debts				
	B2 Standstill positions				
	B3 Impaired				
	B4 Other	138,161	65	17,189	8
	Total (B)	**138,161**	**65**	**17,189**	**8**
	Total (A+B) 31.12.2012	**1,620,771**	**3,938**	**150,405**	**334**
	Total (A+B) 29.02.2012	**2,359,905**	**3,580**	**307,860**	**1,949**

(following)

Americas		Asia		Rest of the World	
Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs
		1,802	7,588		
				1,332	15
13,706		93,143	1,420	84,040	10,291
13,706		**94,945**	**9,008**	**85,372**	**10,306**
139		40,827	834	213,905	746
139		**40,827**	**834**	**213,905**	**746**
13,845		**135,772**	**9,842**	**299,277**	**11,052**
131		**269,297**	**15,843**	**292,891**	**13,752**

B.4 Large Exposures

Nominal Amount	2,917,340,765
Weighted Amount	1,661,501,833
Number	30

C. Securitization and disposal of assets

C.1 Securitization

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C.1.1 Exposure from securitization schemes: Breakdown by quality of underlying assets

1.2 Exposure from main in-house securitization schemes: Breakdown by type of securitized assets and type of exposure

C.1.3 Exposure from main third-party securitization schemes: Breakdown by type of securitized assets and type of exposure

C.1.4 Exposure from securitization schemes: Breakdown by portfolio and type

C.1.5 Total value of securitized debt underlying junior notes or other forms of credit support

C.1.6 Stakes in special-purpose vehicles

C.1.7 Servicer activities – Collection of securitized debt and redemption of securities issued by the special purpose vehicle

C.2 Disposals

C.2.1 Financial assets disposed of but not derecognized

C.2.2 Financial liabilities linked to financial assets disposed of but not derecognized

C.3 Covered bonds

D. Credit risk measurement models

UBAE does not have its own internal model for measuring credit risk exposure based on a combination of internal and external factors relating to PD (probability of default).

Risk Management is working on a project to utilize transition tables made available by ECAI to map internal risk groups so that the PD value indicated by ECAI can be attributed to each internal group.

Risk Management will use these PD values for each counterparty in order to obtain the EL (expected loss) value and UL (unexpected loss) value that will then be included in a pricing formula for credit transactions, which will highlight the risk spread (inclusive of the opportunity cost of regulatory requirements) in the light of a risk adjusted performance measurement .

Section 2 – Market risk

2.1 – Price and Interest rate risk: Trading book

QUALITATIVE INFORMATION

A. General aspects

Established by the Board of Directors, the maximum level of market risk acceptable for the HFT portfolio is equivalent to the amount of economic capital which the Bank is prepared to allocate against market risk. Risk management policy in this area will identify the units and individuals authorized to take on risks and define their respective responsibilities.

In supporting risk taking activities through a range of tasks, Risk Management helps to implement the strategy set out by the Bank's governing bodies and sees that risks in each category are properly monitored and reported in the light of established limits.

The risk management process is meant to ensure that the actual risk profile remains within the overall accepted risk level and within the limits set for each risk category, and that the risk profile is attained in a transparent manner.

The Bank's risk profile is conveyed and analysed through a reporting system that is adequate, shared and subject to periodic independent controls.

Financial transactions are recorded by Master Finance (MF), a software application forming part of the Bank's IT and accounting system. Risk control and management reporting requirements are adequately served by MF.

Recent adjustments to MF took account of the internal rules governing Banca UBAE's financial operations, signally the latter's subdivision into a number of elementary portfolios, the roles of the various actors involved, management and control processes, the instruments that may be assigned to each portfolio, operating limits, and the nature and frequency of reports for the Management.

MF handles the following financial instruments:

- forex (traditional and OTC derivatives)
- money market (traditional and derivatives: FRA, IRS, OIS)
- bonds and derivatives (options)
- equities and derivatives (index futures, options traded on regulated markets)

MF also contains information regarding risk positions generated by the Treasury Dept. and the business divisions (loans/discounting). The product was configured for automatic updates to and from all relevant SEC programs.

Since it is linked up with the most widely used infoproviders (Reuters, Prometeia), MF supports pricing activity for both cash and derivative instruments.

MF supports risk-measuring methods that provide an accurate and comprehensive representation of the Bank's risk exposure by monitoring operating limits.
In particular:

- position risk on the trading portfolio is expressed in terms of VaR, with a 99% confidence interval and a 10-day holding period
- option risk is susceptible to monitoring in terms of delta, gamma and vega factors
- counterparty risk is calculated on the basis of the current value of OTC derivatives
- interest rate risk is expressed in terms of sensitivity to shifts in the interest rate curve (duration, interest rate potential loss, etc.).

The internal rules applying to financial operations embody two key principles:

- each type of activity will be pursued through a single portfolio of financial instruments;
- each type of risk - as defined in relation to the various types of activity - will be handled by a single unit within the Treasury Division.

Adherence to both principles ensures the decision-making process is more transparent and controls are more effective.

The internal rules set guidelines for the distribution of powers in the financial sphere, define internal communication flows for managing exceptional events, and describe the limits, the typical risks, and the mission assigned to each department in the Treasury Division.

The entire system of internal operating limits is replicated in MF to enable first-, second- and third-order controls to be carried out in real time by the competent units.

A reporting system has also been implemented within MF, which automatically generates a series of reports enabling the competent bodies to be informed on a daily, weekly or monthly basis (as variously stipulated by the internal rules) with respect to financial positions, risks and any breaches of operating limits. Reports are delivered to Senior Management and the head of the Treasury Division.

B. Risk management processes and measuring methods

Dealing on behalf of bank or corporate customers in interest- or exchange-rate derivatives may result in day-to-day misalignments in the portfolio for such instruments, hence in a temporary increase in exposure to generic position risk for either the Treasury Dept. or the Securities Dept.

Trading positions in interest- and exchange-rate derivatives, whether regulated or OTC, are entered in the MF front-office system, which supports the daily pricing of these instruments and calculates unrealized gains and losses. The risk associated with each position opened in financial instruments is expressed in terms of VaR (with a 10-day holding period and a 99% confidence interval) and is subject to quantitative limits proposed by the Risk Committee. These are approved by the Board of Directors and monitored daily by the Risk Management unit.

If a limit is approached, procedures for checking and possibly calling in the exposure are activated.

Risk Management ensures the accuracy of measurements obtained from the VaR model through quarterly back-testing.

QUANTITATIVE INFORMATION

1.A Trading book: Distribution of cash financial assets/liabilities and financial derivatives by residual maturity (repricing date) Currency: EUR

Type / Residual maturity			Sight	Up to 3 months	3 to 6 months
1	**Cash assets**			**42,260**	**5,263**
	1.1	Debt securities		42,260	5,263
		- with an option for early			
		- other		42,260	5,263
	1.2	Other assets			
2	**Cash liabilities**				
	2.1	Repo			
	2.2	Other liabilities			
3	**Financial derivatives**		**(6)**	**(149,156)**	**10,019**
	3.1	**With underlying security:**			
		- Options			
		* Long positions			
		* Short positions			
		- Other derivatives			
		* Long positions			
		* Short positions			
	3.2	**W/out underlying security:**	**(6)**	**(149,156)**	**10,019**
		- Options			
		* Long positions			
		* Short positions			
		- Other derivatives	(6)	(149,156)	10,019
		* Long positions	15	46,334	10,019
		* Short positions	21	195,490	

(following)

6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite
(15,000)	**(30,019)**			
(15,000)	**(30,019)**			
(15,000)	(30,019)			
	5,000			
15,000	35,019			

1.B Trading book: Distribution of cash financial assets/liabilities and financial derivatives by residual maturity (repricing date) Currency: USD

Type / Residual maturity			Sight	Up to 3 months	3 to 6 months
1	**Cash assets**				
	1.1	Debt securities			
		- with an option for early redemption			
		- other			
	1.2	Other assets			
2	**Cash liabilities**				
	2.1	Repo			
	2.2	Other liabilities			
3	**Financial derivatives**		**19**	**194,887**	**(1,174)**
	3.1	**With underlying security:**			
		- Options			
		* Long positions			
		* Short positions			
		- Other derivatives			
		* Long positions			
		* Short positions			
	3.2	**W/out underlying security:**	**19**	**194,887**	**(1,174)**
		- Options			
		* Long positions			
		* Short positions			
		- Other derivatives	19	194,887	(1,174)
		* Long positions	21	253,275	
		* Short positions	2	58,388	1,174

(following)

6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite
(2,348)	**(595)**			
(2,348)	**(595)**			
(2,348)	(595)			
2,348	595			

1.C Trading book: Distribution of cash financial assets/liabilities and financial derivatives by residual maturity (repricing date) Currency: GBP

Type / Residual maturity	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite
1 Cash assets								
1.1 Debt securities								
- with an option for early redemption								
- other								
1.2 Other assets								
2 Cash liabilities								
2.1 Repo								
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 W/out underlying security:								
- Options								
* Long positions								
* Short positions								
- Other derivatives								
* Long positions		2,573						
* Short positions		2,573						

1.D Trading book: Distribution of cash financial assets/liabilities and financial derivatives by residual maturity (repricing date) Currency: CHF

		Type / Residual maturity	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite
1		**Cash assets**								
	1.1	Debt securities								
		- with an option for early redemption								
		- other								
	1.2	Other assets								
2		**Cash liabilities**								
	2.1	Repo								
	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	**W/out underlying securi**								
		- Options								
		* Long positions								
		* Short positions								
		- Other derivatives	**(12)**							
		* Long positions		47,119						
		* Short positions	12	47,119						

1.E Trading book: Distribution of cash financial assets/liabilities and financial derivatives by residual maturity (repricing date) Currency: JPY

Type / Residual maturity			Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite
1	**Cash assets**									
	1.1	Debt securities								
		- with an option for early redemption								
		- other								
	1.2	Other assets								
2	**Cash liabilities**									
	2.1	Repo								
	2.2	Other liabilities								
3	**Financial derivatives**			**(2,377)**						
	3.1	**With underlying security:**								
		- Options								
		* Long positions								
		* Short positions								
		- Other derivatives								
		* Long positions								
		* Short positions								
	3.2	**W/out underlying security:**		**(2,377)**						
		- Options								
		* Long positions								
		* Short positions								
		- Other derivatives		**(2,377)**						
		* Long positions								
		* Short positions		2,377						

1.F Trading book: Distribution of cash financial assets/liabilities and financial derivatives by residual maturity (repricing date): AED

Type / Residual maturity	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite
1 Cash assets								
1.1 Debt securities								
- with an option for early redemption								
- other								
1.2 Other assets								
2 Cash liabilities								
2.1 Repo								
2.2 Other liabilities								
3 Financial derivatives		**(5,778)**						
3.1 With underlying security:								
- Options								
* Long positions								
* Short positions								
- Other derivatives								
* Long positions								
* Short positions								
3.2 W/out underlying security:		**(5,778)**						
- Options								
* Long positions								
* Short positions								
- Other derivatives		**(5,778)**						
* Long positions								
* Short positions		5,778						

2. Trading book: Distribution of exposure in equities and share indices by country of listing

	Type / share indices	Listed			Not Listed
		Italy	Germany		
A	**Equities: trades settled**	**711**			
	Long positions	711			
	Short positions				
B	**Equities: trades no yet settled**				
	Long positions				
	Short positions				
C	**Other derivatives on equities**				
	Long positions				
	Short positions				
D	**Derivatives on shares indices**				
	Long positions				
	Short positions				

3. Trading book: Internal models and other sensitivity-analysis methods

2.2 – Price and Interest rate risk – Banking book

QUALITATIVE INFORMATION

A. General aspects, risk management processes and measuring methods

Pillar II foresees an additional capital requirement against interest rate risk on the banking book and requires banks to check such risk regularly by calculating a (simplified) "risk indicator" corresponding to a shock producing a 200 bp parallel shift in the interest rate curve.

Readings for the indicator should never exceed 20% of eligible capital, which is well above the level recorded at Banca UBAE on account of the concentration of assets and liabilities within a 12-month time frame and the presence of derivatives mitigating their riskiness. For internal operating purposes, the Bank's rules cap this particular risk at 5% of eligible capital as a measure of precaution reflecting its true susceptibility to interest rate risk in the banking book.

Once a month, Risk Management verifies compliance with the internal operating limit. For ICAAP purposes, it uses an ALM product to conduct quarterly maturity ladder analyses under the simplified approach as well as by the full-evaluation method. Once a year as a minimum, finally, the unit subjects the exposure to stress testing in relation to hypothetical parallel and non-parallel shifts in the interest rate curve.

B. Fair value hedges

Banca UBAE does not hold derivatives to hedge assets or liabilities designated at fair value.

C. Cash flow hedges

Banca UBAE does not hold derivatives to hedge cash flow in accordance with IAS 39. Its portfolio includes interest rate derivatives (OIS, IRS) whose purpose is to provide a sort of macro-coverage of the interest margin implicit in the cash flow generated by banking activities (bonds, loans, discounting). Hedging and negotiation of derivatives are a matter for the Treasury Dept. The Treasury Division as such may hold IRSs hedging interest rate risk associated with bonds carried in the HTM portfolio.

QUANTITATIVE INFORMATION

1.A Banking book: Distribution of cash financial assets/liabilities and financial derivatives by residual maturity (repricing date) Currency: EUR

	Type / Residual maturity	Sight	Up to 3 months
1	**Cash assets**	**64,210**	**687,103**
	1.1 Debt securities		300,966
	- with an option for early redemption		
	-other		300,966
	1.2 L&As to banks	63,396	36,373
	1.3 L&As to customers	814	349,764
	- A/C	701	
	-other L&As	113	349,764
	with an option for early redemption	38	63,393
	other	75	286,371
2	**Cash liabilities**	**224,441**	**430,294**
	2.1 Due to customers	66,150	665
	- A/C	66,150	665
	-other liabilities		
	with an option for early redemption		
	other		
	2.2 Due to banks	158,291	429,629
	- A/C	117,169	
	-other liabilities	41,122	429,629
	2.3 Debt securities		
	- with an option for early redemption		
	-other		
	2.4 Other liabilities		
	- with an option for early redemption		
	-other		
3	**Financial derivatives**		
	3.1 With underlying security:		
	- Options		
	* Long positions		
	* Short positions		
	-other derivatives		
	* Long positions		
	* Short positions		
	3.2 W/out underlying security:		
	- Options		
	* Long positions		
	* Short positions		
	-other derivatives		
	* Long positions		
	* Short positions		
4	**Other transactions off balance sheet**		
	* Long positions		
	* Short positions		

(following)

3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite
80,428	**23,057**	**126,961**	**2,895**	**2,333**	
	15,268	115,956			
	15,268	115,956			
19,529	5,201	988			
60,899	2,588	10,017	2,895	2,333	
		1,747			
60,899	2,588	8,270	2,895	2,333	
18,251	428	3,021	2,895	2,333	
42,648	2,160	5,249			
20,209					
65					
65					
20,144					
20,144					

1. Banking book: Distribution of cash financial assets/liabilities and financial derivatives by residual maturity (repricing date) Currency: USD

	Type / Residual maturity	Sight	Up to 3 months
1	**Cash assets**	**561,454**	**638,739**
	1.1 Debt securities		12,259
	- with an option for early redemption		
	-others		12,259
	1.2 L&As to banks	561,405	558,977
	1.3 L&As to customers	49	67,503
	- A/C	49	
	-others L&As		67,503
	with an option for early redemption		0
	others		67,503
2	**Cash liabilities**	**408,877**	**961,474**
	2.1 Due to customers	64,841	310,483
	- A/C	64,841	310,483
	-others liablities		
	with an option for early redemption		
	others		
	2.2 Due to banks	344,036	650,991
	- A/C	335,762	
	-others liablities	8,274	650,991
	2.3 Debt securities		
	- with an option for early redemption		
	-others		
	2.4 Other liabilities		
	- with an option for early redemption		
	-others		
3	**Financial derivatives**		
	3.1 With underlying security:		
	- Options		
	* Long positions		
	* Short positions		
	-others derivatives		
	* Long positions		
	* Short positions		
	3.2 W/out underlying security:		
	- Options		
	* Long positions		
	* Short positions		
	-others derivatives		
	* Long positions		
	* Short positions		
4	**Other transactions off balance sheet**	**7,209**	**(7,209)**
	* Long positions	7,209	
	* Short positions		7,209

(following)

3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite
67,291	**4,000**	**4,160**	**511**		
			511		
			511		
65,027	2,884	1,604			
2,264	1,116	2,556			
		9			
2,264	1,116	2,547			
2,264	1,116	2,547			
75,847					
75,847					
75,847					

1.C Banking book: Distribution of cash financial assets/liabilities and financial derivatives by residual maturity (repricing date) Currency: GBP

Type / Residual maturity			Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite
1	**Cash assets**		**146**	**1,593**						
	1.1	Debt securities								
		- with an option for early redemption								
		-others								
	1.2	L&As to banks	146	1,593						
	1.3	L&As to customers								
		- A/C								
		- Other L&As:								
		with an option for early redemption								
		others								
2	**Cash liabilities**		**235**	**1,654**						
	2.1	Due to customers	10	184						
		- A/C	10	184						
		-others liabilities								
		with an option for early redemption								
		others								
	2.2	Due to banks	225	1,470						
		- A/C	224							
		-others liabilities	1	1,470						
	2.3	Debt securities								
		- with an option for early redemption								
		-others								
	2.4	Other liabilities								
		- with an option for early redemption								
		-others								
3	**Financial derivatives**									
	3.1	With underlying security:								
		- Options								
		* Long positions								
		* Short positions								
		-other derivatives								
		* Long positions								
		* Short positions								
	3.2	W/out underlying security:								
		- Options								
		* Long positions								
		* Short positions								
		-other derivatives								
		* Long positions								
		* Short positions								
4	**Other transactions off balance sheet**									
	* Long positions									
	* Short positions									

1.D Banking book: Distribution of cash financial assets/liabilities and financial derivatives by residual maturity (repricing date) Currency: CHF

	Type / Residual maturity		Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite
1	**Cash assets**		**642**							
	1.1	Debt securities								
		- with an option for early redemptior								
		-others								
	1.2	L&As to banks	642							
	1.3	L&As to customers								
		- A/C								
		- Other L&As:								
		with an option for early redemption								
		others								
2	**Cash liabilities**		**687**							
	2.1	Due to customers	308							
		- A/C	308							
		-others liabilities								
		with an option for early redemption								
		others								
	2.2	Due to banks	379							
		- A/C	379							
		-others liabilities								
	2.3	Debt securities								
		- with an option for early redemptior								
		-others								
	2.4	Other liabilities								
		- with an option for early redemptior								
		-others								
3	**Financial derivatives**									
	3.1	With underlying security:								
		- Options								
		* Long positions								
		* Short positions								
		-other derivatives								
		* Long positions								
		* Short positions								
	3.2	W/out underlying security:								
		- Options								
		* Long positions								
		* Short positions								
		-other derivatives								
		* Long positions								
		* Short positions								
4	**Other transactions off balance sheet**									
		* Long positions								
		* Short position:								

1.E Banking book: Distribution of cash financial assets/liabilities and financial derivatives by residual maturity (repricing date) Currency: JPY

Type / Residual maturity			Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite
1	**Cash assets**		**740**	**1,675**						
	1.1	Debt securities								
		- with an option for early redemption								
		-others								
	1.2	L&As to banks	740	1,675						
	1.3	L&As to customers								
		- A/C								
		- Other L&As:								
		with an option for early redemption								
		others								
2	**Cash liabilities**		**103**							
	2.1	Due to customers	4							
		- A/C	4							
		-others liabilities								
		with an option for early redemption								
		others								
	2.2	Due to banks	99							
		- A/C	97							
		-others liabilities	2							
	2.3	Debt securities								
		- with an option for early redemption								
		-others								
	2.4	Other liabilities								
		- with an option for early redemption								
		-others								
3	**Financial derivatives**									
	3.1	With underlying security:								
		- Options								
		* Long positions								
		* Short positions								
		-other derivatives								
		* Long positions								
		* Short positions								
	3.2	W/out underlying security:								
		- Options								
		* Long positions								
		* Short positions								
		-other derivatives								
		* Long positions								
		* Short positions								
4	**Other transactions off balance sheet**									
		* Long positions								
		* Short positions								

1.F Banking book: Distribution of cash financial assets/liabilities and financial derivatives by residual maturity (repricing date) Currency: AED

Type / Residual maturity			Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite
1	**Cash assets**		**6,704**							
	1.1	Debt securities								
		- with an option for early redemption								
		-others								
	1.2	L&As to banks	6,704							
	1.3	L&As to customers								
		- A/C								
		- Other L&As:								
		with an option for early redemption								
		others								
2	**Cash liabilities**		**324**							
	2.1	Due to customers								
		- A/C								
		-others liabilities								
		with an option for early redemption								
		others								
	2.2	Due to banks	324							
		- A/C	324							
		-others liabilities								
	2.3	Debt securities								
		- with an option for early redemption								
		-others								
	2.4	Other liabilities								
		- with an option for early redemption								
		-others								
3	**Financial derivatives**									
	3.1	With underlying security:								
		- Options								
		* Long positions								
		* Short positions								
		-other derivatives								
		* Long positions								
		* Short positions								
	3.2	W/out underlying security:								
		- Options								
		* Long positions								
		* Short positions								
		-other derivatives								
		* Long positions								
		* Short positions								
4	**Other transactions off balance sheet**									
	* Long positions									
	* Short positions									

1.G Banking book: Distribution of cash financial assets/liabilities and financial derivatives by residual maturity (repricing date) Currency: others

	Type / Residual maturity	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite
1	**Cash assets**	**256**				**7**			
1.1	Debt securities								
	- with an option for early redemptior								
	-others								
1.2	L&As to banks	256							
1.3	L&As to customers					7			
	- A/C								
	- Other L&As:					7			
	with an option for early redemption								
	others					7			
2	**Cash liabilities**	**2**							
2.1	Due to customers	2							
	- A/C	1							
	-others liabilities	1							
	with an option for early redemption								
	others	1							
2.2	Due to banks								
	- A/C								
	-others liabilities								
2.3	Debt securities								
	- with an option for early redemptior								
	-others								
2.4	Other liabilities								
	- with an option for early redemptior								
	-others								
3	**Financial derivatives**								
3.1	With underlying security:								
	- Options								
	* Long positions								
	* Short positions								
	-other derivatives								
	* Long positions								
	* Short positions								
3.2	W/out underlying security:								
	- Options								
	* Long positions								
	* Short positions								
	-other derivatives								
	* Long positions								
	* Short positions								
4	**Other transactions off balance sheet**								
	* Long positions								
	* Short position								

2. Banking book: internal models and other sensitivity analysis methods

2.3 - Currency risk

QUALITATIVE INFORMATION

A. General aspects, risk management processes and measuring methods

UBAE's banking book denotes a prevalence of US dollars for short-term funding and euros for earning assets.

Securities making up the HFT portfolio are mostly denominated in euros. Dealing in forward exchange rate derivatives may increase the Bank's global exposure to exchange rate risk insofar as it holds assets and liabilities denominated in other currencies.

Intraday and overnight operating limits as well as stop loss limits for global exposure to exchange rate risk are set by the Board of Directors, administered by the Risk Committee and monitored daily by the Risk Management unit.

B. Hedging for currency risk

Banca UBAE does not hold derivatives to hedge financial flows denominated in non-euro currencies according to IAS 39.

The Treasury Division ensures a macro-coverage of financial flows denominated in non-euro currencies by holding exchange rate derivatives (currency swaps) as dictated by its appreciation of the market.

QUANTITATIVE INFORMATION

1. Distribution by currency in which assets/liabilities and derivatives are denominated

Items			Currencies					
			US Dollar	British Pound	Swiss Franc	Yen	United Arab Em.	Other
			USD	GBP	CHF	JPY	AED	
A	**Financial assets**		**1,276,159**	**1,739**	**642**	**2,415**	**6,704**	**268**
	A1	Debt securities	12,770					
	A2	Equities	4					5
	A3	L&As to banks	1,189,897	1,739	642	2,415	6,704	256
	A4	L&As to customers	73,488					7
	A5	Other financial assets	0					
B	**Other assets**		**28**	**14**		**1**		**1**
C	**Financial liabilities**		**1,446,198**	**1,889**	**687**	**103**	**324**	**2**
	C1	Due to banks	1,070,874	1,695	379	99	324	2
	C2	Due to customers	375,324	194	308	4		
	C3	Debt securities						
	C4	Other financial liabilities						
D	**Other liabilities**							
E	**Financial derivatives**		**190,754**		**(12)**	**(2,377)**	**(5,778)**	
	- Options							
		* Long positions						
		* Short positions						
	-other derivatives		190,754		(12)	(2,377)	(5,778)	
		* Long positions	240,428	2,573	47,119			
		* Short positions	49,674	2,573	47,131	2,377	5,778	
	Total assets		**1,516,615**	**4,326**	**47,761**	**2,416**	**6,704**	**269**
	Total liabilities		**1,495,872**	**4,462**	**47,818**	**2,480**	**6,102**	**2**
	Balance (+/-)		**20,743**	**(136)**	**(57)**	**(64)**	**602**	**267**

2. Internal models and other sensitivity-analysis method

2.4 Derivatives

A. Financial derivatives

A.1 Trading book: Year end and average notional values

underlying assets / derivatives type			31.12.2012		29.02.2012	
			Over the counter	Core Counter-parties	Over the counter	Core Counter-parties
1	**Debt securities and interest rates**		**68,378**		**76,980**	
	a)	Options				
	b)	Interest rates Swap	68,378		76,980	
	c)	Forward				
	d)	Futures				
	e)	Others				
2	**Equities and shares indices**					
	a)	Options				
	b)	Swap				
	c)	Forward				
	d)	Futures				
	e)	Others				
3	**Exchange rates and gold**		**295,876**		**277,535**	
	a)	Options				
	b)	Swap				
	c)	Forward	295,876		277,535	
	d)	Futures				
	e)	Others				
4	**Goods**					
5	**Others assets**					
		Total	**364,254**		**354,515**	
		Average	**380,900**		**488,631**	

A.2 Banking book: Year end and average notional values

A.2.1 Hedges

A.2.2 Others derivatives

A.3 Financial derivatives: positive gross fair value: by instruments

Portfolio / derivatives type		Positive Fair value - Total 31.12.2012		Positive Fair value - Total 29.02.2012	
		Over the counter	Core Counter-parties	Over the counter	Core Counter-parties
A	**Trading book**	**810**		**529**	
	a) Options				
	b) Interest rate swap	298		324	
	c) Cross currency swap				
	d) Equity swap				
	e) Forward	512		205	
	f) Futures				
	g) Others				
B	**Banking book: hedges**				
	a) Options				
	b) Interest rate swap				
	c) Cross currency swap				
	d) Equity swap				
	e) Forward				
	f) Futures				
	g) Others				
C	**Banking book: other derivatives**				
	a) Options				
	b) Interest rate swap				
	c) Cross currency swap				
	d) Equity swap				
	e) Forward				
	f) Futures				
	g) Others				
	Total	**810**		**529**	

A.3 Financial derivatives: negative gross fair value: by instruments

Portfolio / derivatives type		Negative Fair value - Total 31.12.2012		Positive Fair value - Total 29.02.2012	
		Over the counter	Core Counter-parties	Over the counter	Core Counter-parties
A	**Trading book**	**4,925**		**3,214**	
	a) Options				
	b) Interest rate swap	2,851		2,776	
	c) Cross currency swap				
	d) Equity swap				
	e) Forward	2,074		438	
	f) Futures				
	g) Others				
B	**Banking book: hedges**				
	a) Options				
	b) Interest rate swap				
	c) Cross currency swap				
	d) Equity swap				
	e) Forward				
	f) Futures				
	g) Others				
C	**Banking book: other derivatives**				
	a) Options				
	b) Interest rate swap				
	c) Cross currency swap				
	d) Equity swap				
	e) Forward				
	f) Futures				
	g) Others				
	Total	**4,925**		**3,214**	

A.5 OTC financial derivatives: regulatory trading portfolio: notional value, positive and negative fair value by counterparties – contracts not included under netting agreements

Contracts not included under netting agreements		Gov'ts & Central banks	Other public entities	Banks	Fin. Compa-nies	Insurance Compa-nies	Non financial companies	Others
1)	**Debt securities and interest rates**							
	- notional value			68,378				
	- positive fair value			298				
	- negative fair value			2,851				
	- future exposure			203				
2)	**Equities and equity indices**							
	- notional value							
	- positive fair value							
	- negative fair value							
	- future exposure							
3)	**Currencies and gold**							
	- notional value			248,835			47,041	
	- positive fair value			509			3	
	- negative fair value			1,994			80	
	- future exposure			2,253			236	
4)	**Other**							
	- notional value							
	- positive fair value							
	- negative fair value							
	- future exposure							

A.6 OTC financial derivatives: regulatory trading portfolio: notional value, positive and negative fair value by counterparties – contracts included under netting agreements

A.7 OTC financial derivatives: banking book: notional value, positive and negative fair value by counterparties – contracts not included under netting agreements

A.8 OTC financial derivatives: banking book: notional value, positive and negative fair value by counterparties – contracts included under netting agreement

A.9 OTC financial derivatives: residual maturity - notional values

underlying assets / residual maturity	Up to 1 year	1 to 5 years	over 5 years	Total
Trading book	**323,640**	**40,614**		**364,254**
A1 Financial derivatives on debt instruments and rates	27,764	40,614		68,378
A2 Financial derivatives on equities and shares indices				
A3 Financial derivatives on exchange rates and gold	295,876			295,876
A4 Financial derivatives on others instruments				
Banking Book				
B1 Financial derivatives on debt instruments and rates				
B2 Financial derivatives on equities and shares indices				
B3 Financial derivatives on exchange rates and gold				
B4 Financial derivatives on others instruments				
Total 31.12.2012	**323,640**	**40,614**		**364,254**
Total 29.02.2012	**295,072**	**59,443**		**354,515**

A.10 OTC financial derivatives: financial/counterpart risk – internal models

B. Credit Derivatives

B.1 Credit derivatives: Year-end and average notional amounts

B.2 OTC Credit derivatives: Gross positive fair value – breakdown by products

B.3 OTC Credit derivatives: Gross negative fair value – breakdown by products

B.4 OTC Credit derivatives: gross (positive and negative) fair value by counterparts - contracts not included under netting agreements

B.5 OTC Credit derivatives: gross (positive and negative) fair value by counterparts - contracts included under netting agreements

B.6 Residual maturity of credit derivatives: notional amounts

B.7 Credit derivatives: counterparty and financial risk - internal model

C. Credit and Financial derivatives

C.1 OTC Credit and Financial derivatives: net fair value and future exposure by counterparty

Section 3 – Liquidity risk

QUALITATIVE INFORMATION

A. General aspects

Regarding the liquidity risk (defined as a counterparty's failure to meet payment obligations as a result of a sudden inability to raise the necessary funds on the market and/or to liquidate positions in financial instruments promptly), the banks which are allowed to use simplified accounting are not obliged to calculate an additional capital requisite (Pillar II); however, they must implement a risk management system which also includes scenario (what-if) analysis together with internal policies establishing the operating limits to be respected and the procedures to be followed in the event of a liquidity crisis (contingency plan).

Pursuant to the Bank's policy for managing liqudity risk, Risk Management monitors the observance of internal operating limits, watches out for early-warning signals and performs quarterly stress tests.

A weekly, standard-format liquidity report is produced for Banca d'Italia. For internal purposes, monitoring activity is reported to the Risk Committee, the Internal Control Committee and the BD.

For ICAAP purposes, the bank uses an ALM product for carrying out maturity ladder analyses and stress testing.

B. Risk management processes and measuring methods

Banca UBAE is mainly an investor on the interbank liquidity market.
To complete the management process and in compliance with regulatory updates, UBAE released in December 2011 (and updated in May 2011) a new internal policy and the related contingency liquidity plan.

The internal policy sets out management guidelines, allocates roles and responsibilities amongst the sectors involved, and defines a system of internal operative limits; the contingency funding plan is linked to a system of early warning indicators designed to highlight a crisis situation and to request prompt and appropriate action by the competent bodies.

The Risk Management Unit builds the maturity ladder every week (on the basis of outflows and inflows distributed by maturity breakdown) and checks that internal operative limits are respected (threshold of risk tolerance, survival limits and gap operative limits) as well as the performance trend of early warning indicators. Every month, the Unit checks the respect of the eligibility limit of financial instruments to preserve the counterbalancing capacity, and monitors the ratios relating to funding concentration. A weekly report is produced for the Risk Committee, containing the results of the monitoring activities, and a monthly report is prepared for the Internal Control Committee and the Board of Directors too.

QUANTITATIVE INFORMATION

1.A Financial assets and liabilities: Breakdown by residual contractual maturity – EUR

			Items / maturity ladder	Sight	1 to 7 days	over 7 to 15 days	over 15 days to 1 month
A	**Cash assets**			**64,210**	**75,975**	**14,121**	**121,682**
	A1	Gov't securities					
	A2	Listed debt securities					49,699
	A3	Holdings in UCIs					
	A4	L&As		64,210	75,975	14,121	71,983
		- to banks		63,396	709	1,147	233
		- to customers		814	75,266	12,974	71,750
B	**Cash liabilities**			**224,441**		**20,089**	**50,354**
	B	Deposits and A/C		224,441		20,089	50,354
		- from banks		158,291		20,004	49,922
		- form customers		66,150		85	432
	B2	Debt securities					
	B3	Other liabilities					
C	**OBS transactions**			**(40,923)**	**(24,162)**		**(160,000)**
	C1	Financial derivatives with capital exchange			(24,162)		(160,000)
		* long positions			5,859		
		* short position			30,021		160,000
	C2	Financial derivatives without capital exchange		(2,516)			
		* long positions		298			
		* short position		2,814			
	C3	Deposits and loans to be settled					
		* long positions					
		* short position					
	C4	Irrevocable commitments to disburse funds		(38,407)			
		* long positions					
		* short position		38,407			
	C5	Financial guarantees issued					
	C6	Financial guarantees received					
	C7	Credit derivatives with capital exchange					
		* long positions					
		* short position					
	C8	Credit derivatives without capital exchange					
		* long positions					
		* short position					

(following)

Over 1 month up to 3 months	3 to 6 months	6 to 12 months	over 1 year	over 5 years	Indefinite
295,209	**179,437**	**30,547**	**248,280**	**5,228**	
			499		
109,891	79,661	15,268	224,874		
185,318	99,776	15,279	22,907	5,228	
23,809	22,514	12,691	988		
161,509	77,262	2,588	21,919	5,228	
159,412	**20,209**		**180,439**	**20,000**	
159,412	20,209		180,439	20,000	
159,264	20,144		180,439	20,000	
148	65				
5,705		**47**	**32,655**		
5,705		47	32,655		
5,705		47	32,655		

1.B Financial assets and liabilities: Breakdown by residual contractual maturity – USD

		Items / maturity ladder	Sight	1 to 7 days	over 7 to 15 days	over 15 days to 1 month
A		**Cash assets**	**561,454**	**28,871**	**48,344**	**153,668**
	A1	Gov't securities				
	A2	Listed debt securities				
	A3	Holdings in UCIs				
	A4	L&As	561,454	28,871	48,344	153,668
		- to banks	561,405	28,871	34,895	153,668
		- to customers	49		13,449	
B		**Cash liabilities**	**408,877**	**123,567**	**147,558**	**144,773**
	B	Deposits and A/C	408,877	123,567	147,558	144,773
		- from banks	344,036	41,693	147,558	144,583
		- form customers	64,841	81,874		190
	B2	Debt securities				
	B3	Other liabilities				
C		**OBS transactions**	**(537)**	**36,961**	**(8)**	**168,256**
	C1	Financial derivatives with capital exchange		29,752	(8)	161,047
		* long positions		29,754	47,040	161,047
		* short position		2	47,048	
	C2	Financial derivatives without capital exchange	(37)			
		* long positions				
		* short position	37			
	C3	Deposits and loans to be settled		7,209		7,209
		* long positions		7,209		
		* short position				7,209
	C4	Irrevocable commitments to disburse funds	(500)			
		* long positions				
		* short position	500			
	C5	Financial guarantees issued				
	C6	Financial guarantees received				
	C7	Credit derivatives with capital exchange				
		* long positions				
		* short position				
	C8	Credit derivatives without capital exchange				
		* long positions				
		* short position				

(following)

Over 1 month up to 3 months	3 to 6 months	6 to 12 months	over 1 year	over 5 years	Indefinite
422,533	**48,248**	**4,000**	**4,160**	**4,877**	
				4,063	
7,893				814	
414,640	48,248	4,000	4,160		
361,973	44,597	2,884	1,604		
52,667	3,651	1,116	2,556		
545,576	**75,847**				
545,576	75,847				
317,157	75,847				
228,419					
	500				
2,587					
2,587					
	500				
	500				

1.C Financial assets and liabilities: Breakdown by residual contractual maturity – GBP

		Items / maturity ladder	Sight	over 1 to 7 days	over 7 to 15 days	over 15 days to 1 month	over 1 month to 3 months	over 3 to 6 months	over 6 to 12 months	over 1 year	Over 5 years	Indefinite
A	**Cash assets**		**146**	**1,470**			**123**					
	A1	Gov't securities										
	A2	Listed debt securities										
	A3	Holdings in UCIs										
	A4	L&As	146	1,470			123					
		- to banks	146	1,470			123					
		- to customers										
B	**Cash liabilities**		**235**	**1,470**		**60**	**124**					
	B1	Deposits and A/C	235	1,470		60	124					
		- from banks	225	1,470								
		- form customers	10			60	124					
	B2	Debt securities										
	B3	Other liabilities										
C	**OBS transactions**											
	C1	Financial derivatives with capital exchange										
		* long positions					2,573					
		* short position					2,573					
	C2	Financial derivatives without capital exchange										
		* long positions										
		* short position										
	C3	Deposits and loans to be settled										
		* long positions										
		* short position										
	C4	Irrevocable commitments to disburse funds										
		* long positions										
		* short position										
	C5	Financial guarantees issued										
	C6	Financial guarantees received										
	C7	Credit derivatives with capital exchange										
		* long positions										
		* short position										
	C8	Credit derivatives without capital exchange										
		* long positions										
		* short position										

1.D Financial assets and liabilities: Breakdown by residual contractual maturity – CHF

	Items / maturity ladder	Sight	1 to 7 days	over 7 to 15 days	over 15 days to 1 month	over 1 month to 3 months	over 3 to 6 months	over 6 to 12 months	over 1 year	Over 5 years	Indefinite
A	**Cash assets**	**642**									
A1	Gov't securities										
A2	Listed debt securities										
A3	Holdings in UCIs										
A4	L&As	642									
	- to banks	642									
	- to customers										
B	**Cash liabilities**	**687**									
B1	Deposits and A/C	687									
	- from banks	379									
	- form customers	308									
B2	Debt securities										
B3	Other liabilities										
C	**OBS transactions**		**(12)**								
C1	Financial derivatives with capital exchange		(12)								
	* long positions			47,119							
	* short position		12	47,119							
C2	Financial derivatives without capital exchange										
	* long positions										
	* short position										
C3	Deposits and loans to be settled										
	* long positions										
	* short position										
C4	Irrevocable commitments to disburse funds										
	* long positions										
	* short position										
C5	Financial guarantees issued										
C6	Financial guarantees received										
C7	Credit derivatives with capital exchange										
	* long positions										
	* short position										
C8	Credit derivatives without capital exchange										
	* long positions										
	* short position										

1.E Financial assets and liabilities: Breakdown by residual contractual maturity – JPY

Items / maturity ladder		Sight	1 to 7 days	over 7 to 15 days	over 15 days to 1 month	over 1 month to 3 months	over 3 to 6 months	over 6 to 12 months	over 1 year	Over 5 years	Indefinite
A	**Cash assets**	**740**			**1,675**						
A1	Gov't securities										
A2	Listed debt securities										
A3	Holdings in UCIs										
A4	L&As	740			1,675						
	- to banks	740			1,675						
	- to customers										
B	**Cash liabilities**	**103**									
B1	Deposits and A/C	103									
	- from banks	99									
	- form customers	4									
B2	Debt securities										
B3	Other liabilities										
C	**OBS transactions**				**(2,377)**						
C1	Financial derivatives with capital exchange				(2,377)						
	* long positions										
	* short position				2,377						
C2	Financial derivatives without capital exchange										
	* long positions										
	* short position										
C3	Deposits and loans to be settled										
	* long positions										
	* short position										
C4	Irrevocable commitments to disburse funds										
	* long positions										
	* short position										
C5	Financial guarantees issued										
C6	Financial guarantees received										
C7	Credit derivatives with capital exchange										
	* long positions										
	* short position										
C8	Credit derivatives without capital exchange										
	* long positions										
	* short position										

1.F Financial assets and liabilities: Breakdown by residual contractual maturity – AED

		Items / maturity ladder	Sight	1 to 7 days	over 7 to 15 days	over 15 days to 1 month	over 1 month to 3 months	over 3 to 6 months	over 6 to 12 months	over 1 year	Over 5 years	Indefinite
A	**Cash assets**		**6,704**									
	A1	Gov't securities										
	A2	Listed debt securities										
	A3	Holdings in UCIs										
	A4	L&As	6,704									
		- to banks	6,704									
		- to customers										
B	**Cash liabilities**		**324**									
	B1	Deposits and A/C										
		- from banks	324									
		- form customers										
	B2	Debt securities										
	B3	Other liabilities										
C	**OBS transactions**			**(5,778)**								
	C1	Financial derivatives with capital exchange		(5,778)								
		* long positions										
		* short position		5,778								
	C2	Financial derivatives without capital exchange										
		* long positions										
		* short position										
	C3	Deposits and loans to be settled										
		* long positions										
		* short position										
	C4	Irrevocable commitments to disburse funds										
		* long positions										
		* short position										
	C5	Financial guarantees issued										
	C6	Financial guarantees received										
	C7	Credit derivatives with capital exchange										
		* long positions										
		* short position										
	C8	Credit derivatives without capital exchar										
		* long positions										
		* short position										

1.G Financial assets and liabilities: Breakdown by residual contractual maturity – other currencies

		Items / maturity ladder	Sight	1 to 7 days	over 7 to 15 days	over 15 days to 1 month	over 1 month to 3 months	over 3 to 6 months	over 6 to 12 months	over 1 year	Over 5 years	Indefinite
A		**Cash assets**	**256**							**7**		
	A1	Gov't securities										
	A2	Listed debt securities										
	A3	Holdings in UCIs										
	A4	L&As	256							7		
		- to banks	256									
		- to customers								7		
B		**Cash liabilities**	**2**									
	B1	Deposits and A/C	2									
		- from banks	2									
		- form customers										
	B2	Debt securities										
	B3	Other liabilities										
C		**OBS transactions**										
	C1	Financial derivatives with capital exchange										
		* long positions										
		* short position										
	C2	Financial derivatives without capital exchange										
		* long positions										
		* short position										
	C3	Deposits and loans to be settled										
		* long positions										
		* short position										
	C4	Irrevocable commitments to disburse funds	(184)							184		
		* long positions								184		
		* short position	184									
	C5	Financial guarantees issued										
	C6	Financial guarantees received										
	C7	Credit derivatives with capital exchange										
		* long positions										
		* short position										
	C8	Credit derivatives without capital exchange										
		* long positions										
		* short position										

Section 4 – Operational risk

QUALITATIVE INFORMATION

A. General aspects

Banca UBAE calculates its capital requirement against operational risks by applying the Basic Indicator Approach, in conformity with central bank regulations.
At the moment there are no plans to apply for a shift to the Standardized Approach.

B. Risk management processes and measuring methods

To improve the quality and smooth flow of all processes, the Regulatory Development Dept. conducts yearly self risk appraisal sessions with backing from the Risk Management and Compliance Unit and Internal Auditing. Attended by the heads of the Bank's main business and supporting units, they aim to identify the areas where operational risk is a potential problem and devise appropriate remedies where needed .
Before any new products or services are introduced, a thorough assessment of the risks associated with the new activity is drawn up by the Treasury Division jointly with the IT & Organization Division, the Risk Management unit, the Compliance and the Internal Auditing and is then submitted to General Management.

QUANTITATIVE INFORMATION

		31.12.2012	29.02.2012
OPERATIONAL RISK		**7,762**	**8,367**
1	Basic indicator approach	7,762	8,367
2	Standardized approach		
3	Advanced method		

Section 5 – Other Risks: Counterparty and Settlement Risk

QUALITATIVE INFORMATION

A. General aspects, risk management processes and measuring methods for counterparty risk

Dealing in OTC interest- and exchange-rate derivatives generates the risk that a counterparty will default on its contractual payment obligations when these fall due.

Counterparty risk is monitored, both as a whole and with reference to specific kinds of exposure, by the MF front-office system which manages the entire internal limit framework.

Banking and corporate counterparties authorized to negotiate forward derivatives are granted ad hoc credit lines by the Board of Directors, the Credit Committee or other competent bodies or officials.

Limits are monitored by MF through the daily recalculation of all outstanding positions on the basis of the latest prices.

A warning signal is triggered by the system on reaching (90%) of the limit so that the situation can be duly analysed and appropriate action taken including, possibly, a freeze on dealings with the counterparty concerned.

B. General aspects, risk management processes and measuring methods for settlement risk

Settlement risk is kept to a minimum because the negotiation of forex and other financial instruments both listed and unlisted (aside from OTC derivatives, which generate counterparty risk) is always subject to a payment-versus-delivery clause.

Section 1 – Shareholders' equity

A.QUALITATIVE INFORMATION

B.QUANTITATIVE INFORMATION

B.1 Shareholders' equity: Composition

		31.12.2012	29.02.2012
1	Share capital	151,061	151,061
2	Share premium account	16,702	16,702
3	Reserves	26,526	33,819
	of equity:	26,526	33,819
	a) Legal reserve	10,710	10,123
	b) Statutory reserve		
	c) own shares		
	d) other	15,816	23,696
	other reserves		
4	Capital instruments		
5	(Treasury stock)		
6	Valuation reserves	599	294
	-Financial assets available for sale	599	294
	-Tangible fixed assets		
	-Intangible fixed assets		
	-Hedging for foreign investments		
	-Cash flow hedges		
	-Forex differentials		
	-Non-current assets being divested		
	-Actuarial profit (loss) on defined-benefit plans		
	-Valuation reserves booked to shareholders' equity		
	-Special revaluation laws		
7	Profit (Loss) for the year	15,833	11,741
	Total	**210,721**	**213,617**

B2. Valuation reserves relating to financial assets available for sale: composition

		31.12.2012		29.02.12	
		Positive reserve	**Negative reserve**	**Positive reserve**	**Negative reserve**
1	Debt securities	830	(231)	324	(30)
2	Equities				
3	Holdings in UCI				
4	Loans				
	Total	**830**	**(231)**	**324**	**(30)**

B3. Valuation reserves relating to financial assets available for sale: Yearly variations

			Debt Securities	**Equity and**	**Holdings in UCI**	**Loans**
1	**Opening Balance**		**294**			
2	**Increases**		**536**			
	2.1	Fair value adjustments	432			
	2.2	Income statement reversal of negative reserves				
		- from impairment				
		- from disposals				
	2.3	Other increases	104			
3	**Decreases**		**231**			
	3.1	Fair value adjustments	230			
	3.2	Impairment write-downs				
	3.3	Income statement reversal of positive reserves: from				
	3.4	Other decreases	1			
4	**Closing Balance**		**599**			

Section 2 – Regulatory capital and capital ratios

2.1 Regulatory capital

A. QUALITATIVE INFORMATION

1. Tier 1 capital

Tier 1 capital includes the following accounting items:
1. share capital
2. legal reserve
3. extraordinary reserve
4. share premium account
5. FTA–IAS reserve
6. IAS 2005 retained profit reserve
7. retained profit

net of residual value of intangible assets.

2. Tier 2 capital

Tier 2 capital includes:
1. subordinated loans
2. 50% of valuation reserves, reckoned after tax

3. Tier 3 capital

This item – working out to Eur 1,034,041 – is included in the Bank's 2012 eligible capital and consists of the fraction of the subordinated loan exceeding 50% of Tier 1 capital

B. QUANTITATIVE INFORMATION

			31.12.2012	29.02.2012
A	**Tier 1 capital before prudential filters**		**196,421**	**211,137**
B	Tier 1 capital prudential filters			
	B.1	positive IAS/IFRS prudential filters		
	B.2	negative IAS/IFRS prudential filters		
C	**Tier 1 capital before deductible items (A+B)**		**196,421**	**211,137**
D	Tier 1 deductible items			
E	**Total capital (TIER1)(C-D)**		**196,421**	**211,137**
F	TIER 2 capital before prudential filters		98,612	100,197
G	Tier 2 capital prudential filters		(200)	(99)
	G.1	positive IAS/IFRS prudential filters		
	G.2	negative IAS/IFRS prudential filters	(200)	(99)
H	Tier 2 capital before deductible item (F+G)		98,412	100,098
I	Item to be deducted from Tier 2 capital			
J	**Total Tier 2 capital (H-I)**		**98,412**	**100,098**
K	Items to be deducted from Tier 1 and Tier 2 combined total			
L	**Eligible capital (E+J-K)**		**294,833**	**311,235**
M	Tier 3 capital (TIER 3)		1,789	
N	**Eligible capital inclusive of TIER 3 capital (L+M)**		**296,622**	**311,235**

(*) Shareholders' Equity reflects the AGM's decision, taken on 19 April 2013, to distribute a dividend marginally greater than had been proposed by the 191st BD when it approved the draft financial statements on 28 March 2013.

2.2 Capital adequacy

A. QUALITATIVE INFORMATION

The Bank's capital adequacy self-assessment process was designed to reflect the proportionality principle as allowed by Banca d'Italia for Class 3 credit institutions. Its purpose is to guarantee ongoing compliance with capital requirements - in relation both to Pillar I risks and to those Pillar II risks that are quantifiable by accepted simplified methods - as well as to provide the Board of Directors and Senior Management with the information they need to chart the Bank's capital enhancement policies effectively and efficiently.

To achieve that dual aim, and granted the degree of approximation which the use of standardized methods implies, the process focuses on measuring and monitoring four key quantities:

▪ *total internal capital*, i.e., the sum of capital requirements against the various types of risk contemplated in Pillar I (credit risk, market risk, operational risks) and Pillar II (credit concentration risk associated with individual counterparties or groups of connected counterparties, interest rate risk in the banking book), as applying at the end of the relevant accounting period;

▪ *total internal capital under stressed conditions*, i.e., total internal capital as applying at the end of the relevant accounting period but modified to take account of stress scenarios for credit risk, single-name credit concentration risk and interest rate risk in the banking book;

▪ *prospective internal capital*, i.e., the total internal capital amount that obtains by applying standardized computation methods to the Bank's assets and liabilities as approved following the planning-and-budgeting process;

▪ *total capital*, i.e., the sum of all capital resources and hybrid capitalization tools available to the Bank for the purpose of meeting its internal capital requirement and thus the unexpected losses associated with the various types of risk. Total capital will sometimes exceed eligible capital, since the definition of the former includes factors which may not be included in the latter.

B. QUANTITATIVE INFORMATION

	Categories/Values			Non-Weighted amount		Weighted amount	
				31.12. 2012	29.02. 2012	31.12. 2012	29.02. 2012
A	**RISK ASSETS**						
A1	**Credit and counterparty risk**						
	1	Standard methodology		2,750,633	3,378,745	1,551,259	1,372,395
	2	Methodology based on Internal ratings					
		2.1 based					
		2.2 advanced					
	3	Securitization					
B	**CAPITAL REQUIREMENTS**						
B1	**CREDIT AND COUNTERPARTY RISK**					**124,101**	**109,792**
B2	**MARKET RISK**					**2,631**	**2,969**
	1	Standard Methodology				2,631	2,969
	2	Internal Models					
	3	Credit concentration Risk					
B3	**OPERATIONAL RISK**					**7,762**	**8,367**
	1	Basic indicator approach				7,762	8,367
	2	Standardized approach					
	3	Advanced method					
B4	**Other capital requirements**						
B5	Other factors						
B6	**TOTAL CAPITAL REQUIREMENTS**					**134,494**	**121,128**
C	**RISK ASSETS AND CAPITAL RATIOS**						
C1	Risk weighted assets					1,681,179	1,514,094
C2	Tier 1 capital ratio (Tier 1 capital/risk weighted assets)					**11.68%**	**13.94%**
C3	Total capital ratio (Eligible capital/risk weighted assets)					**17.64%**	**20.56%**

PART G
MERGERS INVOLVING CORPORATE UNITS OR LINES OF BUSINESS

Section 1 – Transactions completed during the period

1.1 Mergers

1.1.1 Other information relevant to mergers

1.2.1 Yearly variations in goodwill

1.2.2 Other

Section 2 – Transactions completed after year-end

2.1 Mergers

Section 3 – Retrospective Adjustments

PART H
DEALINGS WITH RELATED PARTIES

In December 2011, Banca d'Italia published a new set of rules governing exposures and conflicts of interest arising from banks' dealings with "related parties", pursuant to and for the purposes of art. 53, paragraph 4 of the Banking Law. The provisions regulate operations with individuals and entities liable to exercise material influence, be it directly or indirectly, over a bank's decision-making processes, thereby potentially undermining the latter's objectivity and impartiality.

In June 2012, the BD approved the Bank's own regulations in this department to ensure that its operating procedures conformed to central bank norms. As stipulated by Banca d'Italia, the regulations became effective on 31 December 2012.

The tables below show the Bank's outstanding economic and financial positions with affiliated and other related parties as at 31 December 2012.

1. Compensation of Directors, Auditors and Management

	Description		31.12.2012
(1)	**Short-term benefits**		**2,406**
	- Directors	1,186	
	- Auditors	132	
	- Management	1,088	
(2)	**Post-severance benefits**		**67**
(3)	**Other benefits**		**699**

(1) fixed and variable amounts payable to Directors and Auditors plus senior managers' salaries and social charges
(2) allocations to the severance fund
(3) other benefits sanctioned by the law or the Internal Regulations including Directors' travel expenses

Following table depicts assets and liabilities with such individuals

Description	SENIOR CORPORATE OFFICIALS	CONNECTED PARTIES	TOTAL
Financial assets	97		97
Financial liabilities	142		142
Guarantees outstanding			0

2. Dealings with related parties

The tables below show the Bank's outstanding positions with related parties (ie, Libyan Foreign Bank and entities connected thereto, including parent entity Central Bank of Libya; UniCredit and entities connected thereto).

Dealings with related parties fall within the scope of the Bank's ordinary business operations and are priced at market rates, ie, as with similar counterparties of equivalent credit standing

Description		LFB	CONNECTED PARTIES	TOTAL
	Financial assets	139	23,736	23,875
	Financial liabilities	897,505	591,454	1,488,959
	Guarantees outstanding	28,976	87,917	116,893

Description		UNICREDIT	CONNECTED PARTIES	TOTAL
	Financial assets	20,291	104	20,395
	Financial liabilities			
	Guarantees outstanding	42,922		42,922

As far as main business line are concerned, UBAE' profitability in connection with said transactions can be summarized as follows:

Costs

Description	LFB	CONNECTED PARTIES	TOTAL
Comm. on Letters of Credits		138	138
Comm. on Letters of Guarantees	186	136	322
Interest	3,214	3,049	6,263
Subordinated Loans	2,229		2,229
Total	**5,629**	**3,324**	**8,953**

Revenues

Description	LFB	CONNECTED PARTIES	TOTAL
Comm. on Letters of Credits	944	2,447	3,391
Comm. on Letters of Guarantees		21	21
Interest	3	532	535
Trading in financial instruments			
Total	**947**	**3,000**	**3,947**

Costs

Description	UNICREDIT	CONNECTED PARTIES	TOTAL
Comm. on Letters of Credits			
Comm. on Letters of Guarantees			
Interest			
Subordinated Loans			
Total	**0**	**0**	**0**

Revenues

Description	UNICREDIT	CONNECTED PARTIES	TOTAL
Comm. on Letters of Credits	3	40	43
Comm. on Letters of Guarantees	13	4	17
Interest	492	362	854
Trading in financial instruments			
Total	**508**	**406**	**914**

PART I
PAYMENT AGREEMENTS BASED ON THE BANK'S OWN CAPITAL INSTRUMENTS

QUALITATIVE INFORMATION

1. Description of payment agreements based on the bank's own capital instruments

QUANTITATIVE INFORMATION

1. Yearly changes

2. Other information

PART L
SEGMENT REPORTING