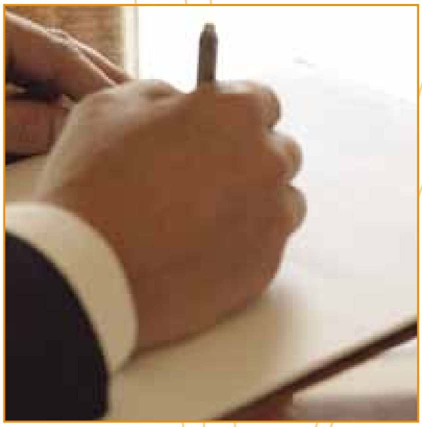


2009
Thirty-Seventh Financial Year

BANCA UBAE

مصرف اليوباي

BANCA UBAE

مصرف اليوباي

2009

Thirty-Seventh Financial Year

Index

2009 Thirty-Seventh Financial Year

BANCA UBAE
مصرف اليوباي

Share Capital:	Euro 151,060,800.00 (fully paid up)
Reserves (30 April 2010):	Euro 42,404,660.00

Shareholders

Libyan Foreign Bank, Tripoli	49.93%
National Société Générale Bank, Cairo	17.62%
UniCredit SpA, Rome	10.79%
Eni Adfin SpA (ENI Group), Rome	5.39%
Bank Al-Maghrib, Rabat (*)	4.66%
Banque Marocaine du Commerce Extérieur, Casablanca	4.34%
Sansedoni SpA (Fondazione Monte dei Paschi di Siena), Siena	3.67%
Intesa Sanpaolo SpA, Turin	1.80%
Telecom Italia SpA, Milan	1.80%

(*) effective from15th April 2010 Banque Centrale Populaire, Casablanca took over Bank Al-Maghrib's equity participation.

	REGISTERED OFFICE AND CORPORATE HEADQUARTERS	BRANCH	REPRESENTATIVE OFFICE
	ROME	**MILAN**	**TRIPOLI (Libya)**
Address	Via Quintino Sella, 2 00187 Rome-Italy	Piazza A. Diaz, 7 20123 Milan-Italy	Omar Mukhtar Street Omar Mukhtar Investment Complex
P.O. Box	290		
Telephone	+39 06 423771	+39 02 7252191	+218 21 4446598 / 4447639
Cable	UBAE ROMA	UBAE MILANO	
Fax	+39 06 4204641	+39 06 42046415	+218 21 3340352
SWIFT	UBAI IT RR	UBAI IT RR MIL	
Website	www.bancaubae.it		
Dealing room telephone	06 42046301-4		
Reuters	UBAE		

Corporate Bodies

Board of Directors
(2009-2011)

Chairman, Abdullatif El Kib *

Vice Chairman, Alberto Rossetti *

Directors:
Yousef A. Abdelmaula *
Ahmed S. Abusnina
Luca Bonechi
Ernesto Formichella
Selim K. Ihmouda *
Abdellatif Jouahri
Saleh A. Keshlaf *

*** Member of the Executive Committee**

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

Board of Auditors
(2009-2011)

Chairman, Marco Leotta

Statutory Auditors, Fernando Carpentieri, Cosimo Vella

Alternate Auditors, Fabio Gallassi, Giorgio Cattan

Management

General Manager, Marco Ferrario [1]
Deputy General Manager, Jamal R. Elbenghazi
Assistant General Manager, Administration,
Marcello Fontana
Assistant General Manager, Operations,
Adel Aboushwesha [2]

[1] Ceased to be the general manager on 31.05.2010 and was replaced by Mr. Biagio Matranga effective from 01.06.2010.

[2] Appointed on 22.01.2010, effective from 01.02.2010.

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

Annual report
financial year
2009

Chairman’s Statement

Dear Shareholders,

The year 2009 was a year of adjustments for the world economy, and a clear path forward has not been charted yet. The initial months were characterized by the same negative trends as had marked 2008 and it was not until April that the situation began to stabilize and then slowly to improve.

The huge amount of liquidity that was injected into the markets by Western governments, and by America first and foremost, played a key role in steadying the global economy. Combined with a very low interest rate environment, it provided the boost that helped all the big industrialized nations move out of negative growth.

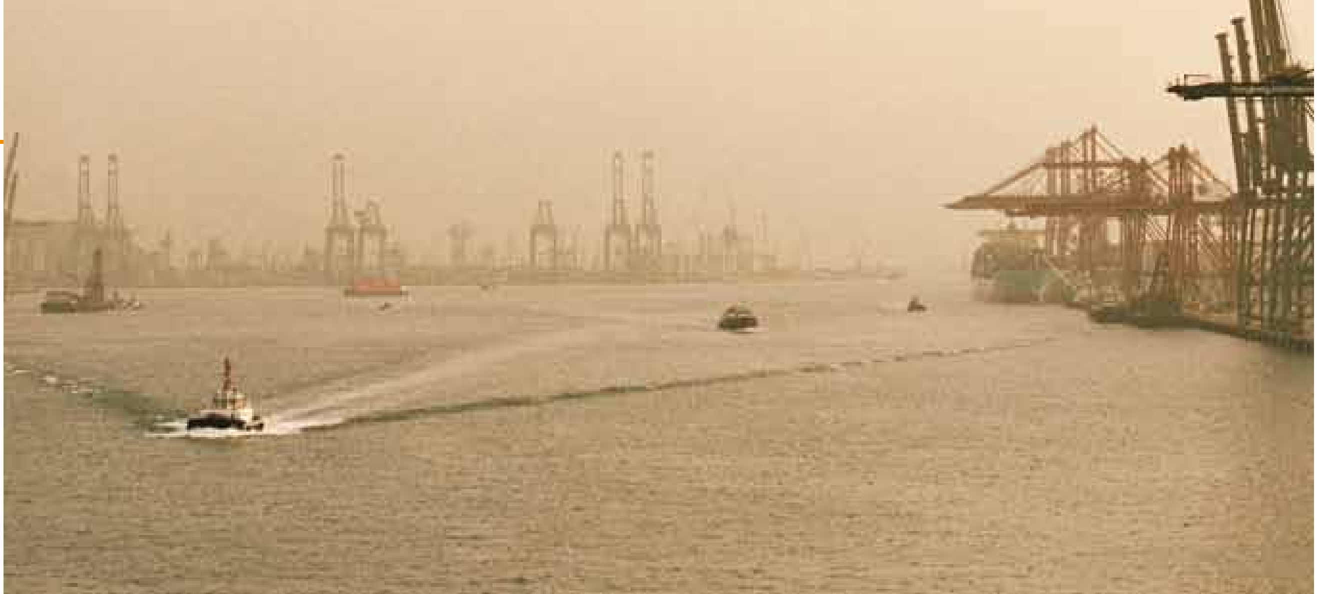
China and India continued to grow, if at a slower pace than in the past. Indeed, they each emerged as a driving force behind the (modest) worldwide recovery.

Commodity prices stabilized during the second half of the year and oil narrowed its fluctuation range to $ 65-75, albeit on an upward trend which provided growing confidence in all the major oil exporting countries.
During this period of uncertainty, gold once again came to be seen as a safe haven and its price spiralled accordingly.

Unfortunately, it is too soon to declare that the recession has ended. Despite some indications that a recovery is under way, several problems remain unresolved, particularly in the most advanced economies. Unemployment, for example, has reached record levels in the West and there are no hints of it easing in the near future.

The recovery boasted by the stockmarkets is not yet a sign of a global return to economic health. In fact, stockmarkets are still far below their former peaks and the recent upturn is fragile at best.

Banca UBAE negotiated this turbulent period quite successfully, posting yet another positive result for the year just ended. The Bank took full advantage of its geographical reach and solid introduction in countries that continued to show a strong appetite for European technology and machinery.



Gross operating profit amounted to EUR 34 million, the best result ever for Banca UBAE; and in spite of a very conservative provisioning policy that is in line with the most restrictive IAS criteria, net profit worked out to EUR 8 million for 2009, representing a slight improvement on the previous year. That achievement was no doubt catalyzed by Italy's excellent trade relations with Libya and other countries in the Bank's area of activity. As always, moreover, Banca UBAE enjoyed crucial support from all its shareholders and most particularly from Libyan Foreign Bank, who regularly stood by the
institution to strengthen its business reach and capital base.

UBAE maintains excellent working ties with the Italian and international banking communities, and draws on those ties to ensure banking operations are conducted smoothly and efficiently while customers receive optimal service.

The compliance function, the Oversight Body mandated by LD 231/2001 and staff concerned with money laundering prevention ensured constant monitoring of banking activities throughout the year.

The ICAAP process kept capital ratios under control and witnessed their steady improvement. As at 31 December 2009, the Bank's tier 1 ratio stood at 14.07% and its solvency ratio at 22.20%.

In our judgment 2010 will continue to be characterized by slow growth in the West, low interest rates and low inflation, while a real pick-up in the world economy will be delayed until 2011.

In this kind of environment, it remains of paramount importance to maintain very tight control on credit, something that has allowed the Bank to avoid serious credit-induced damage at a time when the Italian banking system as a whole has been suffering from double-digit growth in bad loans.

We are confident that its geographical strengths and considered policies will propel Banca UBAE to success yet again in 2010.

Breakdown of imports/exports and UBAE share of yearly totals

EUR/mn

	COUNTRIES	2009		2008		2007	
		IMPORTS	EXPORTS	IMPORTS	EXPORTS	IMPORTS	EXPORTS
1)	TURKEY	4,423	5,678	5,585	7,496	5,344	7,207
2)	UAE	367	3,841	455	5,226	324	4,443
3)	EGYPT	1,422	2,617	2,247	2,906	1,825	2,146
4)	ALGERIA	6,041	2,598	8,597	3,008	6,338	1,853
5)	TUNISIA	2,033	2,558	2,329	2,948	2,459	2,922
6)	SAUDI ARABIA	2,009	2,451	4,231	3,314	3,628	3,039
7)	LIBYA	10,156	2,451	17,390	2,639	14,005	1,639
8)	IRAN	1,969	2,023	3,921	2,170	4,186	1,862
9)	MOROCCO	422	1,374	609	1,689	624	1,450
10)	QATAR	315	1,216	44	1,534	45	1,624
11)	LEBANON	19	767	35	774	29	733
12)	SYRIA	421	717	818	1,030	927	943
13)	KUWAIT	76	628	151	738	121	824
14)	PAKISTAN	423	605	495	543	457	518
15)	IRAQ	2,535	579	3,936	209	2,929	96
16)	JORDAN	43	404	57	426	27	402
17)	OMAN	42	321	16	414	22	298
18)	BAHRAIN	36	166	77	222	77	184
19)	YEMEN	5	116	28	122	14	160
	TOTAL	**32,757**	**31,110**	**51,021**	**37,408**	**43,381**	**32,343**
	UBAE'S SHARE	**4,974**	**2,148**	**5,069**	**1,864**		**1,654**
	%	15.19	6.91	9.94	4.98		5.11

Summary of business activities Financial Year 2009


UBAE

Business operations

Loans and advances to Customers

The focus of the Bank's activity is the provision of financial assistance to corporate clients engaged in import/export business or contract works in target countries, with retail credit playing only a marginal role. In line with its business strategy and building on results achieved in the second half of 2008, Banca UBAE registered steady growth in this area during the year to 31 December 2009.

Given their riskiness, their low yield and above all their extraneousness to the Bank's core business, the extension of short-term loans to corporate clients for purposes other than trade finance is kept to a minimum and is restricted to parties who do business with the Bank on a regular basis.

Credit risk is generally on modest levels.

Commercial Operations on Foreign Markets

In 2009 as in previous years, most of the Bank's efforts were directed at developing trade-driven business in its core markets. At a time when the banking sector was facing acute problems, Banca UBAE withstood stiff competition from rival institutions and preserved its market share in a number of countries.

The Bank managed sustained turnover despite a decline - a significant decline in some cases - in trade between Italy and several countries in its traditional region of interest as the worldwide financial crisis that erupted in late 2008 affected commerce and pushed oil prices down.

Dealings with Libya, both direct and indirect, recorded further growth after operations in certain departments had been redesigned and streamlined, generating larger volumes and higher earnings notwithstanding a contraction in overall bilateral trade.

In the oil sector, where letters of credit had been introduced as a means to pay for imports in 2008 and continued to be used in 2009, volumes and profit margins were satisfactory even though the global downturn held back oil sales and the value of L/Cs processed by the Bank.

EUR/000

	2009		2008		2007	
	Value / no.	% var.	Value / no.	% var.	Value / no.	% var.
Letters of credit: Number	5,570	19.17	4,674	2.27	4,570	40.79
Non Oil Letters of Credit: Value	2,148,905	15.79	1,855,883	36.78	1,356,823	15.35
Oil Letters of credit: Value	4,974,327	- 36.92	7,885,640	n/a	318,015	n/a
% of total exports		6.91		4.98		5.11
% of total imports		15.19		9.94		n/a
Commissions accrued	17,171	- 3.03	17,703	42.86	12,391	41.89

The volume of guarantees issued in 2009 soared, while the marked (if not quite so spectacular) rise in commitments outstanding at year-end reflects increased stability in this area, itself a consequence inter alia of the Bank's efforts to steer international trade opportunities towards Italian firms. Growth in commission revenue stemmed less from volume than from the level of risk associated with commitments rendered and their market pricing.

EUR/000

	2009		2008		2007	
	Value / no.	+/- %	Value / no.	+/- %	Value / no.	+/- %
Guarantees issued in year	499,281	254.18	140,968	- 47.46	268,330	1.09
Guarantees: Outstanding at year-end	496,598	63.21	304,259	- 0.92	307,094	23.02
Commissions received	4,163	37.81	3,021	51.20	1,998	- 15.08

Financial Market Operations

Throughout 2009, we endeavoured to find the most profitable channels for employing funds raised from bank counterparties as well as those representing oil-sales receipts.

The former grew considerably in the early months of the year as Banca UBAE came to be appreciated as a safe depository for surplus liquidity by other credit institutions, including a number of central banks in its region of interest, during a period marked by deepening economic recession and doubts about the credibility of the entire financial system. With systemic risks receding in the second half of the year, banks began to redistribute their deposits, partly at UBAE's expense.

Business with companies operating in the oil sector was on customary satisfying levels in terms of both cash flow management and the attraction of deposits.

Total funding (ie, liabilities to banks and customers plus funds at customers' disposal), is represented in the table below, which shows the average for each quarter and the relevant variation:

EUR/000

FUNDING 2009							
First quarter		Second quarter		Third quarter		Fourth quarter	
Value	+/- %	Value	+/- %	Value	+/- %	Value	+/- %
4,036,497	24.30	3,651,037	- 9.54	2,573,847	- 29.50	2,064,235	- 19.80

Managing Financial Assets

Portfolio activity increased moderately in 2009. Trading proper was fairly sustained, denoting an ongoing search for yields in line with other types of earning assets rather than contentment with the mere renewal of issues as they came to maturity.

The financial climate prompted the Bank to screen its counterparties carefully of course, yet also encouraged trading activity, which sought to seize market opportunities to make up for losses incurred the previous year. At the same time, UBAE continued to channel a proportion of newly-acquired debt instruments into the HTM portfolio, where valuation would not be affected by market price fluctuations.

Financial assets at year-end consisted mostly of bonds, whose average residual life was 3.3 years for the HFT portfolio and 3.9 years for the HTM portfolio. The use of derivatives to mitigate interest rate risk effectively shortened average duration to 2 months for the HFT and 1 month for the HTM portfolio.

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

In spite of a wider downturn lasting well into the first quarter of 2009, the Bank was able to post strong closing results while maintaining a low-risk profile for the HFT portfolio by hedging against exchange rate and interest rate risk for management purposes on the one hand and limiting turnover on the other. Once again this year, accordingly, the Board of Directors resolved to forgo the option it had approved in 2008 of moving issues from the HFT to the HTM portfolio.

Additional software refinements enabled the Bank to keep its securities position under even more stringent control, in harmony with a strong emphasis on the close monitoring of portfolio performance as well as risks.

Dealings in securities and certificates of deposit on behalf of third parties slowed down sharply in 2009 - to EUR 57.2 mn from EUR 1,612 mn - as customers preferred to wait out the turbulence in financial markets.

Agreed guidelines for the purchase of securities led to choose:

► Investment portfolio (issues held to maturity/available for sale)

- adjustable rate issues with a substantial spread, resulting in yields higher than the interbank rate;

- fixed or adjustable rate issues from entities resident in the Bank's geographical areas of interest;

- fixed rate, short-term issues.

► HFT portfolio (issued held for trading)

- fixed or adjustable rate issues chosen for their aptitude to yield short-term capital gains;

- shares in top-tier domestic and international companies.

The rebound enjoyed by financial markets, particularly after the bond crisis, resulted in favourable price movements which combined with trading gains to produce a genuinely satisfying result. Given the recent turbulence, however, we decided to defer the use of new formulas and novel instruments (such as harmonized financial products and OICRs) for proprietary trading purposes.

To ensure optimal support for non-proprietary trading as well, we revised the architecture of the Bank's finance departments and the IT resources underpinning all business, operational and risk management activity in this area.

Interbank Transactions

Deteriorating economic performance in the US and Europe, combined with the problems that emerged on interbank markets, had a significant impact on dollar and euro interest rates. At Banca UBAE, a successful shift in treasury management strategy enabled us to maintain interbank activity on sustained and steadily rising levels.

Short-term treasury transactions as well as short- and medium-term loans to foreign banks remained quite substantial. Total funds administered for money market purposes in the major currencies were consistently above the EUR 3 bn mark, with liabilities referring mostly to short-term funding from overseas correspondents and liquidity from clients operating in the oil sector.

To support current and prospective medium- and long-term investment levels, the Bank has focused on consolidating its sources of medium-term funds - market uncertainties permitting - not least through targeted borrowing supplementing the subordinated loan which began to be drawn at the end of 2008.

Year-End Results

For all that the provisioning policy adopted by the Board of Directors has remained quite conservative, UBAE's net result for 2009 (EUR 8,084,946) marks an improvement on 2008 and confirms the Bank's ability to stabilize earnings through solid growth in both commercial and non-commercial operations.

At EUR 34,107,154 (+32.4% on 2008), our gross operating result reflects a slight decline in interest margins (-10.4%) as the combined result of a drastic fall in revenues from the administration of "oil" deposits and clear-sighted use of favourable market opportunities as well as optimal handling of administered (non-oil) funds. Net non-interest income rose very substantially (+69.4%) thanks to the brilliant result posted with securities, strong performance in forex and further growth in earnings from fees and commissions, part of which was linked to newly-signed oil agreements.

The increase in gross operating profit was boosted by small reductions in personnel costs (-0.8%) and other administration expenses (-6.4%) which were achieved in the face of some non-recurrent outlays and the recruitment of new staff.

Net write-downs and provisioning grew by 53.2% as the aggregate outcome of lower amortization charges on tangibles and intangibles, larger loan write-downs and higher provisioning against contingent liabilities. In the wake of the problems afflicting the international credit sector, the Board of Directors extended the appropriation of fixed amounts to include UBAE's exposure to bank borrowers and approved direct write-downs on two positions with banking correspondents in the course of the year.

Income tax for the year amounted to EUR 9,660,280 - up 33.1% on 2008.

Organization and personnel

Personnel

Banca UBAE had a total of 164 staff on its payroll as of 31 December 2009, 10 more than a year earlier.

As part of an ongoing calibration of the workforce to the Bank's medium-term market objectives - involving *inter alia* a recruitment policy that is geared to strengthening core processes and ensuring a healthy generational turnover - 2 executive and 12 nonexecutive cadres were hired, while 4 executives left the Bank's service in the course of the year.

Several initiatives were implemented to optimize the development and management of UBAE's human resources. Specifically:

- Completion of a staff potential evaluation system and related census of professional competences;
- Upkeep and refinement of a performance management system;
- Adoption of a career enhancement policy supported by vertical and horizontal career paths;
- Completion of a reward system based on performance and results;
- Introduction 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 competenceenhancement opportunities supported by industry-wide funds for workers in the credit and insurance sectors, as well as an ad hoc path conceived to give new recruits a sense of the Bank's working processes. Those activities pursued two complementary (and mutually reinforcing) objectives:
    - promote motivation, responsibility, self-improvement and other values instrumental to successful role fulfilment;
    - provide the knowledge and skills needed for a fruitful bank-client relationship in the context of the Bank's core processes (L/Cs, credit, accounts and budgeting) and in the light of recent regulatory developments (MiFID, Basel 2), so as ultimately to create value for both sides.

Over and beyond mandatory instruction intended to keep staff abreast of shifting rules in such areas as personal data, safety and security in the workplace and money laundering prevention, three new training programmes were introduced in the early months of 2009.
Each featuring a combination of courses, these are concerned with regulatory matters (MiFID, Basel 2, etc.), managerial aspects (leadership, HR management) and productivity enhancement (managing time, teamwork, etc.) respectively.

Internal Organization

A number of projects were planned, implemented and brought onstream across multiple departments in the course of 2009. Salient accomplishments include:

- Finalization of the software selection phase in the search for a new IT system that is more consistent with UBAE's distinctive features and technologically upgradable as well as adaptable to the continuous changes affecting financial markets and the provision of banking services in both the domestic and international arenas. On 31 December 2009 the Bank signed a dual contract, with Temenos to provide the new system and with SEC Servizi on a facility management basis and as application manager, which will come to fruition over the next two years;

- Participation - in a pilot bank capacity - in a working group set up by SEC Servizi for the purpose of meeting Basel 2, Pillar II reporting requirements. Ermas, a package supplied by software producer Prometeia, was eventually chosen for its unbeaten quality/price ratio. Functions relating to structural liquidity and interest rate risk in the banking book were implemented and used for the Bank's 2009 ICAAP report. In the course of 2010, the project will be concerned with refining stress tests and reporting outcomes within the framework of Pillar III;

- The design of new periodic reports as demanded by Banca d'Italia to monitor bank transfers and other products on offer to customers;

- The development and introduction of software and regulatory adjustments to take account of the new Sepa and PSD directives in addition to new SWIFT standards;

- The analysis and subsequent testing of a major new application for managing the operational, follow-up and reporting phases of syndicated banking transactions;

- Further adjustments to internal procedures and to organizational and operational arrangements for MiFID purposes;

- The purchase and introduction of new online data monitoring systems covering SWIFT and RNI messages, inter alia, to be used for money laundering prevention and for tracking European and other international blacklists;

- The revision of certain protocols relevant to business continuity and the (successful) testing of disaster recovery procedures, including with regard to Master Finance and the abnormal events procedure;

- Inception of a comprehensive review of the documentation regarding transparency in banking, not least in light of the new directives issued by Banca d'Italia;

- Adoption of new market interface platforms (Dealing Room), agreements with new providers, and participation in the development of new Master Finance-foreign operations interfaces; analysis and recommendations for a revision of the Reuters platform;

- Final implementation of the Sadas package, a database management system running on proprietary technology and developed by Advanced Systems Srl enabling the Bank to store a huge quantity of operational and historical data, and to retrieve and share them across departments with extreme ease and accuracy thanks to the underlying Standard Query Language;

- A wholesale review, conducted largely by the Planning & Control unit, of the structure of input data and of the way data are fed to and managed by the performance control system in generating daily and monthly position and performance reports.

Marketing

Marketing activity focused on four broad areas in 2009:

1. Strategic marketing:

    - UBAE business trends 2000-2009;

    - Market analysis and opportunities for developing new projects.

2. Marketing to support business development:

    - Organization of a “Syria Country Presentation” (venue: Confindustria) to highlight the business opportunities available to Italian firms in Syria and distribute the Bank’s Syria Country Guide;

    - “Trade Banking UBAE”, a course held on-premises and attended by 12 participants from major Egyptian and Syrian banks;

    - Sponsorship of a workshop arranged by the Libyan Italian Chamber of Commerce on new opportunities for business in Libya;

    - Sponsorship of the Tripoli International Fair;

    - Contribution to the publication of a treatise on Libyan commercial and company law by the Libyan Italian Chamber of Commerce.

3. Institutional marketing:

    - External communication: liaising with the Management for articles and interviews in dailies, periodicals and on television, including an appearance by the General Manager, Marco Ferrario, on the Tg5 news programme to discuss the scope for cross-Mediterranean dialogue; an article by the General Manager in the monthly Formiche titled “A Sea of Opportunity, Even for Italy"; and an article in Il Velino, a news bulletin ("Banca UBAE: Syria Is A Strategic Country for Italian Companies"), following the Syria event mentioned above;

- Regular updating of the Bank's corporate website.

4. Operational aspects:

- Creation, management and updating of marketing material (Dealers' Calendar, brochures, financial statements, interim results, etc.).

IT systems

The Bank worked relentlessly to adapt its systems and applications to ever-changing conditions and to mitigate the operational risks that arise from the use of information technology. In particular:

- It completed the upgrade and installation of the software and hardware required for business continuity and disaster recovery purposes, most notably by implementing Blade servers, a highly dependable and user-friendly platform for managing the Bank's infrastructure (energy and office space efficiency, redundancy, safety), and VMware's Virtual Desktop Infrastructure, a technology that replaces traditional PCs by virtual desktops accessed through Thin Client intelligent terminals operating within the servers in the Bank's data centre;

- It saw that data protection systems were constantly updated both to filter message flows and to block unauthorized access from outside;

- It expanded the range of tools at the disposal of personnel for widespread, customized use of the Bank's ample store of data, ensuring in the process that information is not only made available but is extracted from the same datawarehouse. In addition, staff were provided with a new messaging platform that is better integrated with document management facilities and basic work tools such as Office;

- It kept IT resources up-to-date and well aligned with ongoing changes in technology and procedures;

- It installed security and surveillance systems (including CCTV coverage) at the Milan Branch and integrated them with those deployed at the Head Office so as to centralize all security and surveillance alarms;

At the same time, the Bank continued to survey the market for, and evaluate, potential alternatives to its IT setup in an ongoing drive to improve on existing performance levels.

Risk management

Over the past few years, appropriate tools were acquired by which to detect, analyze and monitor the Bank's risks.

The implications of applying Basel 2 rules were analyzed by the Risk Management unit through both simulations and actual measurements, and were presented in quarterly reports to Senior Management and the Board of Directors.

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.

Besides submitting its first complete Internal Capital Adequacy Assessment Process (ICAAP) report to Banca d'Italia in April 2009, the Bank institutionalized the supervisory review process by issuing an Operating Manual which not only defines the roles and duties accruing to the various units involved in the process: it 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.

The process has helped the Bank pursue a number of objectives:

- raise the governing bodies' awareness of risk- and capital planning-related issues;
- improve understanding of UBAE's exposure to the various types of risk associated with its business operations;
- 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, strategic risks);
- underscore the need to acquire ever-more efficient and adequate risk measuring and risk monitoring tools;
- expand the time frame for internal (forward-looking) analyses and stress testing;
- improve the strategic planning process by introducing capitalization policies strictly linked to the Bank's risk profile, ie, to the results emerging from the ICAAP as it was performed.

Pursuant to the supervisory regulations governing risks that cannot be quantified, hence are unsusceptible to specific capital absorption, the Bank has adopted detailed internal policies for managing liquidity risk and reputational risk, as well as a contingency plan to deal with liquidity risk.

The ICAAP report relating to the situation as at 31.12.2009 will be approved by the Board of Directors and forwarded to Banca d'Italia by 31.3.2010 at the latest.

As far as disclosure to the public is concerned, the Bank will post the qualitative and quantitative information called for in 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 Treasury Division and compliance with the operational limits set out in the Internal Regulations are monitored constantly by those charged with first, second and third-order controls, which rely extensively on the Master Finance front-office platform.

Reports are produced daily, may be consulted 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 indicators (potential loss, BPV, duration, VaR, stop loss, etc.).

Operating limits were recently revised down for the sake of consistency with trading volumes and are monitored on a daily basis. Any breaches are reported without delay to allow for prompt remedial action and/or the start of the relevant approval process in accordance with the Bank’s internal rules.

The Risk Management unit submits a quarterly report to the Risk Committee on controls performed and the outcome of its assessments.

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

Credit and counterparty risk

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

- systematic assignment of a “credit access score” to both bank and corporate borrowers;
- daily monitoring of loan performance and recording of any breach of internal limits (overruns) or external anomalies (CRB data);
- periodic stress testing.

Aside from the observance of approved borrowing limits, which is monitored by a dedicated unit within the Credit Division, exposure to credit risk is tracked by the Risk Management unit in terms of the deterioration of portfolio quality and thus capital absorption. In particular, Risk Management produces regular reports for the Risk Committee and the Board of Directors on the distribution of loans across the Bank’s region of interest.

For ICAAP purposes, furthermore, Risk Management monitors credit concentration risk and carries out scenario analyses by simulating the impact of certain information shocks such as sovereign debt defaults 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 Treasury Division to monitor positions on a daily, mark-to-market basis.

Operational risks

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

A preliminary mapping of the Bank's processes to identify the operational risks to which it is exposed (and which call for a qualitatively-focused self risk assessment) has been completed.
Self risk assessment files are periodically brought up to date in the light of organizational and operational changes and are then submitted to the pertinent process owners for their validation and a qualitative judgment on the frequency and severity of adverse events.
Analysis of all self risk assessment files completes the qualitative evaluation phase, while the ensuing reports to Management enable the latter to determine what organizational and procedural steps are most likely to mitigate the risks discerned.

Other risks

- **Liquidity risk**

Exposure to this risk is subject to constant monitoring by the Treasury Department, whereas Risk Management is responsible for weekly checks on compliance with internal operating limits.
In the course of 2009, the existing gap grid was supplemented by a structured set of trackable operating limits reflecting internal guidelines in this area. Concurrently, a contingency plan for liquidity plan was drawn up, based on a series of indicators apt to signal the approach of potential crises (including systemic crises) in relation to which appropriate and timely action may thus be taken.

The Bank's tools in this domain include an online maturity ladder forming part of 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 and supply a data base for stress testing.

• Credit concentration risk

In introducing an additional capital requirement, Pillar II places a special emphasis on credit concentration risk associated with individual counterparties or groups of related counterparties in the corporate loan portfolio. SEC Servizi has equipped Banca UBAE with a tool for quantifying internal capital by the simplified method foreseen by Banca d'Italia and conducts simulations to evaluate the impact of any changes of a strategic or operational character.
As far as "single name" concentration risk from bank counterparties is concerned, the Bank has drafted a set of internal operating limits apt to contain its exposure, pursuant to a request formulated by Banca d'Italia last year. This is currently being evaluated by the competent bodies.

Credit concentration risk by business sector and geographical area does not need to be quantified at the moment, so the Bank has opted for a strictly qualitative assessment. At the same time, staff members regularly attend industry-body courses and conferences in a bid to pick up new insights for analysis and methodological ideas.

• Interest rate risk in the banking book

Here again, the introduction of a specific risk relevant to capital adequacy assessment has called for new analytical and information processing tools. The Risk Management unit monitors compliance with the internal operating limit (introduced in 2009 and set below the regulatory threshold as a measure of precaution) on a monthly basis.
For ICAAP purposes the Bank uses ERMAS, which generates a quarterly maturity ladder as mentioned and estimates exposure to interest rate risk both by the simplified method permitted by Banca d'Italia and by the full evaluation method. The same ALM tool is also used for stress testing against hypothetical parallel and non-parallel shifts in the interest rate curve.

• Reputational and strategic risks

Complementing the Bank's risk profile, these risks are especially tricky to quantify and are best addressed through qualitative evaluations, risk mitigation policies and above all risk avoidance measures.

In the course of 2009 the Bank adopted an internal policy for managing reputational risk which defines the role and duties of each unit potentially concerned, draws a model of adverse events, sets out mitigation policies aimed at forestalling the occurrence or limiting the consequences of such events, and establishes a strategy for coping with a "reputation crisis".

Executive performance reports

The Bank has continued to refine its executive performance reporting tools, which supplement the Accounting Department's monthly statement and information inflows from other systems. The RDB system has been strengthened and now generates daily position data as well as comprehensive monthly reports (with inputs from other sources) on each area of activity.

Security blueprint

Pursuant to art. 34 of Legislative Decree 196/2003, the Bank's security blueprint for 2010 was revised as set out in section 19 of the Decree's Technical Guidelines for Minimum Security Standards.

Logistics

A number of improvements at the Bank's offices in Rome and Milan were undertaken to ensure space was optimally exploited, notably in light of the staff additions that occurred during the period. Late in the year, in particular, work commenced on the open-space area at Head Office, which was brought to fruition in March 2010.

Reclassified balance sheet

EUR/000

	Balance		Change	
	2009	2008	Amount	%
ASSETS				
Cash and cash equivalents	341	306,560	- 306,219	- 99.89
Loans and advances				
- to customers	168,104	200,659	- 32,555	- 16.22
- to banks	2,106,310	3,260,580	- 1,154,270	- 35.40
Financial assets held for trading	67,871	92,278	- 24,407	- 26.45
Fixed assets				
- financial [1]	85,334	49,306	36,028	73.07
- tangibile	25,671	26,415	- 744	- 2.82
- intangibile	348	496	- 148	- 29.96
Other assets [2]	20,820	17,471	3,349	19.17
Total assets	**2,474,799**	**3,953,765**	**- 1,478,966**	**- 37.41**
LIABILITIES				
Accounts payable				
- to customers	123,593	66,357	57,236	86.25
- to banks	2,119,506	3,596,587	- 1,477,081	- 41.07
Financial liabilities held for trading	7,154	21,151	- 13,997	- 66.17
Earmarked provisions [3]	2,922	2,822	100	3.54
Other liabilities [4]	28,158	81,752	- 53,594	- 65.56
Shareholders' equity				
- Capital and reserves	185,381	177,271	8,110	4.57
- Net profit for the year	8,085	7,825	260	3.33
Total liabilities	**2,474,799**	**3,953,765**	**- 1,478,966**	**- 37.41**

[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

			Change	
	2009	2008	Amount	%
Net interest income	27,424	30,595	- 3,171	- 10.36
Net non-interest income [1]	26,904	15,882	11,022	69.40
Gross operating income	**54,328**	**46,477**	**7,851**	**16.89**
Personnel expenses	- 14,649	- 14,765	116	- 0.78
Other administration expenses and operating charges [2]	- 5,572	- 5,950	378	- 6.35
Gross operating result	**34,107**	**25,762**	**8,345**	**32.39**
Net adjustments to tangible and intangible fixed assets	- 999	- 1,171	172	- 14.71
Provisioning, write-downs and write-ups [3]	- 15,363	- 9,510	- 5,853	61.55
Pre-tax profit from continuing operations	**17,745**	**15,081**	**2,664**	**17.66**
Income tax for the year	- 9,660	- 7,256	- 2,404	33.12
Net profit from continuing operations	**8,085**	**7,825**	**260**	**3.33**
Net result from non-continuing operations	0	0		
Net profit for the year	**8,085**	**7,825**	**260**	**3.33**

[1] Inclusive of net commissions, dividends and net trading income
[2] Inclusive of other administration expenses and other operating income
[3] Inclusive of net impairment adjustments and net provisioning for risks and charges

Loans on advances

EUR/000

	31.12.2009	31.12.2008	Variation Amount	Variation %
Loans and advances to customers:				
• In euros	149,718	134,398	15,320	11.40
• In other currencies	18,386	66,261	- 47,875	- 72.25
Loans and advances to banks:				
• In euros	1,047,588	2,065,860	- 1,018,271	- 49.29
• In other currencies	1,058,722	1,194,720	- 135,998	- 11.38
Total	**2,274,414**	**3,461,239**	**- 1,186,825**	**- 34.29**

Loans and advances to Customers

Non-bank loans fell by 16.2% in 2009, reflecting a slowdown in corporate lending as the Bank sought to spread risk in the light, inter alia, of more stringent limits for individual borrowers. The loans' main purpose, regardless of whether they are granted directly by UBAE or through syndicated facilities arranged by major lending institutions, is 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 items accounted for 0.05% of total loans and advances to customers.

The value of outstanding loans was adjusted down by EUR 22,692 representing anticipated loan losses plus the portion of non-performing debt that was judged recoverable to a marginal extent at best. Write-backs amounted to EUR 248,442.

Loans and advances to Banks

Loans to banks dropped by EUR 1,154,269,593 (-35.4%), largely as a result of the contraction in funding which characterized the latter part of 2009 as previously noted, and which consequently put a brake on the amount of capital employed with financial institutions in Europe and elsewhere.

The item is also contingent on movements in "oil funds" and on Banca UBAE's investment policy in relation thereto, which again involved fairly substantial amounts.

UBAE booked a write-down of EUR 8,015,744 reflecting expected losses from loans and advances to banks. The adjustment was prompted by the uncertainties surrounding the banking sector following the notorious events which swept through it in 2008, and which were taken as ground for a more conservative accounting approach.

Financial Assets

Financial assets, comprising securities, derivatives and minority equity stakes, amounted to EUR 146,051,029 - up by EUR 25,617,968 on 2008. The increase was due to slower trading in securities and conversely a greater tendency to hold issues to maturity, in accordance with approved policy. Given the market climate, newly-purchased issues are monitored closely for yield and issuer's standing. The Bank did not transfer any assets from one portfolio to another.

Careful asset selection and constant monitoring enabled the Bank to record satisfying results for the HFT portfolio, which benefited from multiple market opportunities while avoiding or containing damage from falling prices in other instances.

The criteria followed for valuing securities and for assigning issues to the investment or the trading portfolio are discussed in the Notes to the Financial Statements (pp. 49-52).

The value of assets held for trading and that of derivatives is aligned with market prices; other securities were valued at amortized cost.

EUR/000

			Variation	
	31.12.2009	**31.12.2008**	**Amount**	**%**
Financial assets				
• Assets held for trading	67,871	92,278	- 24,407	- 26.45
• Liabilities held for trading	- 7,154	- 21,151	- 13,997	- 66.18
• Assets available for sale	2,502	2,709	- 207	- 7.64
• Assets held to maturity	82,833	46,598	36,235	77.76
Total	**146,051**	**120,433**	**25,618**	**21.27**

Accounts Payable

Accounts payable to banks and customers are shown at amortized cost.

As indicated, funding from banks stabilized in the early months of 2009 (after growing strongly in 2008), then plunged later in the year, for an overall drop of 41.1%. Non-euro currencies accounted for a small fraction of total funding, but the amount hardly changed at all. Funding from customers surged by 86.2%.

The next table presents a breakdown of accounts payable by year, currency and class of creditor. The bonus capital increase was approved jointly with the 2008 financial statements.

EUR/000

			Variations	
	31.12.2009	**31.12.2008**	**Amount**	**%**
Payable to customers:				
• In euros	102,116	58,673	43,443	74.04
• In other currencies	21,476	7,684	13,792	179.49
Payable to banks:				
• In euros	976,137	2,445,346	- 1,469,209	- 60.08
• In other currencies	1,143,369	1,151,242	- 7,873	- 0.68
Total	**2,243,099**	**3,662,944**	**- 1,419,845**	**- 38.76**

Shareholders' Equity

Movements in shareholders' equity may be represented as follows.

EUR/000

	Capital	Share premium	Reserves	Retained profit	Net profit	Total
31.12.2008	**143,624**	**16,702**	**16,942**	**3**	**7,825**	**185,096**
Movements 2009:						
• Appropriation of 2008 profit			7,828	-3	- 7,825	
• Bonus capital increase	7,436		- 7,436			
• Valuation reserve			284			284
• Net profit					8,085	8,085
31.12.2009	**151,060**	**16,702**	**17,618**		**8,085**	**193,465**

Shares

As of 31 December 2009, share capital amounted to EUR 151,060,800 divided into 1,373,280 common shares of EUR 110 each. Following the exercise of some rights in the course of 2005, warrants (2001-2011) still in circulation amounted to EUR 97,680,440.

Subordinated Loan

In line with the recapitalization goals set out in the three-year strategic plan, the Bank finalized a new, ten-year subordinated loan agreement for a total of EUR 100,000,000 in 2008 (of which EUR 70,000,000 was subscribed in December that year) over and beyond the residual portion of the current loan, which will expire in 2011.
Combined with the amount subscribed in December 2008 (EUR 70,000,000), the residual portion of the old loan (EUR 15,600,000) makes for a total of EUR 85,600,000 as at 31 December 2009.

Comments on the items in the profit and loss account

Net interest income

EUR/000

			Variations	
	2009	2008	Amount	%
10. Interest income and related revenue	62,092	155,821	- 93,729	- 60.15
20. Interest charges	- 34,668	- 125,227	90,559	- 72.32
Net interest income	**27,424**	**30,595**	**- 3,171**	**- 10.36**
30. Dividends and other proceeds	22		22	n/a

The modest decline in net interest income (-10.4%) in the face of falling interest rates, hence also limited negotiating room, attests to the Bank's enduring ability to diversify earning assets so as to secure the highest possible returns on the one hand, and to preserve a good spread between assets and liabilities (not least by working the interbank market) on the other. Combined with the sizeable volume of funds administered over the period, this made for an altogether satisfying result.

Low interest rates, particularly for euros and US dollars (with the latter approaching zero), accounted in part for the steep fall in both total interest income and total interest charges.

Net non-interest income

After surging in 2008, net income from commissions registered an additional if modest increase (+4.7%) thanks in part again to the administration of oil funds, which had been introduced the year before and which called for further adjustments on the organizational side in 2009.

EUR/000

			Variations	
	2009	2008	Amount	%
40. Commissions received	26,199	24,092	2,107	8.75
50. Commissions paid	- 4,318	- 3,194	- 1,124	35.19
Net commissions	**21,882**	**20,898**	**984**	**4.71**
80. Trading assets	5,001	- 5,016	10,017	199.70
190. Other operating proceeds	2,875	2,491	384	15.42
Net non-interest income	**29,758**	**18,373**	**11,385**	**61.97**

Letters of credit remained on sustained levels in terms of both earnings and volume in spite of the global downturn (which held back oil as well as non-oil trade), a sign of the Bank's established ability to tap into the long-term upward trend in commerce between the countries it has traditionally focused on.

Financial trading activity brilliantly reversed the negative result which the Bank had posted in 2008, notwithstanding the lasting effects of the international financial crisis. In that context, it must be recognized that low interest rates and sluggish oil trade led many customers to diversify their forex operations, with a resulting contraction in turnover and reduced margins.

Other net operating income includes amounts recouped on costs incurred for commercial transactions, where commission income rose as mentioned, and extraordinary items.

Administration expenses

Total personnel expenses diminished by 1.34% in 2009 as the aggregate outcome of an increase in wages and salaries due to the arrival of new staff, whose number exceeded that of retirees. Reduced outlays for early-retirement packages paid out significantly helped contain other personnel expenses.

Amounts paid to Directors and associates not on the Bank's payroll are entered under personnel costs as required by IAS/IFRS rules.

EUR/000

			Variations	
	2009	2008	Amount	%
a) Personnel expenses:				
• wages and salaries	8,825	7,944	881	11.09
• social security contributions	2,466	2,443	23	0.94
• staff severance payments	636	795	- 159	- 20.00
• other expenses	1,618	2,547	- 929	- 36.47
Total employee expenses	**13,545**	**13,729**	**- 184**	**- 1.34**
• Administrators	926	864	62	7.18
• Non-staff associates	178	171	7	4.09
Total personnel expenses	**14,649**	**14,764**	**- 115**	**- 0.78**
b) other administration expenses	8,447	8,441	6	0.07
Total	**23,096**	**23,205**	**- 109**	**- 0.47**

Other administration expenses were essentially unchanged, confirming the Bank's ability to keep overheads under control and manage available resources in the most costeffective way possible.

Composition of the year-end net result

After variations in net interest income (-10.36%), net non-interest income (+69.4%) and administration expenses (-2.38%), gross operating profit rose from EUR 25,762,119 in 2008 to EUR 34,107,154 in 2009. As for net profit:

Results		**2009**		**2008**
Gross operating profit		**34,107**		**25,762**
Net adjustments to tangible and intangible fixed assets		- 999		- 1,171
Net impairment adjustments:				
• to loans	- 7,790		- 7,374	
• to financial assets available for sale	- 396		- 1,214	
• to financial assets held to maturity	- 507		- 364	
• to other financial operations	- 6,419		- 444	
• net provisioning for risks and charges	- 251		- 114	
		- 15,363		- 9,510
Profit before tax		17,745		15,081
Income tax for the year		- 9,660		- 7,256
Net profit		**8,085**		**7,825**

More information on these figures is provided in the Notes to the Financial Statements (Part C: Additional Income Statement Data), whereas our proposals for allocating net profit are submitted in the next section (Proposals to Shareholders).

Significant post-year-end events

Early in 2010 the Bank began to customize new software with a view to completing the switch to a new IT system in two years' time. The chosen software product, Temenos's internationally renowned T24 package, will be adapted to the Italian environment by the Bank's current IT outsourcer, Padova-based SEC Servizi ScpA.

Additional information

The Bank conducts no research and development activity.

The Bank does not hold any treasury stock.

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

1. Approval of the Accounts for the Financial Year Ended 31 December 2009

Gentlemen:

We hereby ask that you formally approve, on the basis of this Report, the Bank's Financial Statements for the year to 31 December 2009, 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 profit	Euro	8,084,946.00
• 5% to Legal Reserve (art. 30.a) of the Articles of Association)	Euro	405,000.00
	Euro	7,679,946.00
• Retained profit	Euro	74.23
	Euro	7,680,020.23
• Carry-forward	Euro	7,680,020.23

If the scheme is approved Shareholders' Equity will amount to EUR 193,465,460.00 and will be composed as follows:

• Share capital	Euro	151,060,800.00
• Share premium	Euro	16,702,216.29
• Reserves and profit carried forward	Euro	25,397,204.33
• IAS FTA reserve and carry-forward from 2005 IAS profit	Euro	305,239.38
	Euro	193,465,460.00

Roma, 31 March 2010

THE CHAIRMAN OF THE BOARD OF DIRECTORS

Auditor’s report on the accounts for the financial year 2009

Gentlemen:

Throughout the year to 31 December 2009, 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 recommendations set out in the “Practical Guidelines for Statutory Auditors” as issued by the National Boards of Professional Accountants.

We attended the meetings of the Board of Directors and the Executive Committee, whose proceedings conformed to the law and the Bank’s own regulatory provisions and whose resolutions were similarly valid and legitimate. In particular, none of the resolutions passed by the Board generated a conflict of interest or put shareholders’ funds at risk.

We monitored the adequacy of the Bank’s administrative, organizational and bookkeeping 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 responsible for the various functions, compared the information thus obtained with that recorded in the Bank’s official documents, and scrutinized the findings of the independent auditors’ quarterly reviews.

As far as our statutory duties are concerned, you will recall that the AGM which convened on 30 April 2009 resolved to entrust the auditing of the Bank’s books to BDO Sala Scelsi Farina SpA for financial years 2009, 2010 and 2011; accordingly, we refer you to their separate report.

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 complaints under art. 2408 of the Civil Code were received over the course of the year.

Our oversight activities did not reveal any facts or events whose significance might have warranted their mention in this report, nor did we detect any atypical or unusual dealings with companies connected to Banca UBAE.

As to the accounts for the year ended 31 December 2009, and regarding aspects other than the figures themselves, we monitored the way the financial statements 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 reflected international accounting standards. We held meetings with the firm 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, including with regard to internal controls.

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, para. 4, of the Civil Code. The Notes to the Financial Statements, for their part, supply the information called for in Legislative Decree 87/1992.

We checked the financial statements against the facts and other information we had gathered while carrying out our statutory activities; here again, no comments are in order.

In conclusion, and in the light inter alia of the review performed by the body charged with auditing the Bank's books (the outcome of which is detailed in the Independent Auditors' Report), we encourage you to approve the Annual Report and Financial Statements for the year to 31 December 2009 as submitted by the Board of Directors, and endorse the latter's proposals for the allocation of net profit.

Rome, 14 April 2010

THE BOARD OF AUDITORS
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(Translation from the Italian original which remains the definitive version)

Auditors Report pursuant to Article 2409 ter of the Italian Civil Code (now Art. 14 of Decree Law 27.1.2010, n. 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 31 December 2009, comprising the balance sheet, income statement, statement of comprehensive income, statement of changes in the 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 the Legislative Decree n. 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 emanated by Consiglio Nazionale dei dottori Commercialisti e degli Esperti Contabili (National Board of Public Accountants) and 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 directors. We believe that our audit provides a reasonable basis for our opinion.

The audit of the financial statements for the year ended 31 December 2009 has been performed in accordance with the regulations in force during the course of such year.
For the opinion of the financial statements of the preceding year, presented for comparative purposes, we refer to the report of other auditors dated 15 April 2009.

3- In our opinion, the financial statements of Banca Ubae S.p.A for the year ended 31 December 2009 comply with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative Decree n. 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 year then ended.

4- 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 legal regulations. Accordingly, we have performed the procedures indicated in Auditing Standard n. 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 31 December 2009

Rome, 12 April 2010

BDO S.p.A.
Felice Duca
(Un Amministratore)

BDO S.p.A. Bari, Bologna, Cagliari, Firenze, Milano, Napoli, Padova, Palermo, Pescara, Roma, Torino, Verona.
Società per Azioni - Sede Legale: Largo Augusto, 8 - 20122 Milano - Capitale Sociale Euro 100.00 i.v.
Codice Fiscale, Partita IVA e Registro Imprese di Milano n. 01795620150 - R.E.A. Milano 779346 - Iscritta all'Albo Speciale CONSOB delle Società di Revisione.

Financial statements

(amounts in euros)

Balance sheet: assets

Assets	2009	2008
10 Cash and cash equivalents	340,899	306,560,301
20 Financial assets held for trading	67,871,003	92,277,927
40 Financial assets available for sale	2,501,915	2,708,551
50 Financial assets held to maturity	82,832,563	46,597,816
60 Loans and advances to bank	2,106,310,249	3,260,579,842
70 Loans and advances to customers	168,104,001	200,659,048
110 Tangible fixed assets	25,671,143	26,415,106
120 Intangible fixed assets, of which	347,700	496,456
• goodwill		
130 Tax assets	19,758,988	16,034,297
a) current	15,170,994	13,148,124
b) deferred	4,587,994	2,886,173
150 Other assets	1,060,690	1,436,386
Total assets	**2,474,799,151**	**3,953,765,730**

Balance sheet: liabilities

Liabilities	2009	2008
10 Accounts payable to banks	2,119,506,551	3,596,587,414
20 Accounts payable to customers	123,592,793	66,356,888
40 Financial liabilities held for trading	7,154,452	21,151,233
80 Tax liabilities	11,728,810	9,646,851
a) current	11,616,666	9,526,016
b) deferred	112,144	120,835
100 Other liabilities	16,428,960	72,105,108
110 Staff severance fund	2,446,298	2,554,932
120 Provisions for risks and charges	475,827	267,354
a) pensions and similar		
b) other	475,827	267,354
130 Valuation Reserves	284,564	
160 Reserves	17,332,934	16,944,611
170 Share premium reserve	16,702,216	16,702,216
180 Share capital	151,060,800	143,624,470
190 Treasury stock		
200 Net profit for the year	8,084,946	7,824,653
Total liabilities and shareholders’ equity	**2,474,799,151**	**3,953,765,730**

Income statement

Items	2009	2008
10 Interest and similar income	62,091,943	155,821,413
20 Interest charges and similar expenses	(34,668,143)	(125,226,800)
30 Net interest income	**27,423,800**	**30,594,613**
40 Commission income	26,199,469	24,091,665
50 Commission expense	(4,317,765)	(3,193,969)
60 Net commissions	**21,881,704**	**20,897,696**
70 Dividends and similar income	21,846	121
80 Net trading income	5,000,781	(5,016,048)
120 Gross operating income	**54,328,131**	**46,476,382**
130 Net impairment adjustments:	(15,112,001)	(9,395,542)
a) to loans and advances	(7,789,994)	(7,373,888)
b) to financial assets available for sale	(396,352)	(1,214,439)
c) to financial assets held-to-maturity	(507,087)	(363,550)
d) to other financial assets	(6,418,568)	(443,665)
140 Net income from financial operations	**39,216,130**	**37,080,840**
150 Administration expenses:	(23,096,411)	(23,205,483)
a) personnel	(14,649,154)	(14,764,551)
b) other	(8,447,257)	(8,440,932)
160 Net provisioning for risks and charges	(251,376)	(114,197)
170 Net adjustments to tangible fixed assets	(830,588)	(845,516)
180 Net adjustments to intangible fixed assets	(167,963)	(325,237)
190 Other operating income / charges	2,875,434	2,491,220
200 Operating charges	**(21,470,904)**	**(21,999,213)**
250 Profit from continuing operations before tax	**17,745,226**	**15,081,627**
260 Income tax for the year on continuing operations	(9,660,280)	(7,256,974)
270 Net profit from continuing operations	**8,084,946**	**7,824,653**
290 Net profit for the year	**8,084,946**	**7,824,653**

Comprehensive net income detail

Items	2009	2008
10 Net profit (loss)	**8,084,946**	**7,824,653**
20 Financial assets available for sale	192,600	
30 Tangible assets		
40 Intangible assets		
50 Hedging of foreign investments		
60 Hedging of financial flows		
70 Forex translation adjustments		
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	**192,600**	
120 Comprehensive Net Income	**8,277,546**	**7,824,653**

Statement of changes in equity 2009

	Balance as at 31.12.2008	Change in opening balance	Balances as at 01.01.2009	Allocation of profit from previous year: Reserves	Allocation of profit from previous year: Dividends and others	Intervening variations: Changes to reserves	Intervening variations – Changes to Equity: New Shares issued	Intervening variations – Changes to Equity: Treasury stock bought	Intervening variations – Changes to Equity: Estraordi-nary dividends paid
Share capital									
a) ordinary shares	143,624,470		143,624,470				7,436,330		
b) other shares									
Share premium account	16,702,216		16,702,216						
Reserves									
a) from profits	16,944,611		16,944,611	7,824,653			(7,436,330)		
b) other									
Revaluation reserves						284,564			
Capital instrument									
Own Shares									
Net profit for the year	7,824,653		7,824,653	(7,824,653)					
Shareholders' equity	**185,095,950**		**185,095,950**			**284,564**			

following

	Intervening variations – Changes to Equity: Changes to capital instruments	Intervening variations – Changes to Equity: Derivatives on treasury stock	Intervening variations – Changes to Equity: Stock options	Intervening variations: 2009 Net Profit	Shareholders' Equity as at 31.12.2009
Share capital					
a) ordinary shares					151,060,800
b) other shares					
Share premium account					16,702,216
Reserves					
a) from profits					17,332,934
b) other					
Revaluation reserves					284,564
Capital instrument					
Own Shares					
Net profit for the year				8,084,946	8,084,946
Shareholders' equity				**8,084,946**	**193,465,460**

Statement of changes in equity 2008

	Balance as at 31.12.2007	Change in opening balance	Balances as at 01.01.2008	Allocation of profit from previous year: Reserves	Allocation of profit from previous year: Dividends and others	Intervening variations: Changes to reserves	Intervening variations – Changes to Equity: New Shares issued	Treasury stock bought	Estraordinary dividends paid
Share capital									
a) ordinary shares	136,319,590		136,319,590				7,304,880		
b) other shares									
Share premium account	16,702,216		16,702,216						
Reserves									
a) from profits	16,560,454		16,560,454	7,689,037			(7,304,880)		
b) other									
Revaluation reserves									
Capital instrument									
Own Shares									
Net profit for the year	7.689.037		7,689,037	(7,689,037)					
Shareholders' equity	**177.271.297**		**177,271,297**						

following

	Intervening variations – Changes to Equity: Changes to capital instruments	Derivatives on treasury stock	Stock options	**2008 Net Profit**	**Shareholders' Equity as at 31.12.2008**
Share capital					
a) ordinary shares					143,624,470
b) other shares					
Share premium account					16,702,216
Reserves					
a) from profits					16,944,611
b) other					
Revaluation reserves					
Capital instrument					
Own Shares					
Net profit for the year				7,824,653	7,824,653
Shareholders' equity				**7,824,653**	**185,095,950**

Indirect Method	2009	2008
A - OPERATING ACTIVITIES		
1 - Operations	**23,456,531**	**16,638,113**
- Net profit for the year	8,084,946	7,824,653
- Capital gains (losses) on financial assets held for trading and financial assets/ liabilities carried at fair value	410,728	(6,399,147)
- Capital gains (losses) on hedging assets		
- Net impairment adjustments	15,112,001	9,395,542
- Net adjustments to tangible and intangible assets	998,551	1,170,753
- Net provisions for risks and charges and other revenues (costs)	208,473	36,758
- Unsettled taxes and duties	(1,642,732)	4,609,554
- Net post tax adjustments to groups of assets earmaked for disposal		
- Other adjustments	284,564	
2 . Liquidity generated (absorbed) by financial assets	**(1,196,291,167)**	**893,134,495**
- Financial assets held for trading	(23,996,196)	(41,826,180)
- Financial assets carried at fair value		
- Financial assets available for sale	(206,636)	(1,068,582)
- Loans and advances to banks: demand	(1,154,269,593)	866,861,760
- Loans and advances to banks: other		
- Loans and advances to customers	(17,443,046)	70,842,567
- Other financial assets	(375,696)	(1,675,070)
3 . Liquidity generated (absorbed) by financial liabilities	**(1,489,626,521)**	**1,228,083,037**
- Account payable to banks: demand	(1,477,080,863)	1,278,532,933
- Account payable to banks: other		
- Account payable to customers	57,235,905	(58,220,930)
- Outstanding securities		
- Financial liabilities held for trading	(13,996,781)	18,442,852
- Financial liabilities carried at fair value		
- Other financial liabilities	(55,784,782)	(10,671,818)
Net liquidity generated (absorbed) by operating activities	**(269,878,823)**	**351,586,655**

following

Indirect Method	importo 2009	importo 2008
B - INVESTMENT/DIVESTMENT ACTIVITIES		
1 . Liquidity generated by:	**(86,625)**	**190,270**
- Disposal of equity investments		
- Dividends received on equity investments		
- Disposal of financial assets held to maturity		
- Disposal of tangible fixed assets	(86,625)	190,270
- Disposal of intangible assets		
- Disposal of business units		
2 . Liquidity absorbed by:	**36,253,954**	**45,438,376**
- Purchase of equity investments		
- Purchase of financial assets held to maturity	36,234,747	45,281,002
- Purchase of tangible fixed assets		
- Purchase of intangible assets	19,207	157,374
- Purchase of business units		
Net liquidity generated (absorbed) by investment/divestment activities	**(36,340,579)**	**(45,248,106)**
C - FUNDING		
- Issue (purchase) of treasury stock	7,436,330	7,304,880
- Issue (purchases) of capital instruments		
- Distribution of dividends and other	(7,436,330)	(7,304,880)
Net liquidity generated (absorbed) by funding activities	**0**	**0**
NET LIQUIDITY GENERATED (ABSORBED) DURING THE YEAR	**(306,219,402)**	**306,338,549**

Reconciliation

	importo 2009	importo 2008
Cash and cash equivalents at start of year	**306,560,301**	**221,752**
Net liquidity generated (absorbed) during the year	(306,219,402)	306,338,549
Cash and cash equivalents: effect of exchange rate		
Cash and cash equivalents at the year end	**340,899**	**306,560,301**

Supplementary note

A.1 – General part

Section 1 – Declaration of compliance with international accounting standards

The 2009 financial statements have been prepared in conformity with the accounting principles issued by the IASB and certified by the European Commission pursuant to EC Regulation 1606 of 19 July 2002. Reference was also made to the IFRS Framework for the preparation and presentation of financial statements.

Section 2 – General principles for preparation

In preparing 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. 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 Principles, the Interpretations or Banca d'Italia's circular directive;
- departures from the previous year's results.

The financial statements comprise 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 Financial Year

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

Section 4 – Other aspects

Statement of comprehensive income

Applicable to accounting periods starting on or after 1 January 2009 and reflecting a revised version of IAS 1, the statement of comprehensive income contains items of income and expense that according to the international accounting standards are reported under equity rather than the income statement.

Comprehensive income may therefore be defined as the annual change in equity from both business transactions currently contributing to net profit and other transactions reckoned after tax - such as changes in the value of financial assets available for sale, tangible and intangible assets, hedging of foreign investments and financial flows, forex translation adjustments and actuarial gains/losses on defined-benefit staff pension plans that are reported under equity by virtue of a specific accounting principle.

A.2 – Part concerning principles

1 – FINANCIAL ASSETS HELD FOR TRADING

Recognition

Financial assets held for trading are recorded on their settlement date while derivatives are recorded 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.
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 preexisting 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 reimbur-

sed, 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, RECEIVABLES AND 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.
Carryover 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 recorded 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 180 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 considered as being at risk) and impaired loans with overdue positions in excess of 180 days, are assessed collectively by means of 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.
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 CARRIED 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 FOR WHICH DISPOSAL IS UNDERWAY

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 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 staff severance 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. Actuarial gains and losses are recorded directly in the Income Statement. In the case of (external) definedcontribution pension funds, the Bank's contribution is calibrated to work performed and charged to the Income Statement. Every year the liability is determined on the basis of contributions due for that year.

13 - FUNDS 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 PAYABLES

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:

1. 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.

2. 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.

3. 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 on the management's part.

As far as securities are concerned, fair value will depend on whether an instrument is or is not traded on an active market.

For equities and debt instruments traded on active markets fair value will be 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.

For equities and debt instruments not traded on active markets, fair value will be represented by (in descending order of preference):
- the reference price from recent trades;
  - ► the reference price from recent trades;
  - ► price indications, if available and dependable, supplied by infoproviders such as ICMA, Bloomberg, Reuters, etc.;

- 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.

For derivatives, fair value will be 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 negative outlook for both over the short and medium term, assumptions on corporate continuity need – unlike in the past – to rest on a painstaking assessment of the Bank's circumstances. Yet after taking full account of the risks and uncertaincies 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 year ended 31 December 2009 were thus prepared on that assumption – not least considering the Bank's profitability in 2009 as well as earlier years, the unique context in which it conducts its business, and positive near-term forecasts on both the earnings and the financial plane.

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.

These 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 current and future periods, adjustments are recognized in the current and/or future periods, as appropriate.

Publication

The 175th Board of Directors (31 March 2010) resolved that the Financial Statements could be published any time after the AGM to be held on 29 or 30 April 2010.

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: fair value by level

Financial assets/liabilities measured at fair value	2009			2008		
	L1	L2	L3	L1	L2	L3
1 Financial assets held for trading	64,378	3,493		74,143	18,135	
2 Financial assets designated at fair value						
3 Financial assets available for sale		2,439	63		2,645	64
4 Hedging derivatives						
Total	**64,378**	**5,932**	**63**	**74,143**	**20,780**	**64**
1 Financial liabilities held for trading		7,154			21,151	
2 Financial liabilities designated at fair value						
3 Hedging derivatives						
Totale		**7,154**			**21,151**	

Legenda: **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"

ASSETS

Section 1 - Cash and cash equivalents - Item 10

1.1 Cash and cash equivalents: Composition

	Total 2009	Total 2008
a) Cash	331	253
b) Free deposits with central banks	10	306,307
Total	**341**	**306,560**

Section 2 – Financial assets held for trading – Item 20

2.1 Financial assets held for trading: Composition by type

Items / Values	Total 2009			Total 2008		
	L1	L2	L3	L1	L2	L3
A Non-derivative assets						
1 Debt securities	63,630			71,599		
1.1 Structured securities	4,521			7,172		
1.2 Other debt securities	59,109			64,427		
2 Equity securities	748			2,544		
3 Units in collective investment undertakings						
4 Loans						
4.1 Repo						
4.2 Other debt securities						
Total (A)	**64,378**			**74,143**		
B Derivatives:						
1 Financial derivatives		3,493			18,135	
1.1 For trading		3,493			18,135	
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)		**3,493**			**18,135**	
Total (A+B)	**64,378**	**3,493**		**74,143**	**18,135**	

Legenda: **L1**= Level 1 • **L2**= Level 2 • **L3**= Level 3

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

Items / Values	Total 2009	Total 2008
A Non-derivative assets		
1 Debt securities	**63,630**	**71,599**
a) Governments and central banks		
b) Other public-sector entities		
c) Banks	24,028	19,363
d) Other issuers	39,602	52,236
2 Equity securities	**748**	**2,544**
a) Banks		1,607
b) Other issuers	748	937
- Insurance undertakings		
- Financial companies		
- Non-financial companies	748	937
- Other		
3 Unit in collective investment undertakings		
4 Loans		
a) Governments and central banks		
b) Other public-sector entities		
c) Banks		
d) Other		
Total (A)	**64,378**	**74,143**
B Derivatives		
a) Banks	2,494	17,243
- fair value	2,494	17,243
b) Customers	999	892
- fair value	999	892
Total (B)	**3,493**	**18,135**
Total (A+B)	**67,871**	**92,278**

2.3 Financial assets held for trading: Annual variation

	Debt securities	Equities	Holdings in collective investment undertakings	Loans	Total
A Opening balance	**71,599**	**2,544**			**74,143**
B Increases	**80,364**	**57,473**			**137,837**
B1 Purchases	73,526	56,701			
B2 Variations (+) in FV	2,589				
B3 Other variations	4,249	772			
C Decreases	**88,333**	**59,269**			**147,602**
C1 Sales	84,298	59,130			
C2 Redemptions	2,500				
C3 Variations (-) in FV	100	46			
C4 Transfers from other portfolios					
C5 Other variation	1,435	93			
D Closing balance	**63,630**	**748**			**64,378**

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	2009			2008		
	L1	L2	L3	L1	L2	L3
1 Debt securities		2,439			2,645	
1.1 Structured						
1.2 Other		2,439			2,645	
2 Equities			63			64
2.1 Valued at fair value						
2.2 Valued at cost			63			64
3 Holdings in collective investment undertakings						
4 Loans						
4.1 Structured						
4.2 Others						
Total		**2,439**	**63**		**2,645**	**64**

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

Items/Values	Total 2009	Total 2008
1 Debt securities	**2,439**	**2,645**
a) Governments and central banks	1,898	1,823
b) Other public-sector entities		
c) Banks		
d) Other issuers	541	822
2 Equities	**63**	**64**
a) Banks		
b) Other issuers	63	64
- Insurance undertakings		
- Financial companies	5	6
- Non-financial companies	58	58
- Other		
3 Holdings in collective investment undertaking		
4 Loans		
a) Governments and central banks		
b) Other public-sector entities		
c) Banks		
d) Other public-sector entities		
Total	**2,502**	**2,709**

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 collective investment undertakings	Loans	Total
A Opening balance	**2,645**	**64**			**2,709**
B Increases	**405**				**405**
B1 Purchases					
B2 Variations (+) in FV					
B3 Write-backs					
- booked to income statement					
- booked to shareholders' equity					
B4 Transfers from other portfolios					
B5 Other variations	405				405
C Decreases	**611**	**1**			**612**
C1 Sales					
C2 Redemptions					
C3 Variations (-) in FV					
C4 Write-downs caused by impairment	200				200
- booked to income statement	200				200
- booked to shareholders' equity					
C5 Transfers to other portfolios					
C6 Other variations	411	1			412
D Closing balance	**2,439**	**63**			**2,502**

Section 5 – Financial assets held to maturity – Item 50

5.1 Financial assets held to maturity: Composition by type

	2009				2008			
	BV	FV			BV	FV		
		L1	L2	L3		L1	L2	L3
1 Debt securities	**82,833**	**81,784**	**1,049**		**46,598**	**45,415**	**1,183**	
1.1 Structured								
1.2 Other	82,833	81,784	1,049		46,598	45,415	1,183	
2 Loans								

Legenda: **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

	Total 2009	Total 2008
1 Debt securities	**82,833**	**46,598**
a) Governments and central banks	1,751	1,891
b) Other public-sector entities		
c) Banks	75,214	38,828
d) Other issuers	5,868	5,879
2 Loans		
a) Governments and central banks		
b) Other public-sector entities		
c) Banks		
d) Other public-sector entities		
Total	**82,833**	**46,598**

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

5.4 Assets held to maturity: early variations

	Debt securities	Loans	Total
A Opening balance	**46,598**		**46,598**
B Aumenti	**37,246**		**37.246**
B1 Purchases	35,511		35,511
B2 Write-backs			
B3 Transfers from other portfolios			
B4 Other variations	1,735		1,735
C Decreases	**1,011**		**1,011**
C1 Sales			
C2 Redemptions			
C3 Write-downs	507		507
C4 Transfers to other portfolios			
C5 Other variations	504		504
D Closing balance	**82,833**		**82,833**

Section 6 – Loans and advances to banks – Item 60

6.1 Loans and advances to banks: Composition by type

	Total 2009	Total 2008
A L&As to central banks	**12,139**	**94,544**
1 Term deposits		
2 Compulsory reserves		92,331
3 Repos		
4 Other	12,139	2,213
B L&As to other banks	**2,094,171**	**3,166,036**
1 Current accounts and free deposits	864,081	281,540
2 Term deposits	578,007	2,020,080
3 Other	552,689	864,416
3.1 Repos		
3.2 Financial leases		
3.3 Other	552,689	864,416
4 Debt securities	99,394	
4.1 Structured		
4.2 Other	99,394	
Total book value	**2,106,310**	**3,260,580**
Total fair value	**2,106,310**	**3,260,580**

The "mandatory reserve" observed indirectly amounts to EUR 37,776 milions Impaired assets consist of:
- EUR 1,932 milions of rescheduled debts (entered under exposures to central banks)
- EUR 3,403 milions of bad debts (entered under other L&As)

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

	Total 2009		Total 2008	
	Bonis	Impaired	Bonis	Impaired
1 Current accounts	945	114	7,383	6
2 Repos				
3 Mortgages	6,117	86	5,095	84
4 Credit cards, personal loans and loans backed by salaries	1,759		615	
5 Financial leases				
6 Factoring				
7 Other	159,083		187,476	
8 Debt securities				
8.1 Structured				
8.2 Other				
Total book value	**167,904**	**200**	**200,569**	**90**
Total fair value	**167,904**	**200**	**200,569**	**90**

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

	Total 2009		Total 2008	
	Bonis	Impaired	Bonis	Impaired
1 Debt securities				
a) Governments				
b) Other public-sector entities				
c) Other issuers				
- Non-financial companies				
- Financial companies				
- Insurance companies				
- Others				
2 L&As to	**167,904**	**200**	**203,069**	**90**
a) Governments				
b) Other public-sector entities	3,459		3,682	
c) Others	164,445	200	199,387	90
- Non-financial companies *	116,615	111	145,165 *	5
- Financial companies	24,308		48,168	
- Insurance companies				
- Others	23,522	89	6,054	85
Total	**167,904**	**200**	**203,069**	**90**

* amount includes exposure to "reference entities" underlying credit-linked notes for a total of EUR 2,500,000, expired on February 2009.

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	Total 2009	Total 2008
A Assets held for operational use		
1.1 Owned	**25,671**	**26,415**
a) land	8,203	8,229
b) buildings	16,908	17,459
c) movables	332	424
d) electronic systems	62	80
e) other	166	223
1.2 Leased		
a) land		
b) buildings		
c) movables		
d) electronic systems		
e) other		
Total (A)	**25,671**	**26,415**
B Assets held for investment		
2.1 Owned		
a) land		
b) buildings		
c) movables		
2.2 Leased		
a) land		
b) buildings		
c) movables		
Total (B)		
Total (A+B)	**25,671**	**26,415**

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	**8,229**	**20,212**	**1,562**	**2,217**	**1,970**	**34,190**
A1 Total net write-downs		2,753	1,138	2,137	1,747	7,775
A2 Opening net balance	8,229	17,459	424	80	223	26,415
B Increases		**114**	**12**	**16**	**33**	**175**
B1 Purchases		114	12	16	33	175
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	**26**	**665**	**104**	**34**	**90**	**919**
C1 Sales						
C2 Depreciation		606	101	34	90	831
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) assets held for investment						
b) assets being divested						
C7 Other decreases	26	59	3			88
D Net closing balance	**8,203**	**16,908**	**332**	**62**	**166**	**25,671**
D1 Total net write-downs		3,359	1,239	2,171	1,837	8,606
D2 Gross closing balance	8,203	20,267	1,571	2,233	2,003	34,277
E Valuation at cost	**8,203**	**16,908**	**332**	**62**	**166**	**25,671**
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

	Total 2009		Total 2008	
	Limited Life	Unlimited Life	Limited Life	Unlimited Life
A1 Goodwill				
A2 Other intangible assets	348		496	
A2.1 Assets valued at cost	348		496	
a) Intangible assets developed in-house				
b) Other assets	348		496	
A2.2 Assets designated at fair value				
a) Intangible assets developed in-house				
b) Other assets				
Total	**348**		**496**	

12.2 Intangible fixed assets: Yearly variations

	Goodwill	Other: generated in-house		Other: generated externally		Total
		Limited	Unlimited	Limited	Unlimited	
A Opening balance				**496**		**496**
A1 Total net write-downs						
A2 Net opening balance				496		496
B Increases				**20**		**20**
B1 Purchases				20		20
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				**168**		**168**
C1 Sales						
C2 Write-downs:						
- amortization				168		168
- 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				**348**		**348**
D1 Total net write-downs						
E Gross closing balance				**348**		**348**
F Valuation at cost				**348**		**348**

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

	31/12/2009	31/12/2008
Total	**4,588**	**2,886**
Income statement	4,588	2,886
1 Tax losses		
2 Loan losses	4,243	2,552
3 Other	345	334
Shareholders' equity		
4 Valuation reserves		
5 Other		

13.2 Deferred tax liabilities: Composition

	31/12/2009	31/12/2008
Total	**112**	**121**
1 Income statement	112	121

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

	Total 2009	Total 2008
1 Opening balance	**2,886**	**934**
2 Increases	**1,708**	**2,053**
2.1 Pre-paid tax assets recorded during the year	1,708	2,053
a) relating to earlier years		
b) due to changes in accounting policies		
c) write-backs		
d) other	1,708	2,053
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3 Decreases	**6**	**101**
3.1 Pre-paid tax assets annulled during the year	6	101
a) reversals	6	101
b) write-downs for intervening non-recoverability		
c) due to changes in accounting policies		
d) others		
3.2 Reductions in tax rates		
3.3 Other decreases		
4 Closing balance	**4,588**	**2,886**

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

	Total 2009	Total 2008
1 Opening balance	**121**	**189**
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	**9**	**68**
3.1 Deferred tax liabilities annulled during the year	9	68
a) reversals	9	68
b) due to changes in accounting policies		
c) other		
3.2 Reductions in tax rates		
3.3 Other decreases		
4 Closing balance	**112**	**121**

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

	Total 2009	Total 2008
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)	1,061	1,436
Total	**1,061**	**1,436**

LIABILITIES

Section 1 – Accounts payable to banks - Item 10

1.1 Accounts payable to banks: Composition by type

	Total 2009	Total 2008
1 Accounts payable to central banks	**176,741**	**1,663,481**
2 Accounts payable to other banks	**1,942,765**	**1,933,106**
2.1 Current accounts and free deposits	831,327	783,498
2.2 Term deposits	1,000,766	1,030,798
2.3 Loans	110,672	118,810
2.3.1 Repo		
2.3.2 Other	110,672	118,810
2.4 Liabilities in respect of commitments to repurchase own equity		
2.5 Liabilities in respect of assets disposed of but not derecognized		
Total	**2,119,506**	**3,596,587**
Fair value	**2,119,506**	**3,596,587**

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

Accounts payable to banks	
Subordinated Liabilities	85,684

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

	Total 2009	Total 2008
1 Current accounts and free deposits	106,999	62,679
2 Term deposits	16,594	3,678
3 Loans		
3.1 Repo		
3.2 Other		
4 Liabilities in respect of commitments to repurchase own equity		
5 Other accounts payable		
Total	**123,593**	**66,357**
Fair value	**123,593**	**66,357**

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

Sezione 4 – Financial liabilities held for trading – Item 40

4.1 Financial liabilities held for trading: Composition by type

	Total 2009					Total 2008				
	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 Other										
3.2 Other securities										
3.2.1 Structured										
3.2.2 Other										
Total A										
B Derivatives										
1 Financial derivatives	673,079		7,154			837,154		21,151		
1.1 Held for trading	673,079		7,154			837,154		21,151		
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	**673,079**		**7,154**			**837,154**		**21,151**		
Total (A+B)	**673,079**		**7,154**			**837,154**		**21,151**		

Legenda:
- **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

	Due to banks	Due to customers	Securities outstanding	Total
A Opening balance	**19,412**	**1,739**		**21,151**
B Increases	**3,930**	**2,219**		**6,149**
B1 Issues				
B2 Sales				
B3 Positive changes in fair value	671			671
B4 Other increases	3,259	2,219		5,478
C Decreases	**18,407**	**1,739**		**20,146**
C1 Purchases	1,601			1,601
C2 Redemptions	16,806	1,739		18,545
C3 Negative changes in fair value				
C4 Other decreases				
D Closing balance	**4,935**	**2,219**		**7,154**

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 10.1 Other liabilities: Composition

	Total 2009	Total 2008
1 Liabilities arising from the impairment of:	**7,697**	**1,278**
a Contingent exposures	7,697	1,278
b Credit derivatives		
c Irrevocable commitments to disburse funds		
2 Payment agreements based on own shares		
3 Accrued expenses		
4 Other liabilities (silliquid items, amounts available for customers)	**8,732**	**70,827**
Total	**16,429**	**72,105**

Section 11 – Staff severance fund - Item 110

11.1 Staff severance fund: Yearly variations

	Total 2009	Total 2008
A Opening balance	**2,555**	**2,662**
B Increases	**37**	**795**
B.1 Provisioning for the year	37	795
B.2 Other increases		
C Decreases	**146**	**902**
C.1 Severance payments	146	358
C.2 Other decreases		544
D Closing balance	**2,446**	**2,555**
Total	**2,446**	**2,555**

11.2 Rates

Annual technical depreciation rate	3.80%
Annual inflation rate	2.00%
Real annual salary increase rate	n.a.
Overall annual salary increase rate	n.a.
Gross annual SSF increase rate	3.00%

11.3 Reconciliation of actuarial valuations under IAS 19

	Total 2009	Total 2008
Opening balance	**2,555**	**2,662**
Realignment		
Pension cost		
Financial charges	113	123
Benefits paid	(146)	(358)
Transfers		
Expected liabilities	**2,522**	**2,427**
Actuarial loss	(76)	128
Closing balance	**2,446**	**2,555**

11.4 Other information

Provisioning for the year	
Pension costs	
Financial charges	113
Actuarial loss	(76)
Other	

Sezione 12 – Provisions for risks and charges – Item 120

12.1 Provisions for risks and charges: Composition

	Total 2009	Total 2008
1 Company pension plans		
2 Other provisions for risks and charges	476	267
2.1 Litigation		
2.2 Staff charges	476	267
2.3 Other		
Total	**476**	**267**

12.2 Provisions for risks and charges: Yearly variations

	Company pension funds	Other provisions	Total
A Opening balance		**267**	**267**
B Increases		**251**	**251**
B.1 Provisioning for the year		251	251
B.2 Variations due to the passing of time			
B.3 Variations due to changes in discount rate			
B.4 Other increases			
C Decreases		**42**	**42**
C1 Amount drawn during the year		42	42
C2 Variations due to changes in discount rate			
C3 Other decreases			
D Closing balance		**476**	**476**

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	476
Other	
Total	**476**

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

	2009	2008
1 Share capital	151,061	143,624
2 Share premium account	16,702	16,702
3 Reserves	17,333	16,945
4 Capital instruments		
5 (Treasury stock)		
6 Valuation reserves	285	
7 Profit (Loss) for the year	8,085	7,825
Total	**193,466**	**185,096**

14.2 Share capital: Yearly variations in number of shares

	Common	Other
A Shares at start of year	**1,305,677**	
- fully paid up	1,305,677	
- not fully paid up		
A1 Treasury Stock		
A2 Shares outstanding: Opening balance	1,305,677	
B Increases	**67,603**	
B1 New share issues	67,603	
rights issues:		
- combination of companies		
- conversion of bonds		
- exercise of warrants		
bonus issues:	67,603	
- for employees		
- for directors		
- other	67,603	
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

The Bank does not hold any treasury stock.
Shareholders hold 888,004 warrants (2001-2011) entitling them to buy up to 888,004 shares at face value.
As of 31.12.2008, warrants had been exercised rights for a total of 111,996 shares.

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	**17,333**			
a) Legal reserve	9,298	B	9,298	
b) Extraordinary reserve	7,730	A,B,C	7,730	
c) FTA/IFRS reserve	(95)			
d) IFRS 2005 retained profit	400			
e) Profit to be retained		A,B,C		
Other Reserves				
Total	**34,035**			
Amount not allocatable	9,603			
Amount allocatable	**24,432**			

Legenda: **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

	Amount 2009	Amount 2008
1) Financial guarantees issued	**8,544**	**10,835**
a) to banks	48	192 (*)
b) to customers	8,496	10,643
2) Commercial guarantees issued	**1,463,802**	**1,404,049**
a) to banks	794,006	924,556
b) to customers	669,796	479,493
3) Irrevocable commitments to disburse funds	**166,691**	**37,559**
a) to banks	90,098	
i) - drawdown certain	85,609	
ii) - drawdown uncertain	4,489	(*)
b) to customers	76,593	37,559
i) - drawdown certain		
ii) - drawdown uncertain	76,593	37,559
4) Commitments underlying credit derivatives: hedging sales		**2,500**
5) Assets pledged as collateral for third-party liabilities		
6) Other commitments		
Total	**1,639,037**	**1,454,943**

(*) EUR 48,000: commitments arising from the Bank's participation in national deposit insurance schemes reclassified as "guarantees".

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	
2 not yet settled	
b) Sales	
1 settled	
2 not yet settled	
2 Asset management	
a) Individual	
b) Collective	
3 Custody and administration of securities	**1,363,710**
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)	1,113,185
1 issued by reporting bank	165,317
2 other	947,868
c) Third-party securities deposited with third parties	946,848
d) Self-owned securities deposited with third parties	250,525
4 Other transactions	

Section 1 - Interest - Items 10 and 20

1.1 Interest and similar income: Composition

	Debt securities	Loans	Other transactions	Total 2009	Total 2008
1 Financial assets held for trading	2,181			2,181	4,471
2 Financial assets available for sale	335			335	464
3 Financial assets held to maturity	2,977			2,977	866
4 L&As to banks	2,195	47,482		49,677	142,357
5 L&As to customers		6,922		6,922	7,663
6 Financial assets designated at fair value					
7 Hedging derivatives					
8 Other assets					
Total	**7,688**	**54,404**		**62,092**	**155,821**

Interest income from impaired L&As to customers amounted to EUR 19,436 for 2009 and EUR 18,528 for 2008.
Interest income from impaired L&As to banks amounted to EUR 18,844 for 2009 and EUR 22,920 for 2008.

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	Total 2009	Total 2008
	Debt securities	Loans				
1 Financial assets held for trading	123				123	258
2 Financial assets available for sale	186				186	167
3 Financial assets held to maturity	103				103	102
4 L&As to banks		10,586	19		10,605	37,539
5 L&As to customers		2,266			2,266	2,150
6 Financial assets designated at fair value						
7 Hedging derivatives						
8 Financial assets disposed of but not derecognized						
9 Other assets						
Total	**412**	**12,852**	**19**		**13,283**	**40,216**

1.3.2 Interest income from leasing transactions

1.4 Interest charges and similar expenses: Composition

	Accounts payable	Securities	Other liabilities	Total 2009	Total 2008
1 Accounts payable to banks	33,891			33,891	119,779
2 Accounts payable to customers	777			777	5,448
3 Securities outstanding					
4 Financial liabilities held for trading					
5 Financial liabilities designated at fair value					
6 Financial liabilities relating to assets disposed of but not derecognized					
7 Other liabilities					
8 Hedging derivatives					
Total	**34,668**			**34,668**	**125,227**

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	Total 2009	Total 2008
1 Accounts payable to banks	5,681			5,681	27,518
2 Accounts payable to customers	356			356	3,318
3 Securities outstanding					
4 Financial liabilities held for trading					
5 Financial liabilities designated at fair value					
6 Financial liabilities relating to assets disposed of but not derecognized					
7 Other liabilities					
8 Hedging derivatives					
Total	**6,037**			**6,037**	**30,836**

1.6.2 Interest charges on leasing transactions

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

2.1 Commission income: Composition

	Total 2009	Total 2008
a) Guarantees issued	**25,223**	**23,490**
b) Credit derivatives		
c) Management, brokerage and advisory services	**854**	**398**
1 trading in financial instruments	422	67
2 forex	432	331
3 asset management		
3.1 individual		
3.2 collective		
4 custody and administration of securities		
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		
9.2 insurance products		
9.3 other products		
d) Collection and payment services		
e) Securitization servicing	**1**	**1**
f) Factoring services		
g) Tax and debt collection services		
h) Management of multilateral trading services		
i) Keeping and management of current accounts		
j) Other services	**121**	**203**
Total	**26,199**	**24,092**

2.2 Commission income: Distribution channels for products and services

2.3 Commission expense: Composition

	Total 2009	Total 2008
a) Guarantees received	3,889	2,766
b) Credit derivatives		
c) Management and brokerage services	249	259
1 trading in financial instruments	248	250
2 forex	1	9
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	180	169
Total	**4,318**	**3,194**

Section 3 – Dividends and similar income – Item 70

3.1 Dividends and similar income: Composition

	Total 2009		Total 2008	
	Dividends	Income from investment funds	Dividends	Income from investment funds
A Financial assets held for trading	22			
B Financial assets available for sale				
C Financial assets designated at fair value				
D Equity investments				
Total	**22**			

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	**2,589**	**5,784**	**146**	**137**	**8,090**
1.1 Debt securities	2,589	3,644	100	44	6,089
1.2 Equities		772	46	93	633
1.3 Holdings in collective investment undertakings					
1.4 Loans					
1.5 Other		1,368			1,368
2 Financial liabilities held for trading					
2.1 Debt securities					
2.2 Other					
3 Other financial liabilities: forex differentials	**1,035**		**94**		**941**
4 Derivatives	**3,394**	**19,950**	**5,333**	**22,041**	**(4,030)**
4.1 Financial derivatives:	3,394	19,950	5,333	22,041	(4,030)
- on debt securities and interest rates	92	1,795	1,109	3,657	(2,879)
- on equities and equity indices		636		463	173
- on foreign currencies and gold	3,302	17,519	4,224	17,921	(1,324)
- other					
4.2 Credit derivatives					
Total	**7,018**	**25,734**	**5,573**	**22,178**	**5,001**

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

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)				Total 2009	Total 2008
	Specific		Portfolio	Specific		Portfolio			
	write-offs	Others		A	B	A	B		
A L&As to banks		7,940	924				848	(8,016)	(6,866)
- Loans		7,940					848	(7,092)	(6,866)
- Securities			924					(924)	
B L&As to customers	3	20			221		28	226	(508)
- Loans	3	20			221		28	226	(508)
- Securities									
C Total	**3**	**7,960**	**924**		**221**		**876**	**(7,790)**	**(7,374)**

Legenda: **A**= from interest • **B**= other write-backs

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

	Write-downs (1)		Write-backs (2)		Total 2009	Total 2008
	Specific		Specific			
	Write-offs	Others	A	B		
A Debt securities	200	196			(396)	(1,214)
B Equities						
C Holdings in collective investment undertakings						
D L&As to banks						
E L&As to customers						
F Total	**200**	**196**			**(396)**	**(1,214)**

Legenda: **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)				Total 2009	Total 2008
	Specific		portfolio	Specific		Portfolio			
	write-offs	Others		A	B	A	B		
A Securities			507					(507)	(364)
B L&As to banks									
C L&As to customers									
D Total			**507**					**(507)**	**(364)**

Legenda: **A**= from interest • **B**= other write-backs

8.4 Net impairment adjustments to other financial instruments: Composition

	Write-downs (1)			**Write-backs (2)**				**Total 2009**	**Total 2008**
	Specific		portfolio	Specific		portfolio			
	write-offs	Others		A	B	A	B		
A Guarantees issued		604	5,818		3			(6,419)	(444)
B Credit derivatives									
C Commitments to disburse funds									
D Other instruments									
E Total		**604**	**5,818**		**3**			**(6,419)**	**(444)**

Legenda: **A**= from interest • **B**= other write-backs

Section 9 – Administration expenses – Item 150

9.1 Personnel expenses: Composition

	Total 2009	**Total 2008**
1 Staff	13,545	13,730
a) Wages and salaries	8,825	7,944
b) Social security contributions	2,466	2,444
c) Severance payments		
d) Pension payments		
e) Allocations to the staff severance fund	58	87
f) Allocations to the provision for pensions and similar liabilities		
- defined contribution		
- defined benefit		
g) Payments to external complementary pension funds		
- defined contribution	578	708
- defined benefit		
h) Costs arising from agreements to make payments in own equity instruments		
i) Other benefits to staff	1,618	2,547
2 Non-salaried personnel	178	171
3 Directors (1)	1,045	977
4 Retired personnel		
5 Expenses recouped for staff seconded to other institutions		
6 Expenses reimbursed for staff seconded from other institutions		
Total	**14,768**	**14,878**

(1) by convention, amounts include compensation paid to the Statutory Auditors (EUR 118,000 for 2009 and EUR 113,000 for 2008) as entered in the Income Statement under "Other administration expenses".

9.2 Average number of staff: Breakdown by category

a) Senior managers	3
b) Executive cadres	73
c) Other staff	88
Total	**164**

9.3 Company defined-benefit pension funds: Total cost

9.4 Other staff benefits

	Total 2009	Total 2008
Early retirement payments	286	1,289
Other payments	1,332	1,258
Total	**1,618**	**2,547**

9.5 Other administration expenses: Composition

	Total 2009	Total 2008
It expenses	1,239	1,113
Expenses for movable/immovable property		
- rentals and other fees	111	117
- other	1,004	936
Expenses for the purchase of goods and non-professional services	2,886	2,588
Expenses for professional services	2,322	2,737
Insurance premiums	109	66
Advertising	182	376
Indirect duties and taxes	276	264
Other (1)	318	244
Total	**8,447**	**8,441**

(1) amounts include compensation paid to the Statutory Auditors (as entered by convention in Table 9.1 under "Directors").

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

10.1 Net provisioning for risks and charges: Composition

	Total 2009	Total 2008
Litigation		
Other risks and charges	251	114
Total	**251**	**114**

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	831			831
- used in operations	831			831
- held for investment				
A2 Leased				
- used in operations				
- held for investment				
Total	**831**			**831**

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	168			168
- developed in-house				
- other	168			168
A2 Leased				
Total	168			168

Section 13 – Other operating income / charges – Item 190

13.1. Other operating charges: Composition

	Total 2009	Total 2008
Other operating charges	373	311
Total	**373**	**311**

13.2. Other operating income: Composition

	Total 2009	Total 2008
Duties and taxes recouped	28	28
Rentals and fees	111	108
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	1.792	1.238
- other	1.147	800
Staff severance funds attribution to profit and loss	17	
Other income	153	628
Total	**3,248**	**2,802**

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

	Total 2009	Total 2008
1 Current tax (-)	**(11,371)**	**(9,277)**
2 Variations in current tax for prior years (+/-)		
3 Current tax rebate for the year (+)		
4 Variation in pre-paid taxes (+/-)	1,702	1,952
5 Variation in deferred taxes (+/-)	9	68
6 Income tax for the year (-) (-1+/-2+/-3+/-4+/-5)	**(9,660)**	**(7,257)**

18.2 Reconciliation of theoretical tax liability and actual book liability

	Total 2009	Total 2008
Profit before tax	**17,745**	**15,082**
Theoretical IRES and IRAP due (32.32%)	5,735	4,874
IRAP adjustments for administration expenses	941	752
IRAP adjustments for write-offs	800	453
Tax on non-deductible costs	2,184	1,178
Total	**9,660**	**7,257**

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

	Total 2009	Total 2008
Net profit	8,085	7,825
Number of shares	1,373,280	1,305,677
Profit per share	5.89	5.99

21.2 Other information

	Gross Amount	Income Taxes	Net Amount
10 Net profit (loss)	**8,085**		**8,085**
20 Financial assets available for sale:	285	92	193
a) fair-value adjustments	285	92	193
b) income statement reversals			
- from impairment			
- from disposals			
c) other adjustments			
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 translation adjustments:			
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	**285**	**92**	**193**
120 Comprehensive Net Income	**8,370**	**92**	**8,278**

Section 1 - Credit risk

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, country and business sector;
- 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, country of residence and business sector.

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.

To ensure alignment with the new supervisory capital framework introduced by Banca d'Italia in directive 263 of 27.12.2006, UBAE has initiated a project covering every aspect of the task of quantifying exposure to credit risk. Under the directive, methods for calculating capital requirements against market, credit and operational risks (Pillar I) will vary in accordance with 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 must follow the Basic Indicator Approach for calculating the requirement against operational risks. The requirement against market risks in the trading book will continue to be calculated by the current method.

Assisted by software supplier Eds and IT outsourcer SEC, the Bank filed supervisory data reports based on the new risk matrix over the course of 2009 without registering delays or any other problems.

Basel 2 has also introduced a “supervisory review process” whereby individual 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].

The Bank’s 2009 ICAAP report (compiled on year-end data) will be delivered to Banca d’Italia by 30 April 2010.

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.

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.

2. Policies for Managing Credit Risk

a) 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.

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 Finance Division's VaR as a percentage of the Bank's VaR;
- a breakdown by technical format, expressed in percentage terms, of the Finance Division's VaR.

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 Credit 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.

Where VaR would exceed the limit set by the resolution granting any given credit facility, the Internal Regulations will apply with regard to who may authorize such VaR and within what quantitative and temporal limits.

b) **Measuring, managing and monitoring credit risk**

In reviewing a request for the extension or revision of credit facilities, the Credit Processing Department will 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 credit control function within the Credit Division draws on assistance from the competent business departments and the Milan Branch 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 availment/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 and the manager of the Milan Branch provide monthly updates to the credit control function 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 credit control function without delay.

The credit control function 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 credit control function 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 (Basel 2, Pillar I) on the basis of its quarterly risk-matrix report to Banca d'Italia. It also produces a quarterly report on capital adequacy for 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). Likewise, it monitors and circulates the list of External Credit Assessment Institutions (ECAIs) selected for independent ratings.

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 for credit concentration by branch of business and geographical area, a qualitative evaluation of sector-specific indicators upon which to construct stress testing scenarios relevant to credit risk is carried out for ICAAP purposes.

C) **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 VaR.

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 or better;
- bonds issued by entities whose rating is investment-grade or better 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;
- as-yet unmatured 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/unmatured trade receivables or property) is deducted from the individual VaR generated by the ordinary or ad hoc credit facilities to which the collateral refers. The resulting individual net VaR will be considered for the purposes of calculating the Bank's overall VaR.

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.

d) **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 or the Milan Branch, 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 debtrecovery 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 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)

	Bad debts	Standstill positions	Rescheduled debts	Past-due positions	Other	Total
1 Financial assets held for trading					67,123	**67,123**
2 Financial assets available-for-sale					2,439	**2,439**
3 Financial assets held to maturity					82,833	**82,833**
4 L&As to banks	3,403		1,932		2,100,975	**2,106,310**
5 L&As to customers	87	110		3	167,904	**168,104**
6 Financial assets designated at fair value						
7 Financial assets being divested						
8 Hedging derivatives						
Total 2009	**3,490**	**110**	**1,932**	**3**	**2,421,274**	**2,426,809**
Total 2008	**85**	**5**	**2,213**		**3,597,913**	**3,600,216**

A.1.2 Distribution of financial assets by portfolio and credit quality: Gross and net values

	Impaired assets			**Other assets**			**Total**
	Gross exposure	Specific write-downs	Net exposure	Gross exposure	Portfolio write-downs	Net exposure	**(net exposure)**
1 Financial assets held for trading				67,123		67,123	**67,123**
2 Financial assets available-for-sale				2,850	411	2,439	**2,439**
3 Financial assets held to maturity				83,705	872	82,833	**82,833**
4 L&As to banks	13,292	7,957	5,335	2,107,899	6,924	2,100,975	**2,106,310**
5 L&As to customers	10,636	10,436	200	169,464	1,560	167,904	**168,104**
6 Financial assets designated at fair value							
7 Financial assets being divested							
8 Hedging derivatives							
Total 2009	**23,928**	**18,393**	**5,535**	**2,431,041**	**9,767**	**2,421,274**	**2,426,809**
Total 2008	**12,953**	**10,650**	**2,303**	**3,607,926**	**10,013**	**3,597,913**	**3,600,216**

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

	Gross exposure	Specific write-downs	Portfolio write-downs	Net exposure
A CASH EXPOSURE				
a) Bad debts	11,342	7,939		3,403
b) Standstill position				
c) Rescheduled debts	1,950	18		1,932
d) Past due positions				
e) Other assets	2,207,841		7,624	2,200,217
Total A	**2,221,133**	**7,957**	**7,624**	**2,205,552**
B OFF-BALANCE-SHEET EXPOSURE				
a) Impaired				
b) Other	892,942		6,296	886,646
Total B	**892,942**		**6,296**	**886,646**
Total A+B	**3,114,075**	**7,957**	**13,920**	**3,092,198**

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

Causal / categories	Bad debts	Standstill positions	Rescheduled debts	Past due positions
A Opening gross exposure			**2,230**	
of which: exposures assigned but not derecognized				
B Increases	**11,360**	**7,509**	**10**	
B1 inflows from performing positions	3,559	7,509		
B2 transfers from other classes of impaired positions	7,509			
B3 other increases	292		10	
C Decreases	**(18)**	**(7,509)**	**(290)**	
C1 outflows to performing positions				
C2 write-offs				
C3 items collected	(11)			
C4 items assigned				
C5 transfers to other classes of impaired positions		(7,509)		
C6 other decreases	(7)		(290)	
D Closing gross exposure	**11,342**		**1,950**	
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			**17**	
of which: exposures assigned but not derecognized				
B Increases	**7,939**		**1**	
B1 write-downs	7,939		1	
B2 transfers from other classes of impaired positions				
B3 other increases				
C Decreases				
C1 valuation write-backs				
C2 collection write-backs				
C3 write-offs				
C4 transfers to other classes of impaired positions				
C5 other decreases				
D Closing gross exposure	**7,939**		**18**	
of which: exposures assigned but not derecognized				

A.1.6 Cash and off-balance-sheet exposure to customers: Variations in total adjustments

Exposure type/values	Gross exposure	Specific write-downs	Portfolio write-downs	Net exposure
A CASH EXPOSURE				
a) Bad debts	10,522	10,435		87
b) Standstill position	111	1		110
c) Rescheduled debts				
d) Past due positions	3			3
f) Other assets	219,707	200	1,943	217,564
Total A	**230,343**	**10,636**	**1,943**	**217,764**
B OFF-BALANCE-SHEET EXPOSURES				
a) Impaired	16,403	1,073		15,330
b) Other	740,882		328	740,554
Total B	**757,285**	**1,073**	**328**	**755,884**

A.1.7 Cash exposures to customers: Variations in gross impaired positions

Causal / categories	Bad debts	Standstill positions	Rescheduled debts	Past due positions
A Opening gross exposure	**10,717**	**6**		
of which: exposures assigned but not derecognized				
B Increases	**19**	**109**		**24**
B1 inflows from performing positions		107		24
B2 transfers from other classes of impaired positions		1		
B3 other increases	19	1		
C Decreases	**(214)**	**(4)**		**(21)**
C1 outflows to performing positions				(20)
C2 write-offs		(1)		
C3 items collected	(214)	(2)		
C4 items assigned				
C5 transfers to other classes of impaired positions				(1)
C6 other decreases		(1)		
D Closing gross exposure	**10,522**	**111**		**3**
of which: exposures assigned but not derecognized				

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

Causal / categories	Bad debts	Standstill positions	Rescheduled debts	Past due positions
A Opening gross exposure	**10,632**	**1**		
of which: exposures assigned but not derecognized				
B Increases	**19**	**1**		**2**
B1 write-downs	19	1		2
B2 transfers from other classes of impaired positions				
B3 other increases				
C Decreases	**(216)**	**(1)**		**(2)**
C1 valuation write-backs	(2)	(1)		
C2 collection write-backs	(214)			(2)
C3 write-offs				
C4 transfers to other classes of impaired positions				
C5 other decreases				
D Closing gross exposure	**10,435**	**1**		
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 by 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:	**24,888**	**114,840**	**5,479**				**2,278,109**	**2,423,316**
B Derivatives							**3,493**	**3,493**
B1 Financial							3,493	3,493
B2 Credit								
C Guarantees given							**1,472,346**	**1,472,346**
D Commitments to disburse funds							**166,691**	**166,691**
Total	**24,888**	**114,840**	**5,479**				**3,920,639**	**4,065,846**

Rating agencies used are Standard & Poor's Rating Services, Moody's Investors Service and 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**	

2.2 Distribution of off-balance and cash exposures by internal rating bands

A.3 Distribution of guaranteed exposures by type of guarantee

A.3.1 Guaranteed exposures to banks

	Net exposure Value	Collateral			Personal		
					Credit derivatives		
					CLN	Other derivatives	
		Property	Securities	Other assets		Gov't and Central Banks	Other public entities
1 Cash exposures guaranteed							
1.1 fully guaranteed	1,633			822			
- out of which, impaired							
1.2 not fully guaranteed	2,418			38			
- out of which, impaired							
2 Off-Balance Sheet exposures guaranteed							
2.1 fully guaranteed	938			938			
- out of which, impaired							
2.2 not fully guaranteed	10,366			4,508			
- out of which, impaired							

following

	Personal						Total
	Credit derivatives		Endorsements				
	Other derivatives						
	Banks	Others	Gov't and Central Banks	Other public entities	Banks	Others	
1 Cash exposures guaranteed							
1.1 fully guaranteed			733			78	**1,633**
- out of which, impaired							
1.2 not fully guaranteed							**38**
- out of which, impaired							
2 Off-Balance Sheet exposures guaranteed							
2.1 fully guaranteed							**938**
- out of which, impaired							
2.2 not fully guaranteed							**4,508**
- out of which, impaired							

A.3.2 Guaranteed exposures to customers

	Net exposure Value	Collateral			Personal		
					Credit derivatives		
					CLN	Other derivatives	
		Property	Securities	Other assets		Gov't and Central Banks	Other public entities
1 Cash exposures guaranteed							
1.1 fully guaranteed	16,690	6,188					
- out of which, impaired	87	87					
1.2 not fully guaranteed							
- out of which, impaired							
2 Off-Balance Sheet exposures guaranteed							
2.1 fully guaranteed	20,434			1,201			
- out of which, impaired							
2.2 not fully guaranteed	68,203			625			
- out of which, impaired	9,140						

following

	Personal						Total
	Credit derivatives		Endorsements				
	Other derivatives						
	Banks	Others	Gov't and Central Banks	Other public entities	Banks	Others	
1 Cash exposures guaranteed							
1.1 fully guaranteed				3,459		7,043	**16,690**
- out of which, impaired							**87**
1.2 not fully guaranteed							
- out of which, impaired							
2 Off-Balance Sheet exposures guaranteed							
2.1 fully guaranteed			2,861			16,372	**20,434**
- out of which, impaired							
2.2 not fully guaranteed			24,680			24,316	**49,621**
- out of which, impaired			2.374				**2,374**

B. Credit distribution and concentration

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

	Governments			Other public entities			Financial companies		
	Net exposure	Specific write-downs	Portfolio write-downs	Net exposure	Specific write-downs	Portfolio write-downs	Net exposure	Specific write-downs	Portfolio write-downs
A CASH EXPOSURE									
A1 Bad debts								12	
A2 Standstill position									
A3 Rescheduled debts									
A4 Past due positions									
A5 Other assets	3,649		328	3,459		32	59,500	200	281
Total (A)	**3,649**		**328**	**3,459**		**32**	**59,500**	**212**	**281**
B OFF-BALANCESHEET EXPOSURES									
B1 Bad debts									
B2 Standstill position									
B3 Impaired									
B4 Other				54			2,327		
Total (B)				**54**			**2,327**		
Total (A+B) 2009	**3,649**		**328**	**3,513**		**32**	**61,827**	**212**	**281**
Totale (A+B) 2008	**708**		**9**	**6,688**		**53**	**79,200**	**1,212**	**428**

following

	Insurance companies			Non Financial companies			Others		
	Net exposure	Specific write-downs	Portfolio write-downs	Net exposure	Specific write-downs	Portfolio write-downs	Net exposure	Specific write-downs	Portfolio write-downs
A CASH EXPOSURE									
A1 Bad debts					10,361		87	62	
A2 Standstill position				110	1				
A3 Rescheduled debts									
A4 Past due positions				1			2		
A5 Other assets				116,615		1,084	34,341		218
Total (A)				**116,726**	**10,362**	**1,084**	**34,430**	**62**	**218**
B OFF-BALANCESHEET EXPOSURES									
B1 Bad debts				2,809	468				
B2 Standstill position				11,371	604				
B3 Impaired				1,150	1				
B4 Other				738,151		328	22		
Total (B)				**753,481**	**1,073**	**328**	**22**		
Total (A+B) 2009				**870,207**	**11,435**	**1,412**	**34,452**	**62**	**218**
Totale (A+B) 2008				**702,892 (*)**	**11,279**	**1,322**	**6,139**	**62**	**47**

(*) In 2008 exposures to non-financial undertakings credit-linked notes 2.5 mn exposure is included.

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

	Italy		Other European countries		Americas	
	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs
A CASH EXPOSURE						
A1 Bad debts	87	10,423				12
A2 Standstill position	110	1				
A3 Rescheduled debts						
A4 Past due positions	2					
A5 Other assets	74,199	830	94,208	685	13,974	1
Total (A)	**74,398**	**11,254**	**94,208**	**685**	**13,974**	**13**
B OFF-BALANCE-SHEET EXPOSURES						
B1 Bad debts	2,809	468				
B2 Standstill position	11,371	604				
B3 Impaired						
B4 Other	642,024	304	91,014	21		
Total (B)	**656,204**	**1,376**	**91,014**	**21**		
Total 2009 (A+B)	**730,602**	**12,630**	**185,222**	**706**	**13,974**	**13**
Total 2008 (A+B)	**512,763**	**13,135**	**191,237**	**794**	**12,888**	**12**

following

	Asia		Rest of world	
	Net exposure	Total write-downs	Net exposure	Total write-downs
A CASH EXPOSURE				
A1 Bad debts				
A2 Standstill position				
A3 Rescheduled debts				
A4 Past due positions	1			
A5 Other assets	32,404	601	2,779	26
Total (A)	**32,405**	**601**	**2,779**	**26**
B OFF-BALANCE-SHEET EXPOSURES				
B1 Bad debts				
B2 Standstill position				
B3 Impaired	1,150	1		
B4 Other	7,516	3		
Total (B)	**8,666**	**4**		
Total 2009 (A+B)	**41,071**	**605**	**2,779**	**26**
Total 2008 (A+B)	**71,516**	**425**	**19,165**	**73**

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

	Italy		Other European countries		Americas	
	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs
A CASH EXPOSURE						
A1 Bad debts						
A2 Standstill position						
A3 Rescheduled debts						
A4 Past due positions						
A5 Other assets	1,484,516	4,319	503,352	889	2,400	
Total (A)	**1,484,516**	**4,319**	**503,352**	**889**	**2,400**	
B OFF-BALANCE-SHEET EXPOSURES						
B1 Bad debts						
B2 Standstill position						
B3 Impaired						
B4 Other	370,101	175	129,277	62		
Total (B)	**370,101**	**175**	**129,277**	**62**		
Total 2009 (A+B)	**1,854,617**	**4,494**	**632,629**	**951**	**2,400**	
Total 2008 (A+B)	**1,646,983**	**3,524**	**1,743,463**	**1,624**	**62,856**	**20**

following

	Asia		Rest of world	
	Net exposure	Total write-downs	Net exposure	Total write-downs
A CASH EXPOSURE				
A1 Bad debts	3,403	7,939		
A2 Standstill position				
A3 Rescheduled debts			1,932	18
A4 Past due positions				
A5 Other assets	143,273	1,963	66,676	453
Total (A)	**146,676**	**9,902**	**68,608**	**471**
B OFF-BALANCE-SHEET EXPOSURES				
B1 Bad debts				
B2 Standstill position				
B3 Impaired				
B4 Other	166,772	5,921	220,496	138
Total (B)	**166,772**	**5,921**	**220,496**	**138**
Total 2009 (A+B)	**313,448**	**15,823**	**289,104**	**609**
Total 2008 (A+B)	**369,950**	**2,025**	**439,116**	**346**

B.4 Large exposures

Amount	413,175
Number	10

C. Securitization and disposal of assets

C.1 Securitization

QUALITATIVE INFORMATION

Banca UBAE securitized most of the bad debts in its loan portfolio in 1999.

Outstanding positions are monitored by the Legal unit, which makes periodic assessments of their collectability, estimates the value of related securities, and recommends write-downs where and as appropriate. The unit's findings are submitted to the Board of Directors on a half-yearly basis.

QUANTITATIVE INFORMATION

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

	Cash exposures						Guarantees issued						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	G.exp	N.exp	G.exp	N.exp	G.exp	N.exp	G.exp	N.exp	G.exp	N.exp	G.exp	N.exp	G.exp	N.exp	G.exp	N.exp	G.exp	N.exp
A Underlying assets self-owned:	**741**	**541**											**1,006**	**1,006**				
a) impaired	741	541											1,006	1,006				
b) other																		
B Underlying assets not self-owned:																		
a) impaired																		
b) other																		

Legenda: **G.exp**= Gross exposure • **N.exp**= Net exposure

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

	Cash exposures						Guarantees issued						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	Write-down/-back	Book value	Write-down/-back	Book value	Write-down/-back	Net exposure	Write-down/-back	Net exposure	Write-down/-back	Net exposure	Write-down/-back	Net exposure	Write-down/-back	Net exposure	Write-down/-back	Net exposure	Write-down/-back
A Totally derecognized:	**541**	**(200)**											**1,006**					
A1 Eurofinance	541	(200)											1,006					
B Part derecognized:																		
B1																		
C Not derecognized:																		
C1																		

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

	HFT	Designated at fair value	Available for sale	HTM	Loans	**Total 2009**	**Total 2008**
1 Cash exposure:			**541**			**541**	**822**
- Senior			541			541	822
- Mezzanine							
- Junior							
2 OBS exposure:							
- Senior							
- Mezzanine							
- Junior							

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

Assets/ values	Traditional	Synthetic
A Own underlying assets		
A1 Totally derecognized		
1 Bad debts	16,446	
2 Substandard loans		
3 Restructured positions		
4 Past due positions		
5 Other exposures		
A2 Partially derecognized		
1 Bad debts		
2 Substandard loans		
3 Restructured positions		
4 Past due positions		
5 Other exposures		
A3 Non-derecognized		
1 Bad debts		
2 Substandard loans		
3 Restructured positions		
4 Past due positions		
5 Other exposures		
B Third-party underlying assets		
B1 Bad debts		
B2 Substandard loans		
B3 Restructured positions		
B4 Past due positions		
B5 Other exposures		

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

SPV	Securitized assets (EoY figure)		Collected during the year		Percentage of securities redeemed (EoY figure)					
					Senior		Mezzanine		Junior	
	Impaired	In bonis	Impaired	In bonis	Impaired	In bonis	Impaired	In bonis	Impaired	In bonis
Eurofinance 2000	22,614		82		51%					

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 transactions

D. Models for measuring credit risk

Banca UBAE does not use its own model for measuring exposure to credit risk, such as might be based on a combination of internal and external inputs for probability of default (PD).

The Risk Management Dept. is in the process of mapping all the Bank's risk categories with a view to using the ECAIs' transition tables to link each internal category to the corresponding PD value reported by the ECAI itself. Risk Management will use the PD values obtained for each debtor in this way to quantify the Bank's expected and unexpected losses. These in turn will be entered into an equation for pricing credit facilities that will highlight the required premium on risk and the cost of regulatory capital (a.k.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 analyzed 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 new 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 (Bloomberg, 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 VaR 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 Directive embodies 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 Directive sets guidelines for the distribution of powers in the financial sphere, defines internal communication flows for managing exceptional events, and describes 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-, secondand 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 Directive) 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 backtesting.

QUANTITATIVE INFORMATION

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

	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		**44,237**			**5,383**	**10,275**		
1.1 Debt securities		44,237			5,383	10,275		
- with an option for early redemption								
- other		44,237			5,383	10,275		
1.2 Other assets								
2 Cash liabilities								
2.1 Repo								
2.2 Other liabilities								
3 Financial derivatives		**51,021**	**20,019**	**3,156**	**40,000**	**15,019**		
3.1 With underlying security:								
- Options								
+ long positions								
+ short positions								
- Other derivatives								
+ long positions								
+ short positions								
3.2 W/out underlying security:		**51,021**	**20,019**	**3,156**	**40,000**	**15,019**		
- Options								
+ long positions								
+ short positions								
- Other derivatives		51,021	20,019	3,156	40,000	15,019		
+ long positions		392,092	20,019		5,000			
+ short positions		443,113		3,156	45,000	15,019		

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

	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		**3,280**						
1.1 Debt securities		3,280						
- with an option for early redemption								
- other		3,280						
1.2 Other assets								
2 Cash liabilities								
2.1 Repo								
2.2 Other liabilities								
3 Financial derivatives		**85,071**		**3,132**				
3.1 With underlying security:								
- Options								
+ long positions								
+ short positions								
- Other derivatives								
+ long positions								
+ short positions								
3.2 W/out underlying security:		**85,071**		**3,132**				
- Options								
+ long positions								
+ short positions								
- Other derivatives		85,071		3,132				
+ long positions		613,029		4,808				
+ short positions		527,958		1,676				

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

	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefi-nite
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		732		1,684				
+ short positions		732		1,684				

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

	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		175,257						
+ short positions		175,257						

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

	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefi-nite
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		1						
+ short positions		1						

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

	Listed			Not Listed
	Italy			
A Equities: trades settled	**748**			
Long positions	748			
Short positions				
B Equities: trades not yet settled				
Long positions				
Short positions				
C Other derivatives on equities				
Long positions				
Short positions				
D Derivatives on share 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 of the Basel 2 framework foresees an additional capital requirement against interest rate risk 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 nonparallel 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**

	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	**708,104**	**456,377**	**25,758**	**20,241**	**61,157**	**5,829**	**2,166**	
1.1 Debt securities		45,683	204		36,438			
- with an option for early redemption								
- other		45,683	204		36,438			
1.2 L&As to banks	684,788	328,423	10,765	19,165	1,045	3,403		
1.3 L&As to customers	23,316	82,271	14,789	1,076	23,674	2,426	2,166	
- A/C	1,026							
- Other L&As:								
- with an option for early redemption	2,414	3,906	2,154	312	2,419	2,426	2,166	
- other	19,876	78,365	12,635	764	21,255			
2 Cash liabilities	**440,198**	**611,350**	**11,021**	**15,684**				
2.1 Due to customers	86,131	15,985						
- A/C	86,131							
- Other liabilities:		15,985						
- with an option for early redemption								
- other		15,985						
2.2 Due to banks	354,067	595,365	11,021	15,684				
- A/C	84,290							
- Other liabilities	269,777	595,365	11,021	15,684				
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								

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

	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	**622,748**	**422,367**	**687**	**919**	**5,275**	**657**		
1.1 Debt securities		2,947						
- with an option for early redemption								
- other		2,947						
1.2 L&As to banks	613,713	415,587	287	112	1,063	657		
1.3 L&As to customers	9,035	3,833	400	807	4,212			
- A/C	32							
- Other L&As:	9,003	3,833	400	807	4,212			
- with an option for early redemption								
- other	9,003	3,833	400	807	4,212			
2 Cash liabilities	**543,644**	**594,932**						
2.1 Due to customers	20,479	474						
- A/C	20,479							
- Other liabilities:		474						
- with an option for early redemption								
- other		474						
2.2 Due to banks	523,165	594,458						
- A/C	23,393							
- Other liabilities	499,772	594,458						
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		144,451						
+ short positions		144,451						

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

	Sight	Up to 3 months	3 to 6months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite
1 Cash assets	**1,661**	**676**						
1.1 Debt securities								
- with an option for early redemption								
- other								
1.2 L&As to banks	1,661	676						
1.3 L&As to customers								
- A/C								
- Other L&As:								
- with an option for early redemption								
- other								
2 Cash liabilities	**187**	**2,222**						
2.1 Due to customers	27	135						
- A/C	27							
- Other liabilities:		135						
- with an option for early redemption								
- other		135						
2.2 Due to banks	160	2,087						
- A/C	151							
- Other liabilities	9	2,087						
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								

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

	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	**933**	**3,034**						
1.1 Debt securities								
- with an option for early redemption								
- other								
1.2 L&As to banks	933	3,034						
1.3 L&As to customers								
- A/C								
- Other L&As:								
- with an option for early redemption								
- other								
2 Cash liabilities	**4,003**							
2.1 Due to customers	362							
- A/C	362							
- Other liabilities:								
- with an option for early redemption								
- other								
2.2 Due to banks	3,641							
- A/C	3,610							
- Other liabilities	31							
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								

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

	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	**16,742**	**3,913**						
1.1 Debt securities								
- with an option for early redemption								
- other								
1.2 L&As to banks	16,742	3,913						
1.3 L&As to customers								
- A/C								
- Other L&As:								
- with an option for early redemption								
- other								
2 Cash liabilities	**16,554**	**3,229**						
2.1 Due to customers								
- A/C								
- Other liabilities:								
- with an option for early redemption								
- other								
2.2 Due to banks	16,554	3,229						
- A/C 18	18							
- Other liabilities	16,536	3,229						
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		31,766						
+ short positions		31,766						

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

	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	**32**	**93**						
1.1 Debt securities								
- with an option for early redemption								
- other								
1.2 L&As to banks	32							
1.3 L&As to customers		93						
- A/C								
- Other L&As:		93						
- with an option for early redemption								
- other		93						
2 Cash liabilities		**73**						
2.1 Due to customers								
- A/C								
- Other liabilities:								
- with an option for early redemption								
- other								
2.2 Due to banks		73						
- A/C								
- Other liabilities		73						
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								

1.G Banking book: Distribution of cash financial assets/liabilities and financial derivatives by residual maturity (repricing date) - **Other currencies**

	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	**311**	**6**						
1.1 Debt securities								
- with an option for early redemption								
- other								
1.2 L&As to banks	311							
1.3 L&As to customers		6						
- A/C								
- Other L&As:		6						
- with an option for early redemption								
- other		6						
2 Cash liabilities	**2**							
2.1 Due to customers								
- A/C								
- Other liabilities:								
- with an option for early redemption								
- other								
2.2 Due to banks	2							
- A/C	2							
- Other liabilities								
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								

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 interest rate and 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

	Currencies					
	USD	GBP	JPY	PLZ	CHF	Other
A Financial assets	**1,055,936**	**2,337**	**20,655**	**125**	**3,967**	**322**
A1 Debt securities	6,227					
A2 Equities	3					5
A3 L&As to banks	1,031,419	2,337	20,655	32	3,967	311
A4 L&As to customers	18,287			93		6
A5 Other financial assets						
B Other assets						
C Financial liabilities	**1,138,576**	**2,409**	**19,783**	**73**	**4,003**	**2**
C1 Due to banks	1,117,623	2,247	19,783	73	3,641	2
C2 Due to customers	20,953	162			362	
C3 Debt securities						
C4 Other financial liabilities						
D Other liabilities	**1,347**					
E Financial derivatives	**88,203**			**49**		**281**
- Options:						
+ Long						
+ Short						
- Other derivatives:	88,203			49		281
+ Long	762,288	2,416	15,884	49	175,257	281
+ Short	674,085	2,416	15,884		175,257	
Total assets	**1,818,224**	**4,753**	**36,539**	**174**	**179,224**	**603**
Total liabilities	**1,814,008**	**4,825**	**35,667**	**73**	**179,260**	**2**
Balance	**4,216**	**(72)**	**872**	**101**	**(36)**	**601**

2. Internal models and other sensitivity-analysis methods

2.4 - Derivatives

A. Financial derivates

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

	Total 2009		Total 2008	
	Over the counter	Core counterparties	Over the counter	Core counterparties
1 Debt securities and interest rates	**65,019**		**257,547**	
a) Options				
b) Interest rates Swap	65,019		257,547	
c) Forward				
d) Futures				
e) others				
2 Equities and share indices				
a) Options				
b) Interest rates Swap				
c) Forward				
d) Futures				
e) Others				
3 Exchange rates and gold	**1,147,801**		**1,232,933**	
a) Option				
b) Interest rates Swap				
c) Forward	1,147,801		1,232,933	
d) Futures				
e) other				
4 Goods				
5 Other assets				
Total	**1,212,820**		**1,490,480**	
Average	**604,509**		**974,889**	

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

A.2.1 Hedging derivatives

A.2.2 Other derivatives

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

	Positive Fair value Total 2009		Positive Fair value Total 2008	
	Over the counter	Core counterparties	Over the counter	Core counterparties
A Trading book	**3,493**		**18,135**	
a) Option				
b) Interest rate swap	191		214	
c) Cross currency swap				
d) Equity swap				
e) Forward	3,302		17,921	
f) Futures				
g) Others				
B Hedges				
a) Option				
b) Interest rate swap				
c) Cross currency swap				
d) Equity swap				
e) Forward				
f) Futures				
g) Others				
C Others				
a) Option				
b) Interest rate swap				
c) Cross currency swap				
d) Equity swap				
e) Forward				
f) Futures				
g) Others				
Total	**3,493**		**18,135**	

A.4 **Financial derivatives positive gross fair value: by instruments**

	Negative Fair value Total 2009		Negative Fair value Total 2008	
	Over the counter	Core counterparties	Over the counter	Core counterparties
A Trading book	**7,154**		**21,151**	
a) Option				
b) Interest rate swap	2,930		3,633	
c) Cross currency swap				
d) Equity swap				
e) Forward	4,224		17,518	
f) Futures				
g) Other				
B Hedges				
a) Option				
b) Interest rate swap				
c) Cross currency swap				
d) Equity swap				
e) Forward				
f) Futures				
g) Altri				
C Other derivatives				
a) Option				
b) Interest rate swap				
c) Cross currency swap				
d) Equity swap				
e) Forward				
f) Futures				
g) Others				
Total	**7,154**		**21,151**	

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

	Gov't and Central Banks	Other entities	Banks	Financial Compa-nies	Insurance Companies	Non Financial Companies	Others
1) Debt securities and interest rates							
- notional value			65,019				
- positive fair value			191				
- negative fair value			2,930				
- future exposure			475				
2) Equities and equity indices							
- notional value							
- positive fair value							
- negative fair value							
- future exposure							
3) Currencies and gold							
- notional value			628,119			519,682	
- positive fair value			2,303			999	
- negative fair value			2,005			2,219	
- future exposure			4,933			4,049	
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 agreements.

A.9 OTC financial derivatives: Residual maturity – Notional values

	Up to 1 year	1 to 5 years	Over 5 years	Total
A Eligible HFT portfolio	**1,147,801**	**50,000**	**15,019**	**1,212,820**
A1 financial derivatives on debt instruments and rates		50,000	15,019	65,019
A2 financial derivatives on equities and equity indices				
A3 financial derivatives on exchange rates and gold	1,147,801			1,147,801
A4 financial derivatives on other instruments				
B Banking Book				
B1 financial derivatives on debt instr'ts and rates				
B2 financial derivatives on equities and equity indices				
B3 financial derivatives on exchange rates and gold				
B4 financial derivatives on other instruments				
Total 2009	**1,147,801**	**50,000**	**15,019**	**1,212,820**
Total 2008	**1,440,461**	**5,000**	**45,019**	**1,490,480**

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

B. Credit Derivatives

C. Credit and Financial derivatives

Section 3 – Liquidity risk

QUALITATIVE INFORMATION

A. General aspects

Banks do not need to calculate an additional capital requirement against liquidity risk under Pillar II of the Basel 2 framework. (Liquidity risk refers to 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). They must, however, guard against liquidity risk by adopting suitable monitoring and audit procedures which have scope for scenario (what-if) analyses and stress tests in relation to prospective liquidity crises in the market. Unlike its approach to interest rate risk, Banca d'Italia does not foresee a core risk indicator and a corresponding operating limit for liquidity risk. Instead, it calls for the implementation of a risk management system that includes scenario analyses and internal policies for mandatory operating limits, as well as suitable contingency planning.

The Bank relies on Master Finance to monitor liquidity (as represented by mismatchings between incoming and outgoing cash flows for any given maturity). For ICAAP purposes, it relies on an ALM product to conduct maturity ladder analyses and devise scenarios on which to base yearly stress testing by the Risk Management unit.

B. Risk management processes and measuring methods

Banca UBAE invests primarily on the interbank money market. Risk Management and the Treasury Division are constantly evaluating the possibility of securing special credit lines to deal with potential liquidity crises.

To complete the risk management process (and comply with the regulations in force), the Bank adopted both an internal policy and a liquidity contingency plan in 2009. While the former was meant to establish decision-making guidelines, allocate roles and duties among the units concerned and define internal operating limits, the latter contains a set of warning signals that can highlight a crisis and thus facilitate appropriate and timely action by the competent bodies.

QUANTITATIVE INFORMATION

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

	Sight	>1 to 7 days	>7 to 15 days	>15 days to 1 month	>1 to 3 months	>3 to 6 months
A Cash assets	**269,354**	**67,824**	**13,352**	**129,804**	**182,859**	**114,500**
A1 Gov't. securities						
A2 Listed debt securities					719	4,994
A3 Holdings in CIUs						
A4 L&As	269,354	67,824	13,352	129,804	182,140	109,506
- to banks	268,260	55,249	4,183	122,711	126,002	94,692
- to customers	1,094	12,575	9,169	7,093	56,138	14,814
B Cash liabilities	**415,210**	**185,915**	**168,436**	**64,300**	**122,340**	**11,000**
B1 Deposits	415,210	185,915	168,436	64,300	122,340	11,000
- from banks	329,079	185,825	158,154	59,000	122,031	11,000
- from customers	86,131	90	10,282	5,300	309	
B2 Debt securities						
B3 Other liabilities						
C Off-balance-sheet transactions	**3,157**	**247,419**	**430,574**	**112,212**	**36**	
C1 Financial derivatives with equity exchange		247,419	430,574	112,212		
- long positions		124,107	220,985	7,000		
- short positions		123,312	209,589	105,212		
C2 Financial derivatives w/out equity exchange	3,121					
- long positions	2,930					
- short positions	191					
C3 Deposits and loans receivable						
- long positions						
- short positions						
C4 Irrevocable undertakings to disburse funds	36				36	
- long positions						
- short positions	36				36	
C5 Financial guarantees issued						

Following

	>6 to 12 months	>1 to 5 years	>5 years	Indefinite
A Cash assets	**174,153**	**361,061**	**32,502**	
A1 Gov't. securities	74	626		
A2 Listed debt securities		111,651	24,419	
A3 Holdings in CIUs				
A4 L&As	174,079	248,784	8,083	
- to banks	172,410	204,737	3,403	
- to customers	1,669	44,047	4,680	
B Cash liabilities	**32,800**	**21,800**	**56,000**	
B1 Deposits	32,800	21,800	56,000	
- from banks	32,800	21,800	56,000	
- from customers				
B2 Debt securities				
B3 Other liabilities				
C Off-balance-sheet transactions	**3,156**			
C1 Financial derivatives with equity exchange	3,156			
- long positions	3,156			
- short positions				
C2 Financial derivatives w/out equity exchange				
- long positions				
- short positions				
C3 Deposits and loans receivable				
- long positions				
- short positions				
C4 Irrevocable undertakings to disburse funds				
- long positions				
- short positions				
C5 Financial guarantees issued				

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

	Sight	>1 to 7 days	>7 to 15 days	>15 days to 1 month	>1 to 3 months	>3 to 6 months
A Cash assets	**576,383**	**92,119**	**35,069**	**204,302**	**88,806**	**6,979**
A1 Gov't. securities						
A2 Listed debt securities						
A3 Holdings in CIUs						
A4 L&As	576,383	92,119	35,069	204,302	88,806	6,979
- to banks	576,351	92,119	34,724	203,307	85,950	6,188
- to customers	32		345	995	2,856	791
B Cash liabilities	**543,644**	**82,478**	**73,859**	**255,397**	**182,823**	
B1 Deposits	543,644	82,478	73,859	255,397	182,823	
- from banks	523,165	82,466	73,859	254,987	182,771	
- from customers	20,479	12		410	52	
B2 Debt securities						
B3 Other liabilities						
C Off-balance-sheet transactions		**394,379**	**779,971**	**111,088**	**146,173**	
C1 Financial derivatives with equity exchange		249,928	779,971	111,088		
- long positions		124,561	384,343	104,125		
- short positions		125,367	395,628	6,963		
C2 Financial derivatives w/out equity exchange						
- long positions						
- short positions						
C3 Deposits and loans receivable		74,726			74,726	
- long positions						
- short positions		74,726			74,726	
C4 Irrevocable undertakings to disburse funds		69,725			71,447	54
- long positions					69,725	54
- short positions		69,725			1,722	
C5 Financial guarantees issued						

Following

	>6 to 12 months	>1 to 5 years	>5 years	Indefinite
A Cash assets	**4,877**	**44,179**	**3,536**	
A1 Gov't. securities			2,879	
A2 Listed debt securities		3,281		
A3 Holdings in CIUs				
A4 L&As	4,877	40,898	657	
- to banks	3,260	29,201	657	
- to customers	1,617	11,697		
B Cash liabilities				
B1 Deposits				
- from banks				
- from customers				
B2 Debt securities				
B3 Other liabilities				
C Off-balance-sheet transactions	**6,484**	**1,668**		
C1 Financial derivatives with equity exchange	6,484			
- long positions	4,808			
- short positions	1,676			
C2 Financial derivatives w/out equity exchange				
- long positions				
- short positions				
C3 Deposits and loans receivable				
- long positions				
- short positions				
C4 Irrevocable undertakings to disburse funds		1,668		
- long positions		1,668		
- short positions				
C5 Financial guarantees issued				

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

	Sight	>1 to 7 days	>7 to 15 days	>15 days to 1 month	>1 to 3 months	>3 to 6 months	>6 to 12 months	>1 to 5 years	>5 years	Indefinite
A Cash assets	**1,661**		**676**							
A1 Gov't. securities										
A2 Listed debt securities										
A3 Holdings in CIUs										
A4 L&As	1,661		676							
- to banks	1,661		676							
- to customers										
B Cash liabilities	**187**	**980**	**566**	**564**	**112**					
B1 Deposits	187	980	566	564	112					
- from banks	160	957	566	564						
- from customers	27	23			112					
B2 Debt securities										
B3 Other liabilities										
C Off-balance-sheet transactions	**1,464**						**3,368**			
C1 Financial derivatives with equity exchange	1,464						3,368			
- long positions	732						1,684			
- short positions	732						1,684			
C2 Financial derivatives w/out equity exchange										
- long positions										
- short positions										
C3 Deposits and loans receivable										
- long positions										
- short positions										
C4 Irrevocable undertakings to disburse funds										
- long positions										
- short positions										
C5 Financial guarantees issued										

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

	Sight	>1 to 7 days	>7 to 15 days	>15 days to 1 month	>1 to 3 months	>3 to 6 months	>6 to 12 months	>1 to 5 years	>5 years	Indefinite
A Cash assets	**933**	**1,348**	**1,383**	**303**						
A1 Gov't. securities										
A2 Listed debt securities										
A3 Holdings in CIUs										
A4 L&As	933	1,348	1,383	303						
- to banks	933	1,348	1,383	303						
- to customers										
B Cash liabilities	**4,003**									
B1 Deposits	4,003									
- from banks	3,641									
- from customers	362									
B2 Debt securities										
B3 Other liabilities										
C Off-balance-sheet transactions			**350,514**							
C1 Financial derivatives with equity exchange			350,514							
- long positions			175,257							
- short positions			175,257							
C2 Financial derivatives w/out equity exchange										
- long positions										
- short positions										
C3 Deposits and loans receivable										
- long positions										
- short positions										
C4 Irrevocable undertakings to disburse funds										
- long positions										
- short positions										
C5 Financial guarantees issued										

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

	Sight	>1 to 7 days	>7 to 15 days	>15 days to 1 month	>1 to 3 months	>3 to 6 months	>6 to 12 months	>1 to 5 years	>5 years	Indefinite
A Cash assets	**16,742**	**2,253**	**984**		**676**					
A1 Gov't. securities										
A2 Listed debt securities										
A3 Holdings in CIUs										
A4 L&As	16,742	2,253	984		676					
- to banks	16,742	2,253	984		676					
- to customers										
B Cash liabilities	**16,554**	**2,253**	**976**							
B1 Deposits	16,554	2,253	976							
- from banks	16,554	2,253	976							
- from customers										
B2 Debt securities										
B3 Other liabilities										
C Off-balance-sheet transactions		**63,534**								
C1 Financial derivatives with equity exchange		2								
- long positions		1								
- short positions		1								
C2 Financial derivatives w/out equity exchange										
- long positions										
- short positions										
C3 Deposits and loans receivable		31,766								
- long positions		15,883								
- short positions		15,883								
C4 Irrevocable undertakings to disburse funds		31,766								
- long positions		15,883								
- short positions		15,883								
C5 Financial guarantees issued										

1.F. Financial assets and liabilities: Breakdown by residual contractual maturity: **PLZ**

	Sight	>1 to 7 days	>7 to 15 days	>15 days to 1 month	>1 to 3 months	>3 to 6 months	>6 to 12 months	>1 to 5 years	>5 years	Indefinite
A Cash assets	**32**	**93**								
A1 Gov't. securities										
A2 Listed debt securities										
A3 Holdings in CIUs										
A4 L&As	32	93								
- to banks	32									
- to customers		93								
B Cash liabilities		**73**								
B1 Deposits		73								
- from banks		73								
- from customers										
B2 Debt securities										
B3 Other liabilities										
C Off-balance-sheet transactions		**49**								
C1 Financial derivatives with equity exchange		49								
- long positions		49								
- short positions										
C2 Financial derivatives w/out equity exchange										
- long positions										
- short positions										
C3 Deposits and loans receivable										
- long positions										
- short positions										
C4 Irrevocable undertakings to disburse funds										
- long positions										
- short positions										
C5 Financial guarantees issued										

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

	Sight	>1 to 7 days	>7 to 15 days	>15 days to 1 month	>1 to 3 months	>3 to 6 months	>6 to 12 months	>1 to 5 years	>5 years	Indefinite
A Cash assets	**311**									
A1 Gov't. securities										
A2 Listed debt securities										
A3 Holdings in CIUs										
A4 L&As	311									
- to banks	311									
- to customers										
B Cash liabilities	**2**									
B1 Deposits	2									
- from banks	2									
- from customers										
B2 Debt securities										
B3 Other liabilities										
C Off-balance-sheet transactions		**281**								
C1 Financial derivatives with equity exchange		281								
- long positions		281								
- short positions										
C2 Financial derivatives w/out equity exchange										
- long positions										
- short positions										
C3 Deposits and loans receivable										
- long positions										
- short positions										
C4 Irrevocable undertakings to disburse funds										
- long positions										
- short positions										
C5 Financial guarantees issued										

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 unit. 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 and the Internal Auditing Dept. and is then submitted to Senior Management.

QUANTITATIVE INFORMATION

	Total 2009	Total 2008
OPERATIONAL RISK	**6,840**	**6,450**
1 Basic indicator approach	6,840	6,450
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 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.

Approach of a pre-established percentage (90%) of any given limit triggers a warning signal so that the situation can be duly analyzed 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

	2009	2008
1 Share capital	**151,061**	**143,624**
2 Share premium account	**16,702**	**16,702**
3 Reserves	**17,333**	**16,945**
of equity:	17,333	16,945
a) Legal reserve	9,298	8,906
b) Extraordinary reserve		
c) own shares		
d) other	8,035	8,039
other reserves:		
4 Capital instruments		
5 (Treasury stock)		
6 Valuation reserves	**285**	
- Financial assets available for sale	285	
- 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	**8,085**	**7,825**
Total	**193,466**	**185,096**

B.2. Valuation reserves relating to financial assets available for sale: composition

	Total 2008		Total 2009	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1 Debit Securities	285			
2 Equities				
3 Holdings in collective investment undertakings				
4 Loans				
Totale	**285**			

B.3. Valuation reserves relating to financial assets available for sale: Yearly variations

	Debt Securities	Equity and Shares	Holdings in O.I.C.R.	Loans
1 Opening Balance				
2 Increases	**285**			
2.1 Fair value adjustments	285			
2.2 Income statement reversal of negative reserves				
- from impairment				
- from disposals				
2.3 Other increases				
3 Decreases				
3.1 Fair value adjustments				
3.2 Impairment write-downs				
3.3 Income statement reversal of positive				
3.4 Other decreases				
4 Closing Balance	**285**			

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 intangibile assets.

2. Tier 2 capital

Tier 2 capital includes:1. passività subordinate

1. subordinated loans
2. 50% of valuation reserves, reckoned after tax

3. Tier 3 capital

Consisting in the portion of subordinated loans exceeding 50% of Tier 1 capital, Tier 3 capital formed part of the Bank’s regulatory capital in the 2008 balance sheet but was non-existent as at 31.12.2009.

B. QUANTITATIVE INFORMATION

	Total 2009	Total 2008
A Tier 1 capital before prudential filters	**192,833**	**184,599**
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)	**192,833**	**184,599**
D. Tier 1 deductible items		
E Total capital (TIER1)(C-D)	**192,833**	**184,599**
F TIER 2 capital before prudential filters	85,876	92,300
G. Tier 2 capital prudential filters	(96)	
G.1 - positive IAS/IFRS prudential filters		
G.2 - negative IAS/IFRS prudential filters	(96)	
H Tier 2 capital before deductible item (F+G)	85,780	92,300
I item to be deducted from Tier 2 capital		
J Total Tier 2 capital (H-I)	**85,780**	**92,300**
K Items to be deducted from Tier 1 and Tier 2 combined total		
L Eligible capital (E+J-K)	**278,613**	**276,899**
M Tier 3 capital (TIER 3)		1,100
N Eligible capital inclusive of TIER 3 capital (L+M)	**278,613**	**277,999**

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 on-going 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, ie, 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, ie, 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, ie, 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, ie, 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	
	Total 2009	Total 2008 (*)	Total 2009	Total 2008
A RISK ASSETS				
A1 Credit and counterparty risk				
1 Standard methodology	3,259,771	4,609,771	1,235,841	1,579,327
2 Methodology based on Internal ratings				
2.1 based				
2.2 advanced				
3 Securization	1,548	2,222	19,348	27,779
B CAPITAL REQUIREMENTS				
B.1 CREDIT AND COUNTERPARTY RISK			**100,415**	**128,568**
B.2 MARKET RISK			**2,418**	**2,407**
1 Standard Methodology			2,418	2,407
2 Internal Models				
3 Credit concentration Risk				
B.3 OPERATIONAL RISK			**6,840**	**6,450**
1 Basic indicator approach			6,840	6,450
2 Standardized approach				
3 advanced method				
B.4 Other capital requirements				
B.5 Other calculing elements				
B.6 TOTAL CAPITAL REQUIREMENTS			**109,673**	**137,425**
RISK ASSETS AND CAPITAL RATIONS				
C.1 Risk weighted assets			1,370,908	1,717,818
C.2 Tier 1 capital ratio (Tier 1 capital/risk weighted assets)			14.07%	10.75%
C.3 Total capital ratio (Eligible capital/risk weighted assets)			20.32%	16.18%

(*) 2008 assets have been modified in respect to 2008 Balance sheet on the basis of some explanatory guidance

Part G: mergers involving corporate units or lines of business

1. Compensation of Directors, Auditors and Management

Description		2009
(1) Short-term benefits		**1,825**
- Directors	864	
- Auditors	119	
- Management	842	
(2) Post-severance benefits		**46**
(3) Other benefits		**304**

(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.

2. Dealings with connected parties

2.1 Dealings with the lead shareholder

Dealings with the Bank's lead shareholder form part of its ordinary business operations and are conducted at market prices, as with unrelated parties of similar credit standing.

Description	31/12/2009
Financial assets	480
Financial liabilities	131,442
Guarantees outstanding	1,096

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

Resolutions passed by the shareholders' ordinary general meeting held on 30 April 2010

AGENDA

1) Review and approval of the accounts for the financial year ended 31 December 2009 and of the Annual Report on operations
2) Statutory Auditors' report
3) Independent Auditors' report
4) Proposal for the allocation of net profit and resolutions pertaining thereto
5) Approval of the Bank's proposed remuneration-and-incentives policy for Directors, Auditors, salaried staff and personnel not in the Bank's direct employment (cf. Banca d'Italia's letter of 4 March 2008, section 4, containing supervisory instructions on matters of corporate organization and governance)
6) Grant of a bonus to Directors in relation to 2009 profit results

Having taken due cognizance of the Directors' Annual Report, the Statutory Auditors' report and the Independent Auditors' report accompanying the financial statements for the year ended 31 December 2009, the AGM unanimously:

- **approved** the Annual Report and financial statements for the year to 31 December 2009 and discharged the Board of Directors of any liability in relation thereto;

- **accepted** the Board of Directors' recommendation that net profit be allocated as follows:

- Net profit	Euro 8,084,946.00
- 5% to Legal Reserve (art. 30, para. a) of the Articles of Association)	Euro 405,000.00
- Residual gain	Euro 7,679,946.00
- Retained profit	Euro 74.23
	Euro 7,680,020.23
- Profit to be retained	Euro 7,680,020.23

As a result of the foregoing, reserves will total EUR 42,404,660.00. Shareholders' equity (comprising share capital, reserves and the share premium account) will add up to EUR 193,465,460.00.

The AGM thanked the entire Board of Directors for its stewardship and commitment to the Bank's continued growth, as well as the Auditors for their assiduous participation in the governing bodies' diverse activities and for the dedication they had shown in discharging their statutory duties. Lastly, the AGM commended the Management and all staff members, whose work underpinned the Bank's year-end result.

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