BANCA UBAE S.p.A.

Financial Statements
01 Jan 2011-29 Feb2012
Thirty-Ninth Financial Year

Share Capital | **Euro 151,060,800.00 (fully paid up)**
Reserves (29 February 2012): | **Euro 50,815,284.00**

Share Capital	**Euro 151,060,800.00 (fully paid up)**
Reserves (29 February 2012):	**Euro 50,815,284.00**

Shareholders:

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

	Legal Office and Corporate Headquarters ROME	**Branch MILAN**
Address:	Via Quintino Sella, 2 – 00187 Rome, Italy	Piazza A. Diaz, 7 – 20123 Milan, Italy
P.O. Box:	290	--
Telephone:	+39 06 423771	+39 02 7252191
Cable:	UBAE ROMA	UBAE MILANO
Fax:	+39 06 4204641	+39 06 42045415
Swift:	UBAI IT RR	UBAI IT RR MIL
Website:	www.bancaubae.it	

Dealing room telephone: +39 06 42046301-4
Reuters: UBAE

Representative Office
TRIPOLI (Libya)
Omar Mukhtar Street – Omar Mukhtar Investment Complex
Telephone: +218 21 4446598 / 4447639
Fax: +218 21 3340352

EXTRAORDINARY COMMISSIONERS **APPOINTED 12.04.2011 (1)**

Corrado Casalino
Attilio Zimatore

SUPERVISORY BOARD **APPOINTED 12.04.2011 (1)**

Raffaele Lener, Chairman
Maurizio Losavio
Oliviero Pesce

(1) on 1 March 2012, following the reconstitution of the institutional bodies by the Shareholders' Assembly, and the bank's return to ordinary administration, the procedure for extraordinary administration of Banca UBAE SpA came to an end; therefore the relative admin and control bodies were closed.

TEMPORARY COMMISSIONERS **FROM 12.03.2011 TO 12.04.2011**

Vincenzo Cantarella
Maurizio Losavio

BOARD OF DIRECTORS 2012-2014 (2)

Chairman: Abdullatif El Kib* **Vice Chairman**: Alberto Rossetti *

Members:

Yousef A. Abdelmaula*
Radaedin M. Banuga
Mohamed Benchaaboun
Luigi Borri
Abdelrazak M. Elhoush
Ernesto Formichella *
Saleh A. Keshlaf *

*** Members of the Executive Committee**

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

BOARD OF AUDITORS (2)

Chairman	**Effective auditors**	**Alternate auditors**
Marco Leotta	Fernando Carpentieri	Fabio Gallassi
	Cosimo Vella	Francesco Rocchi

(2) Appointed by the Shareholders' General Meeting held on 29 February 2012, called upon the provision of The Bank of Italy of 24 February 2012.

MANAGEMENT

General Manager: Biagio Matranga
Deputy General Manager: Jamal R. Elbenghazi
Assistant General Manager, Administration: Marcello Fontana (1)
Assistant General Manager, Operational: Adel Aboushwesha

(1) resigned on 30 June 2011

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

Extraordinary Commissioners' Report

Following the well known political and institutional crisis that affected Libya in 2011, and its dramatic evolution into an internal military conflict, various provisions were issued by the authorities (international, EU and domestic) with the aim of imposing restrictions (subjective and objective) on various categories of Libyan subjects (organisations, companies, individuals), their activities and their foreign assets. These provisions involved Banca UBAE, both as absolute majority partner of Libyan Foreign Bank[1], and for the outstanding importance of operations with Libyan subjects, both public and private, which characterised, and still does, the traditional activity of the bank.

The procedure for the extraordinary administration of Banca UBAE formed part of this complex political and normative scenario, as it can be clearly seen from the provisions issued by The Bank of Italy and the Ministry of the Economy which established, firstly, the temporary administration of the bank, according to article 70 of the "*Consolidated Banking Law*" (legislative decree no. 385 of 1.9.1993, and subsequent modifications) – with provisions issued by The Bank of Italy on 12.3.2011 – and then – with a decree of the Ministry of the Economy and Finance on 8.4.2011 and subsequent provisions of The Bank of Italy on 12.4.2011 – the closure of the bank's administrative and control bodies and the opening of the procedure for extraordinary administration, with the appointment of the relative administrative bodies. From these provisions, it can be noted that the appointment of commissioners and the external administration of the bank did not depend on serious administrative irregularities or financial losses (as it usually is, see article 70 of the above-mentioned *Consolidated Banking Law*), but instead on the need to carry out the provisions that established restrictions, including those of financial nature, on subjects whose names were listed, and to safeguard the bank's administration in a situation of serious uncertainty in Libya, avoiding the risk that the bank's resources might be used to finance acts of repression against the Libyan population.

The complex normative situation mentioned above – which also affected UBAE's activities – can be summarised as follows, bearing in mind the numerous provisions issued by various international authorities, EU and domestic (United Nations Security Council, OFAC, Council of the European Union, Bank of Italy, Committee for Financial Security). The summary of this disciplinary system and its subsequent evolution also shows how these provisions affected UBAE's activities.

1.
On 26 February 2011 the UN Security Council approved the Resolution no. 1970 (2011) ordering an embargo on weapons, a ban on equipment likely to be used for internal repression, a ban on transit movement in Libyan territory, as well as the freezing of funds, financial activities and all types of economic resources, owned or controlled, directly or

[1]) The Libyan Foreign Bank, controlled 100% by the Central Bank of Libya, holds 67.55% of Banca UBAE's capital.

indirectly, by physical or juridical persons expressly designated or involved in carrying out serious violations of human rights harming people in Libya.

Furthermore, on 25 February 2011 the Office of Foreign Assets Control (OFAC) of the US Treasury Department had already published an executive order signed by the President blocking the properties of organisations linked to the Libyan government, the Central Bank of Libya and clearly identified subjects, with a consequent ban on carrying out any type of transaction with these counterparties.

Immediately afterwards, the EU Council adopted EU Regulation no. 204 of 2 March 2011 (published in the Official Gazette of the European Union on 3 March 2011, the date it came into force) which, in order to guarantee respect for the basic rights of the Libyan people, imposed restrictive measures in compliance with what was laid down by UN Resolution no. 1970. In particular, the embargo on weapons was given more substance with a ban on selling or buying, exporting or importing equipment that could be used for internal repression (listed as an annex to the Regulation itself). In addition, dispositions were made for the freezing of funds and economic resources belonging to, owned by, held by or controlled by the people listed in the annexes to the Regulation (in part already indicated in the UN Resolution), including the Libyan leader, Muammar Mohamed Gheddafi, his family members and other people held to be responsible for violations of human rights harming the people of Libya. The aim of the Regulation was to ensure that no funds or economic resources were made available to the entities shown in the lists.

Following the dispositions of Resolution no. 1970 and Regulation no. 204, on 7 March 2011, The Bank of Italy brought to the attention of intermediaries the communiqués from the Financial Information Unit (FIU) and the Committee of Financial Security (CSF), concerning the restrictive measures imposed against Libya, with special reference to the obligation to report suspicious operations linked to the activities of listed subjects and, in the event of the execution of transactions or operations, to carry out preventive checks on the origin and the destination of the funds used, as well as serious efforts to identify the ultimate principal, so as to ensure that the beneficiary was not one of the listed subjects.

In the subsequent months, the European Union issued various other Regulations with names and securities that were added from time to time to the lists of the entities subject to restrictive measures. The first one was the Regulation of Execution no. 233/2011 of 10 March 2011 (published in the Official Gazette of the European Union on 11 March 2011) which added to the lists, amongst others, the Central Bank of Libya, the Libyan Foreign Bank, the Libyan Investment Authority, counterparties of Banca UBAE in a wide range of commercial activities, as well as current account holders.
With provision no. 225510/11 of 12 March 2011 The Bank of Italy ordered the temporary administration of Banca UBAE, according to article 76 of the legislative decree no. 385 of 1993 (financial legislation entitled "*Consolidated Banking Law*"), with the consequent suspension of the administrative and control bodies and the appointment of Commissioners, Dr Vincenzo Cantarella and Dr Maurizio Losavio, who took office on 14 March 2011. The provision of the Supervisory Body was backed by the fact that the listed entities included the Central Bank of Libya and the Libyan Foreign Bank, controlling bodies and main counterparties of Banca UBAE, and was aimed at safeguarding UBAE's administration, with specific regard to ensuring compliance with international measures.
With a note of 25 March 2011, the Committee for Financial Security (CSF) at the Ministry of the Economy and Finances (MEF), confirmed to the Commissioners in charge of the

temporary administration that there were no obstacles to the normal continuation of UBAE's activities including dealing with ordinary clients and the banking counterparties, on the understanding that there would be full compliance with EU regulation no. 204/2011 regarding the ban on making funds and economic resources available to physical and juridical people, entities or organisms subject to restrictive measures.

Regulation no. 272/2011 of 21 March 2011 (published in the Official Gazette of the European Union on 22 March 2011) ordered, amongst other actions, the freezing of funds belonging to The National Commercial Bank, Gumhouria Bank and Sahara Bank (banks owned by the Libyan State) and the Gaddafi International and Development Foundation, considered as a potential source of funding for the regime.

In application of international provisions and acting on the previously mentioned communiqués of the supervisory authorities, Banca UBAE took immediate steps to freeze existing relationships with Libyan subjects as indicated above, at the same time informing the UIF, according to the requirements of legislative decree no. 109 of 22 June 2007 (containing measures for preventing, fighting and overcoming the funding of terrorism). Moreover, this step was taken whenever a UBAE account holder was found to be included on the lists.

The first critical aspects began to emerge immediately after the EU Regulations came into force, with particular reference to operations with letters of credit and guarantees which, although issued before the date on which the restrictive measures were imposed, involved Libyan subjects whose names were on the lists.

Regulation no. 204/2011 introduced a complex procedural path which, as an exception to the freezing procedure, made it possible to obtain, from the competent authorities of member States, permission to release (unfreeze) some funds or economic resources, as long as certain conditions were met, very briefly, that the funds were necessary to meet the basic needs of the listed people (including payments relating to food supply, medical treatment, rents, etc) to make payments of professional fees and legal expenses, to pay for extraordinary expenses and, furthermore, that the funds were subject to a constraint or a judicial sentence, or were intended for payments owed by a listed entity for a contract or an agreement set up before the date of inclusion on the lists.

In March, Banca UBAE took urgent steps to obtain the issue of the relevant authorisations by the CSF to utilise the frozen funds that listed persons held with the bank, mainly for letters of credit or guarantees already in existence when the restrictive measures prevented payment or the delivery of goods already paid for.

Meanwhile, on 4 March 2011, OFAC issued a provision that included an exception (General License no. 1A) to the dispositions of the executive order of 25 February which allowed banking subjects controlled by Libya – not listed and subject to the supervisory authorities of a country different from Libya – to carry out transactions. This licence enabled UBAE to operate without any restrictions with US counterparties.

Meanwhile, with reference to military activity, UN Resolution no. 1973 (2011) of 17 March 2011 placed a ban on flights over Libya and invited the member States to adopt all necessary measures to protect the civilian population (excluding invasions by land).

The dispositions of UN Resolution no. 1973 were reflected by EU Regulation no. 296/2011 of 25 March 2011 (published in the Official Gazette of the European Union on 26 March 2011) which reinforced the measures already taken by placing a ban on Libyan planes flying in EU flight space, and a ban on EU planes flying in Libyan flight space. Furthermore, as an exception to freezing, it allowed some funds to be made available to listed subjects if they were required for humanitarian purposes (medical supplies and medicines, food, etc), subject to the permit of the competent authorities.
Other provisions were adopted (Reg. no. 288/2011 of 23 March 2011; Reg. no. 502/2011 of 23 May 2011) aimed at expanding the lists of the entities subject to restrictions.

2.
Following the provision of 12 March 2011 with which The Bank of Italy had placed Banca UBAE under temporary administration, the Ministry of the Economy and Finances, with decree dated 8 April, ordered the closure of UBAE's administration and control bodies, placing it under extraordinary administration, according to the norms of chapter 4, paragraph 1, section 1 of the "*Consolidated Banking Law*" banking legislation. On 12 April 2011, The Bank of Italy issued a provision appointing Mr Corrado Casalino and Mr Attilio Zimatore as Extraordinary Commissioners with powers of administration over the bank; while Messrs Lener, Losavio and Pesce were appointed as members of UBAE's Supervisory Board with responsibilities of control and consultation. The newly appointed bodies for extraordinary administration took office in Banca UBAE on 18 April 2011. The procedure of extraordinary administration, like the temporary administration, was set up not for reasons of management irregularities or serious financial losses, but as a result of the socio-political crisis that was afflicting Libya. Therefore, the procedure did not lead to a reduction in UBAE's activities which continued to be conducted in compliance with the restrictive measures imposed by national and international authorities, but at the same time in a proactive and dynamic manner, particularly – but not exclusively – in the interest of Italian clients, with all the countries of North Africa, the Middle East and the Indian sub-continent with whom UBAE traditionally has important relationships with specific know-how for activities of trade finance as well as contractual aspects, guarantees and funding of international tenders.

From July to October 2011, in parallel to the evolution of the Libyan crisis, Banca UBAE put forward requests and obtained authorisations from the CSF for the release of Libyan funds to be used for opening letters of credit for exports to Libya of basic goods, for payment of study scholarships in favour of young Libyans resident abroad, for settling the expenses incurred by non-listed subjects, and to pay for goods required to meet the basic needs of the Libyan population.

EU Regulation no. 872/2011 of 1 September 2011 (published in the EU Official Gazette on 2 September 2011) eliminated several entities from the list of those subject to restrictive measures, including the National Commercial Bank, the Gumhouria Bank, the Sahara Bank and some important petroleum companies (Brega, Sirte Oil Company, Tamoil Africa Holdings Ltd, etc).

From 17 September 2011, provision was made to release funds owned, held or controlled by Central Bank of Libya, Libyan Foreign Bank, Libyan Investment Authority and the Libyan Africa Investment Portfolio. However, the blockage of the above funds remained in force until 16 September and their utilisation was allowed only for reasons expressly envisaged by the norm, that is for humanitarian and civilian purposes, to support the resumption of activities in the petroleum and banking sectors, and to facilitate the setting up of a new government in Libya, always with the permission of the authorities.

OFAC also published provisions which reduced the impact of the restrictions previously imposed by the executive order in February, also including the "General License no. 8A" which, from 19 September 2011, made it possible to carry out transactions with Central Bank of Libya and with subjects controlled by the Libyan government.

On 10 November 2011, with EU Regulation no. 1139/2011, the Council of the European Union lifted the ban on Libyan planes using EU airports.

On 16 December 2011, the UN Security Council lifted the restrictive measures regarding Central Bank of Libya and Libyan Foreign Bank. In line with these dispositions, the EU Council issued EU Regulation no. 1360/2011 of 20 December 2011 (published in the EU Official Gazette on 22 December 2011) releasing the funds and the assets of Central Bank of Libya and Libyan Arab Foreign Bank, thus creating the basis to enable the extraordinary commissioners to put forward and submit the necessary requests to The Bank of Italy to define the end of the extraordinary administration status, enabling UBAE to call the shareholders' meeting for the reconstitution of the bank's ordinary administration and control bodies.

On 20 February 2012, the extraordinary commissioners, after having issued, according to article 75 of the "*Consolidated Banking Law*", their final report dated 1 February 2012, presented a petition requesting The Bank of Italy to lift the extraordinary administration of Banca UBAE and authorizing them – according to article 72, paragraph 6, of the "*Consolidated Banking Law*" – to call the ordinary assembly of shareholders, with an agenda including the appointment of the Board of Directors and the Board ofAuditors.

Following The Bank of Italy's authorisation of 24 February 2012, the extraordinary commissioners took steps to call the ordinary meeting which was regularly held on 29 February 2012, appointing the new administration and control bodies.

The new administration and control bodies took over the management of the bank from the extraordinary commissioners on 1 March 2012.

According to article 75 of the "*Consolidated Banking Law*" and its terms, the extraordinary commissioners, on completion of their mandate, draw up the Financial Statements referring to the whole period under consideration, from the start of the extraordinary administration (2011) whose duration – according to the above norm – is prolonged *ex lege* until the end of the procedure (29 February 2012), constituting a single fiscal period.
This balance is then submitted to The Bank of Italy for approval.

Rome, 12 June 2012

THE EXTRAORDINARY COMMISSIONERS
Mr Corrado Casalino
Mr Attilio Zimatore

Report by Supervisory Board

The Supervisory Board for the Procedure, appointed on 12 April 2011, was made up of Messrs Raffaele Lener (chairman), Maurizio Losavio and Oliviero Pesce.
The Board took office on 18 April 2011 and carried out the tasks given to it by law for the whole period, keeping in close contact with the extraordinary commissioners and the bank's departments, making observations and giving opinions, according to article 72, paragraph 2 of the "*Consolidated Banking Law*" and the instructions issued by the Bank of Italy.
It is important to note that the procedure for extraordinary administration, like the period of temporary management that preceded it, was not caused by management irregularities or serious financial losses, but instead by the political crisis in Libya and the consequent restrictive measures imposed by international and domestic authorities. Against this background, the bank continued to operate, always in compliance with the above-mentioned restrictive measures. For this reason the Board carried out its tasks taking into account the specific aspects of extraordinary administration.
After taking office, the Board formally assembled in public discussion with the commissioners on the following dates: 5 May 2011, 18 May 2011, 22 June 2011, 20 July 2011, 6 September 2011, 9 November 2011, 20 January 2012, 1 February 2012.

The Board operated in close contact with the bank's internal auditing service, in particular conducting investigations regarding presumed errors reported anonymously to the Board; however, regarding these reports, no irregularities or anomalies were found.

On 22 June 2011, the Board presented its report, according to article 73, paragraph 4, of the "*Consolidated Banking Law*", after having examined the situation of the bank's accounts prepared for the extraordinary commissioners, as well as the draft balance for the year 2010, not yet approved but under preparation by the auditing company BDO S.p.A..
The Board closely followed the bank's operation and administration during the period in question, and the results made it possible to preserve, as far as possible, the bank's value and positioning on the market.

In January 2012, once all the restrictive measures against Libya wer lifted, it was possible to start taking the first steps towards the bank's return *in bonis* to normal business. Following authorisation of The Bank of Italy on 24 February 2012, the extraordinary commissioners called the ordinary meeting which was held on 29 February 2012, appointing the new administration and control bodies.
The new administration and control bodies took over the management of the bank from the extraordinary commissioners on 1 March 2012.

According to article 75 of the "*Consolidated Banking Law*" and its terms, the extraordinary commissioners, having completed their mandate, drew up the Financial Statements referring to the whole period under consideration, from the beginning of the extraordinary administration (2011) whose duration – according to the above norm – was prolonged *ex lege* until the end of the procedure (29 February 2012), constituting a single fiscal period.

The Supervisory Board considers the Financial Statements to be correct, in line with legal forecasts and, as such, transparently reflecting the whole period of extraordinary administration.

In brief, the Financial Statements as of 29 February 2012 was closed with the following results (Euro/000):

ASSETS	3,011,180
LIABILITIES	2,797,563
SHAREHOLDERS' EQUITY	213,617
PROFIT	11,741

It should be noted that these results are fully consistent with the Financial Statements for 2010 (not yet approved for technical reasons) which, in turn, was in line with the 2009 Financial Statements.

Rome, 18 June 2012

THE SUPERVISORY BOARD
Mr Raffaele Lener, president
Mr Maurizio Losavio, member
Mr Oliviero Pesce, member

Report by auditing firm

BDO
Via Nizza 128
00198 Rome

Email: roma@bdo.it
Tel: +39 0685304330
Fax: +39 0685305447
www.bdo.it

**Report by the auditing firm, pursuant
articles 14 and 16 of the legislative decree no. 39 of 27 January 2010**

To the Extraordinary Commissioners
of Banca UBAE S.p.A.

1.
We conducted the accounting audit on the statement of accounts for the closure of Extraordinary Administration, made up of the balance, the profit and loss account, the Comprehensive Net Income detail, the summary of changes in net assets, the financial report, and the relative integrative note, for Banca UBAE S.p.A. The balance was closed on 29 February 2012 and referred to the period between 1 January 2011 and 29 February 2012, drawn up according to article 75, second paragraph, of the legislative decree no. 385/1993. The responsibility for drawing up the closing balance of the Extraordinary Administration in compliance with the International Financial Reporting Standards adopted by the European Union, and in compliance with the provisions issued to implement article 9 of legislative decree no. 38/2005, lies with the Extraordinary Commissioners of Banca UBAE S.p.A.. Our responsibility is to express a professional opinion on the closing balance of the Extraordinary Administration based on auditing the accounts.

2.
Our examination was conducted according to the principles and criteria for auditing recommended by the Italian stock exchange controller Consob. In conformity with these principles and criteria, the audit was planned and carried out in order to acquire all the necessary elements to ascertain whether the closing balance of the Extraordinary Administration contained significant errors and whether the overall results were reliable. The auditing procedure includes the examination and spot checks on probative elements supporting the calculations and the information contained in the closing balance of the Extraordinary Administration, as well as an assessment of the suitability and correctness of the accounting criteria used, and the realistic nature of the estimates made by the Extraordinary Commissioners. We believe that the work carried out provides a reasonable basis for expressing our professional opinion.

For comparison purposes, the balance presents the data from the previous year. Regarding the balance closed on 31 December 2010, we have not prepared a report containing our professional opinion. The reason, also shown in paragraph 4 of this report, is due to the fact that the draft balance on 31 December 2010 was not approved by the Board of Directors holding office at that time. Therefore, the opinion expressed in this report does not extend to the figures of the previous year.
We should also point out that the profit and loss account of the closing balance for the Extraordinary Administration refers to a period of 14 months and therefore cannot be compared with the balance closed on 31 December 2010.

3.
In our opinion, the closing balance of the Extraordinary Administration of Banca UBAE S.p.A. on 29 February 2012 complies to the International Financial Reporting Standards adopted by the European Union, and with the provisions of article 9 of legislative decree no. 38/2005. Therefore it is drawn up clearly and gives a trustworthy and correct picture of the assets and financial situation on 29 February 2012, together with the economic results and the cash flows of Banca UBAE S.p.A. for the period 1 January 2010 to 29 February 2012.

4.
For a better understanding of the bank's assets and economic situation, we should refer to the following significant facts and information previously described by the Commissioners in their report.

As indicated in the report of the Extraordinary Commissioners, the procedure for the Extraordinary Administration of Banca UBAE S.p.A. forms part of the complex political and regulatory scenario following the crisis that afflicted Libya in 2011, and the consequent provisions issued by the authorities (international, EU and domestic) aimed at imposing restrictions of subjective and objective nature on certain categories of Libyans, their activities and their foreign assets. As it can be noted in The Bank of Italy's provision on 12 March 2011, which established the temporary administration of the bank according to article 70, letter (a) of the financial legislation *Consolidated Banking Law* and the subsequent decree of the Ministry of Economy and Finance on 8 April 2012 which, together with the provision of The Bank of Italy on 12 April 2012, laid down the closure of the bank's administration and control bodies and the opening of the procedure for extraordinary administration with the appointment of the relative bodies – this shows that the extraordinary administration of the bank did not depend on management irregularities or financial losses, but rather on the need to implement the provisions imposing restrictions, also of a financial nature, against what are known as "listed" people. Coupled with this was the need to supervise the running of the bank in a situation of serious uncertainty in the reference country, to make sure that the bank's resources were not used to fund acts of repression against the Libyan population. Once the procedure was over, the bank returned to ordinary administration as of 1 March 2012 following the appointment of the new administrative and control bodies by the shareholders' assembly on 29 February 2012. In all this, the procedure for extraordinary administration began before the draft balance 2010 had been drawn up and formally approved by the administration and control bodies. The draft balance as of 31 December 2011, drawn up by the bank's general management and recorded to the Business Registry, showed a total credit balance of about 3,374 million euros, net assets of about 202 million euros including a profit of about 8.4 million euro. In order to better understand the time scale of events, the result of the balance as of 31

December 2010 has been included in this balance under the heading "reserves" where item 160 of liabilities record including profits and/or losses carried forward.

5.
The responsibility for drawing up the management report, in conformity with the legal norms and regulations, lies with the Extraordinary Commissioners of Banca UBAE S.p.A.. Our responsibility is to express an opinion on the consistency of the report with the Financial Statements, as required by law. To this end, we carried out the procedures indicated by auditing principle 001 issued by the National Council of Business Consultants and Expert Accountants and recommended by Consob. In our opinion, the report drawn up by the Extraordinary Commissioners is consistent with the closing balance of the Extraordinary Administration of Banca UBAE S.p.A. as of 29 February 2012.

Rome 26 June 2012

BDO S.p.A.

Felice Duca
(partner)

Summary of business activities
Financial Year 01 Jan 2011 / 29 Feb 2012

Breakdown of imports/exports and UBAE's share of yearly totals

EUR/mn

COUNTRIES		2011		2010		2009	
		IMPORTS	EXPORTS	IMPORTS	EXPORTS	IMPORTS	EXPORTS
1)	TURKEY	5,978	9,628	5,161	8,031	4,423	5,678
2)	UAE	862	4,736	451	3,685	367	3,841
3)	INDIA	4,782	3,740	3,811	3,389	2,907	2,750
4)	SAUDI ARABIA	7,209	3,718	3,090	2,675	2,009	2,451
5)	TUNISIA	2,575	3,049	2,315	3,430	2,033	2,558
6)	ALGERIA	8,275	3,018	7,904	2,872	6,041	2,598
7)	SOUTH KOREA	3,258	2,932	2,973	2,513	2,025	2,176
8)	EGYPT	2,528	2,590	1,888	2,936	1,422	2,617
9)	IRAN	5,328	1,866	4,673	2,061	1,969	2,023
10)	MOROCCO	615	1,477	529	1,430	422	1,374
11)	MALTA	260	1,401	248	1,076	218	1,002
12)	LEBANON	35	1,331	28	1,038	19	767
13)	SYRIA	960	906	1,134	1,168	421	717
14)	QATAR	2,060	766	1,500	940	315	1,216
15)	CYPRUS	89	666	89	760	37	719
16)	JORDAN	58	628	62	421	43	404
17)	LIBYA	3,972	613	11,838	2,705	10,156	2,451
18)	KUWAIT	80	580	108	734	76	628
19)	PAKISTAN	584	492	489	568	423	605
20)	IRAQ	2,857	490	3,047	446	2,535	579
21)	OMAN	126	330	77	307	42	321
22)	BANGLADESH	715	312	536	252	447	176
23)	SRI LANKA	399	220	361	159	320	137
24)	BAHRAIN	217	163	112	142	36	166
25)	SUDAN	242	138	7	156	8	165
26)	YEMEN	14	54	8	124	5	116
27)	BURKINA FASO	12	37	5	20	2	16
28)	MAURITANIA	211	36	109	20	132	26
29)	CHAD	3	17	0	22	0	39
	TOTAL	**54,304**	**45,934**	**52,553**	**44,080**	**38,853**	**38,316**
	UBAE'S SHARE	**878**	**1,188**	**2,377**	**2,064**	**4,974**	**2,148**
	%	1.62	2,59	4.52	4.68	12.80	5.61

UBAE’S ACTIVITIES DURING THE PERIOD 01 JAN 2011 - 29 FEB 2012

OVERVIEW

SUMMARY

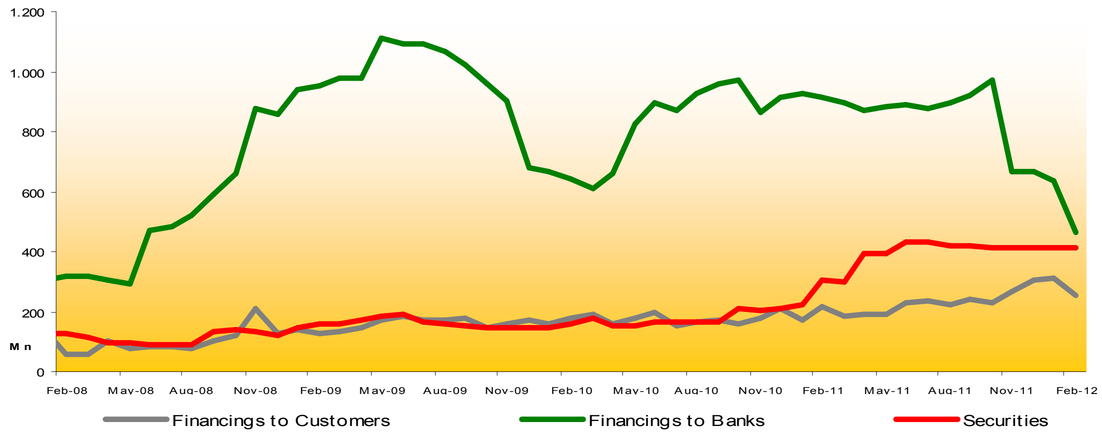
The Financial Statements, as per regulatory provisions on the matter (ex article 75 – "*Consolidated Banking Law*") for businesses that terminate the period of extraordinary administration, was set for 29 February 2012 (end of extraordinary administration) and was compared with the balance, submitted to the extraordinary commissioners and the Supervisory body, drawn up on 31 December 2010 and deposited on 11 July 2011.

The balance which was closed on 29 February 2012, as established by current dispositions, will be submitted by the extraordinary commissioners to The Bank of Italy for approval.

COMMERCIAL ACTIVITY

Financing to customers

The bank's activity is mainly aimed at encouraging financial intermediation in support of commercial operations with counterparties who operate in the import/export field, or activities of structural works, in countries traditionally forming part of UBAE's reference, with limited operations on the retail market. During the period under consideration, in spite of generalised market difficulties and the bank's particular situation, financings to customers increased significantly with a minimum slowdown towards the end of the period mainly due to the need to reposition the activity of this sector and to stabilise the structure of the bank's financial undertakings.



Considering the high risks and low profitability, but mainly the fact that they are extraneous to the bank's core business, short-term financings to corporate counterparties for non-commercial operations are taken on only marginally, and with customers who normally already deal with UBAE.
In general, the credit risk is fairly low.

Foreign operations

The commercial activity with UBAE's countries of interest represented, as always, the bank's main commitment during the period; this activity enabled UBAE to deal brilliantly with the problems that arose, one after the other, on the various markets at a time of considerable difficulty for banking activities.
In the scenario of extreme uncertainty which characterised the period in question, focusing mainly on the conflicts that affected the people of Libya, and in general the vicissitudes involving the whole of North Africa and the Middle East, Banca UBAE reacted promptly and efficiently, thanks also to the position of stability and security conveyed to the markets through the intervention of the Supervisory Body.
The reduced flow of activities in letters of credit, in operational terms, was partly due to the sharp increase in control points and careful checking in order to deal with possible risks that might arise from failure to respect the various provisions issued by international and EU authorities aimed at indicating the conduct to take with the countries subject to restrictive measures.

In particular, from the time when the first restrictive measures against Libya were issued (EU Regulation 2004/2011 of 2 March 2011), the bank worked closely with the supervisory bodies (committee of financial security – CSF – at the Treasury department) in order to obtain the appropriate authorisations for managing the Libyan funds held by UBAE and subject to freezing. These authorisations were aimed, in particular, at dealing with the humanitarian emergency in Libya, and UBAE was among the first banks in Europe to release funds specifically for the emergency.

Once the crisis in Libya was over and the restrictive measures were lifted – for most of the Libyan entities – Banca UBAE for its part undertook the resumption of activities in a situation of marked uncertainty due to the reorganisation of financial institutions under the new Libyan government. There was a swift return to full operational activities with monthly dealings at a reasonable level.

In 2012, also thanks to a renewed commercial thrust due to the reorganisation of the sector involved, there was intense promotional activity not only in countries of UBAE's interest in order to maintain its market share and to oppose the competition from rival banking organisations, but also to open up and expand new markets.

Regarding the oil sector, in addition to the downturn due to commercial decisions of some counterparties not to resume imports backed by L/Cs, there was a further reduction after the shutting down of Libyan oilfields which lasted for most of the year 2011, followed by a gradual upswing due to renewed and growing operations towards the end of 2011.

EUR/000

	Feb 2012		2010		2009	
	Value / no.	+/- %	Value / no.	+/- %	Value / no.	+/- %
Letters of credit: Number	4,464	-5.64	4,731	-15.06	5,570	19.17
Non Oil Letters of Credit: Value	1,513,000	-26.70	2,064,160	-3.94	2,148,905	15.79
Oil Letters of credit: Value	1,241,030	-47.79	2,377,180	-52.21	4,974,327	-36.9
% of total exports		1.62		4.68		5.61
% of total imports		2.59		4.52		12.8
Commissions accrued	12,149	-21.98	15,572	-9.31	17,171	-3.01

In the sector of guarantees, issued mainly on behalf of Italian and European leading companies for exports and/or significant tenders, the events that took place in areas of our interest led to a reduced turnover, down by 50%. The end-of-year values were reduced by lesser amounts confirming the improved stability of the sector and demonstrating the validity of the commercial policy undertaken by the bank to encourage activities by Italian operators. As a result of reduced turnover and volumes, there was a downturn in revenues, on a lower scale due to the differing risk factors of some of the commitments taken on and the consequent level of market prices.

EUR/000

	Feb 2012		2010		2009	
	Value	+/- %	Value	+/- %	Value	+/- %
Guarantees issued in year	167,595	-50.58	339,156	-32.07	499,281	254.2
Guarantees: outstanding at EoY	383,000	-17.86	466,250	-6.11	496,598	63.22
Commissions received	3,473	-20.69	4,379	5.19	4,163	37.8

Activity on financial markets

During the period in question, Banca UBAE took steps to find the most profitable way of handling the funds gathered by institutional counterparties and generated by financial flows.

The volumes handled over the period showed significant growth during the early months. The blockage of funds as a result of the EU embargo effectively stabilised the volumes collected over the subsequent three quarters, with a downturn mainly due to the authorisations issued by the CSF for utilising the funds to support the Libyan population.

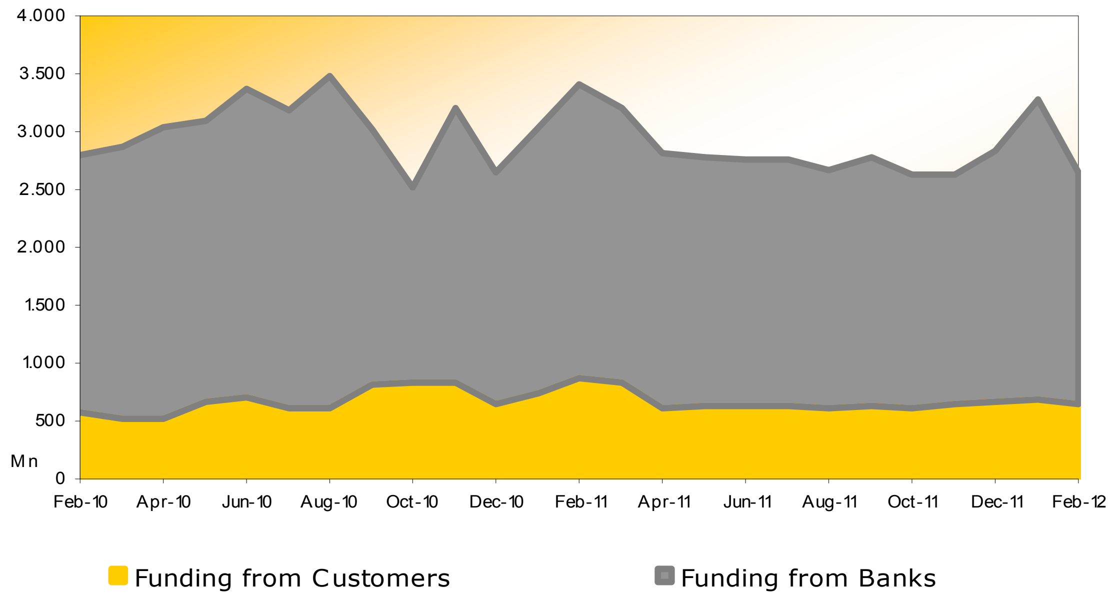
Following the definition and stabilisation of the situation in Libya, from the end of the year and during the early months of 2012, there was an increased movement of funds, with the resumption of Libya's petroleum exports and the upswing in commercial interchanges for basic goods and necessaries. In this situation, Banca UBAE, as mentioned above, was one of the first financial organisations to request and obtain the necessary authorisations to resume and enable commercial interchanges with Libya, while waiting for the complete revocation of international restrictions.

Activities with customers operating in the petroleum sector were sharply affected by the blockage resulting from events in Libya, with a gradual upswing towards the end of 2011.

The average holding of overall funding in this period (debts towards banks and customers) and the percentage variation compared to the previous quarter is summarised in the table below:

FUNDING 01.01.2011 - 29.02.2012									
1st quarter 2011		2nd quarter 2011		3rd quarter 2011		4th quarter 2011		Jan-Feb 2012	
Value	+/- %	Value	+/- %	Value	+/- %	Value	+/- %	Value	+/- %
3,296,672	-4.61	**2,863,807**	-13.13	**2,824,559**	-1.37	**2,794,736**	-1.06	**3,061,833**	9.56

The chart below shows the performance of the main funding areas in this period:



Managing financial assets

Considering our reference market, financial activities remained fairly stable during the period in question with respect to the instruments managed. The bank did not limit itself to renewing matured stocks and shares, but also tried to ensure returns equal, or higher than other types of investment.

The performance of the sector and the effect of the recurring financial and liquidity crises of some countries, suggested a careful analysis of the counterparties and the earning margins, hence the bank's decision to operate in the trading sector in order to take advantage of the opportunities for producing profits. Banca UBAE also started handling operations for financial institutions by dealing in bonds listed on regulated markets, thereby increasing the volume of investments and stabilising the operations of the trading portfolio, showing a minimum reduction in volume from one year to the next.

The composition of the portfolio at the end of the period reflected investments mainly made in bonds whose residual life is 0.9 years on average for the trading portfolio and 1.5 years for the investment portfolio (HTM). Managing synthetic products made it possible to reduce the risk of interest rates and increased the average duration to 1 month for the trading portfolio and 2 months for the investment portfolio (HTM).

Furthermore, the policy pursued by the bank was to intervene on the stock market only in limited cases, with tight control of existing and future risks, and to limit new investments to variable-rate bonds in order to reduce the risks due to the uncertainty of interest-rate forecasts, first and foremost the market spreads.

The overall situation was marked by the instability of governments in several countries, with downgrading of banks, companies and States, by the ratings agencies. Against this background, the UBAE's results show that the bank was able to contain losses and to come through the period with an effective balance in its negotiation activities, made up of a small loss in the stocks and derivatives sector, balanced by earnings in the foreign exchange sector. The bank maintained a trading portfolio with a very low risk profile, thanks to the managing risk coverage for exchange rates and interest rates risks. We should point out here that, in the light of the results achieved, the Board of Directors decided not to take advantage of the option granted in 2008 by not transferring some stocks from the trading sector to the HTM sector.

The software refinement led to more effective controls on stock exchange positioning, in line with the policy of careful monitoring not only risks but also portfolio performances.

During the whole period, activities linked to buying and selling stocks and deposit certificates on behalf of customers underwent a blockage following the imposition of international restrictions as mentioned previously.

Investments in stocks and shares were guided by the following criteria:

> Investment portfolio (held until maturity/available for sale):

- Products at adjustable rate issues with appreciable spread giving a level of profitability higher than the interbank rate, to be held to maturity.
- Products from organisations resident in geographical areas of UBAE's interest, at fixed or variable rate.
- Fixed rate, short term issues.

> Trading portfolio:

- Products at fixed or variable rate selected on the basis of expected short-term capital gain;
- Shares in leading companies, both domestic and international.

The performance of the economy and the events linked to the turbulence of financial markets generated low level negative effects with respect to the market and the stocks held in portfolio. Given the situation of financial markets (and in the light of customers' indications), UBAE decided not to proceed with the planned introduction of new forms and instruments for managing the property portfolio, such as harmonised products and collective bodies for savings investment (OICR).

Interbank activity

The problems affecting world financial markets, including those in the USA and Asia, and the difficulties within the interbank market, certainly affected interest rates on the two major currencies, suggesting the application of a treasury management strategy that proved to be successful. UBAE's interbank activity grew in the early months of the year and then stayed at a slightly lower level, before returning to growth in the last quarter of 2011.
Short-term commitments on the monetary circuit as well as short/medium-term financing to foreign banks, continued to be on considerable values. The total amount administered by UBAE's treasury in the main currencies remained constantly just below EUR 3 billion in

equivalent value, and the supply source was mainly originated by Libyan counterparties, and for the most part, following the international provisions of freezing, remained stable.
These types of funds, after approval of the competent authorities and in agreement with the counterparties, were included amongst the time deposits, to ensure returns in line with the market for depositors, in spite of increased costs for UBAE.
To support existing and future activity on medium/long-term commitments, the bank began to consolidate its funds, taking into account the uncertainty of markets, obtaining an extension of duration for deposits made by some counterparties, while in the medium-term, the bank is evaluating financing operations to place alongside the subordinated loan of Euro 100 million initiated at the end of 2008 and wholly paid out during the month of August 2011 for the remaining part of Euro 30 million.

Results for the year

Thanks to the prudential policy provisioning followed by the extraordinary commissioners, in line with the previous policies of the Board of Directors, the net result of the extraordinary administration from 1 January 2011 to 29 February 2012, amounting to Euro 11,741,289, showed further growth compared to the years 2010 and 2009, confirming UBAE’s ability to stabilise its profitability, thanks to the development of commercial activities and intermediation, in spite of the general crisis and the winds of renewal that have swept through the countries where UBAE’s institutional activities are concentrated.

The gross result of Euro 35,140,522 (+14.4% compared to the previous year) reflects the sharp increase in the interest margin compared to the previous year’s value (+75.5%), mainly due to the increase in high-revenue commitments and the stability of the funds, as well as several business opportunities which were offered on the market and the excellent administration of the large amounts collected. On the other hand, there was a significant downturn in revenues from intermediation and other fields (-39.6%), reflecting the negative result shown by the financial negotiation sector, the positive performance of exchange transactions, and the lower revenues for commissions.
The upswing of 14.4% in the gross result is also linked to an increase in administrative costs, mainly due to the extraordinary administration lasting 14 months (compared to the usual 12 months), with a linear movement of costs compared to the previous year, with a minimum increase of costs for personnel due to the larger number of employees.

The value adjustments and the provisions show a net downturn (-44.8%) due to the increase in amortisations on intangible assets for new computer software, and lower overall net devaluations on credits compared to previous years, as well as higher provisions linked to contingent operations. In particular, as a result of the issues affecting the international financial sector, some flat-rate allocations were made on sums due to banks, also differentiating them on the basis of the counterparty’s country of reference.

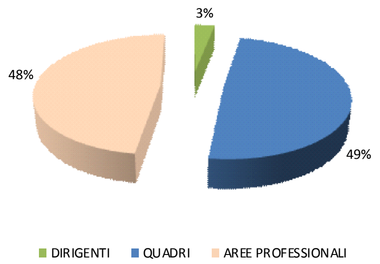
Net taxes on the profit amount to 14,508,514 euros, up by 134.2% compared to the previous year.

PERSONNEL AND **ORGANIZATION**

1. Personnel

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

In this sense, these activities have led to the hiring of 11 people (professional areas) and the exit of 9 people (1 executive, 2 managers and 6 employees in the professional areas), giving a workforce of 161 people. In relation to the main groupings, the personnel is distributed as follows:



- 3% executives
- 49% managerial staff
- 48% professional areas

Furthermore, during the course of the year, action was also taken to transform existing short-term contracts into open-ended contracts, thus optimizing the bank's workforce.

With the aim of drawing up a Human Resources Policy dedicated to the valorisation and development of human capital, the following activities were carried out:

1. Maintaining and updating the performance management system, aimed at a better comprehension/assessment of professional performance;
2. Consolidating a policy of professional growth, also supported by actions of internal mobility and professional career paths; in this sense, the system of promotions (economic/career) was enhanced by elements linked to the development of the bank's human resources;
3. Consolidating a rewarding system linked to performance/results;
4. Consolidating an integrated training system. In 2008, Banca UBAE began defining and realising the training activities aimed at the growth of its human resources through access to the National Inter-Professional Funds for ongoing training in the banking and insurance sectors, as well as the realisation of an *ad hoc* path conceived to give new recruits, aimed at giving an overview of the processes involved in working for a bank. These activities were undertaken with two objectives in mind (complementary and synergic):
   - encourage motivation, responsibility and self improvement, supporting the successful role fulfilment;
   - provide the knowledge and skills required for the effective bank-enterprise involving not only the bank's core processes (L/Cs, foreign trade, credit, accounting and balance drafting) but also the recent regulatory "innovations" Mifid and Basle 2, with a view to creating value for customers and UBAE.

   In addition to the "compulsory" training sessions, other activities were arranged (important updates relating to regulations on handling personal data, safety in the workplace, and anti-money laundering) and involving specialised managerial subjects (leadership, managing personnel and career development).

2. Organisation

In 2011, the bank's internal organisation activities were mainly focused to the project for the new IT system "TEMENOS" which should have replaced the current operative system. During the course of the year, the project was beset by operational problems and delays relating to important computer applications, resulting in changes to the delivery dates set out in the contract; these events persuaded the bank to review future strategies for the IT system.
During the year, the bank carried out the internal training courses using the T24 program already installed. At the same time, checks were carried out on the parameters of the new platform in preparation for the start-up, identifying and analysing the improvements and integrations required, checking what was already planned for future releases of the product and what required specific activity. This phase came to an end in mid-2011, with the failure to release the updates of the product and the consequent blockage of the project.

These delays and problems were examined by an external specialised company, which reported that some procedures, at the time of checking, showed critical aspects which would have exposed UBAE to data processing risks and failure to comply with some regulations in force in Italy.
In spite of the above situation and the organisational efforts involved, the bank's competent departments continued to operate efficiently and effectively with the current outsourcer – SEC Servizi in Padua – not only to implement the procedures arising from the new regulations, but also to satisfy the requirements that the bank's divisions were requesting in order to improve the services offered and for the controls to be carried out. These efforts enabled our bank to continue its activities without running any risk of failed or incorrect operation of the IT system.
The projects were successfully completed during the year and regarded several internal structures: planning activities, implementation and subsequent operative application. Those that had a considerable effect included the following:

- Transfer to the new product dealing with reporting to the Supervisory Body, completed in the second half of 2011.
- Updating the SWIFT software, relating to new standards for international financial operations.
- Updating the PSD (Payment Service Directive) – the EU directive on payments: operations proceeded to render the system compliant with the regulations by releasing a specific Service Communication in December 2011; the project continues and involves all the transmission channels.
- Activating a new online platform of financial and trading information services.
- Activating the electronic handling of the negotiation forms (*fiche*) negotiated on the various online trading platforms by means of a specific application which sharply reduces operating times and paper usage, and which eases the automatic input of "completed tasks" thus also reducing the risk of operational errors.
- At the end of 2011, in relation to the new IT strategy required by the bank, the selection process began amongst companies producing "foreign and trade finance" software relating to the bank's foreign activities, to handle the majority of UBAE's operations.

The selection process aims to better understand what proportion of UBAE's requirements are already in existing products; and especially to understand whether the platforms in circulation would produce further significant improvement in UBAE's operations. This was also the occasion to carry out updating of the periodic checks on the main companies which offer "full outsourcing" services (already investigated by UBAE in the previous years), in order to verify the improvements that these firms have made to their systems and whether they respond to the control and business objectives that the bank is planning to carry out.

- During the second half of 2011, selection was carried out for a new CRM application (Customer Relationship Management) in Cloud-Saas mode. The main aim is to increase the effectiveness of commercial activities through the creation of a database shared by the bank's various departments; in other words, a single database containing all the information – commercial and otherwise – relating to our customers. The program will be operative by the second half of 2012 and will be subject to further refinement by the end of the year.
- Reviewing the selection and handling procedures for the bank's suppliers.
- Reviewing periodically some of the operative procedures.
- Developing and activating online control functions, in the phase of message reception via network and/or Swift, for automatic checking of the counterparties for reasons of anti-money laundering and anti-terrorism in line with domestic and international norms.
- Defining and implementing new databases enabling users to consult and elaborate the historical data held by UBAE, efficiently and securely.
- In the field of Business Continuity, periodic trials were carried out in Milan, simulating the partial or total unavailability of the finance area. There were also operative continuity tests involving the scenario of "total unavailability of counter service"; moreover, the review of the operative continuity manuals was completed.
- In the field of anti-money laundering, the following SEC activities were completed in December 2011:
    - Project AUI 2010: adjusting the single archive and the feed sources to comply with The Bank of Italy provision of 31/12/2009;
    - Project AUI phase 2 and evolution as Gianos "Know Your Customers" (KYC):
    - Rationalising the completion of operational and regulatory readiness for project AUI 2010.
    - Rationalising the process of collecting the KYC questionnaires in order to make it more efficient.

3. Marketing

During 2011, the activities of the Marketing & Product Development Service focused on five main areas:

3.1 Reputation

Managing and monitoring UBAE's reputation by supervising the planning and implementing of the "State of Crisis Communication" following the entry of The Bank of Italy into the management of our Bank (March 2011, temporary administration; April 2011, extraordinary administration).

The main activities undertaken from March to December 2011 were as follows:

- Monitoring and analysing all the articles referring to Banca UBAE published by domestic and international papers and press agencies. About 50 articles on UBAE were published in the period March-April 2011, severely tarnishing the bank's reputation.
- Handling relations with journalists from the main networks and from domestic and foreign newspapers, requesting information and communiqués on the bank's situation, in order to regain the proper image.
- Managing and coordinating articles and interviews on the bank in order to ensure correct communication of the bank's situation and its real operative state, in order to re-establish the reputation.
- Drawing up three press releases in coordination with the Ministry of Finance (MEF) and Bankitalia:
    1. to announce the start of temporary administration by The Bank of Italy (12 March 2011);
    2. to spread the communication issued by COSIFI regarding the correct continuation of UBAE's operations (25 March 2011);
    3. to announce the start of extraordinary administration (20 April 2011).
- Drawing up email and SWIFT messages to inform our customers and foreign correspondents about the bank's real situation and to confirm the continuation of the bank's operations.
- Organising an event in Milan (10 May 2011) aimed at re-establishing UBAE's image in the eyes of the Italian banking system. More than 70 Italian and foreign organisations took part. UBAE's General Management and all the first line managers informed the attendees of the real reasons behind the temporary administration of UBAE by the Bank of Italy, reassuring them of the continuity of the bank's operations.

3.2 Business Development

- Organising and coordinating the first Annual Meeting of UBAE's foreign consultants (9 November 2011). The meeting provided the occasion for the foreign consultants to meet the General Management and the heads of divisions and departments involved in foreign dealings through our consultants. There was a useful discussion on the business opportunities in the respective countries and the possibility of mutual collaboration. The agenda included defining a common strategy and setting the budget for 2012.
- Organising a round table at Confindustria involving Italian companies (10 November 2011 in collaboration with Assafrica and Mediterranean). The consultants addressed the representatives from about 200 companies, presenting the special features of their countries together with the main investment opportunities. The event was divided into

two parts: a round table in the morning followed by separate meetings between the company representatives, the foreign consultants and UBAE's commercial managers.

- Supervising a Customer Care project, activated on 30 May 2011 with the service company *Phonetica*: coordinating UBAE's internal workgroup and setting up the statistical analysis on the flow of calls for specific departments.
- Coordinating and running the Platinum Sponsorship for the event organised by the Union of Arab Banks (UAB) in Rome (23-24 June 2011). Most of the principal banks in our reference countries took part in the event.
- Coordinating external communications and a press release for the agreement between Banca UBAE and Banca *Popolare di Vicenza* (20 December 2011), aimed at boosting exports by Italian companies to the Middle East and North Africa.

3.3 Team Building

- Organising two off-site training days (10-11 June 2011) together with Personnel Management, aimed at examining subjects linked to situational leadership and team games. The two days were attended by UBAE's General Management and all the first line managers. The main result of the meeting was the setting up of project groups to suggest brainstorming proposals for discussion with other groups and the General Management.

3.4 INSTITUTIONAL MARKETING

- Developing the new Internet website, online in November 2011.
- Coordinating and managing the Press Office.
- Handling relationships with all the associations of which we are members.

3.5 OPERATIVE MARKETING

- Updating and printing all the UBAE corporate materials (institutional and operative brochures, Financial Statementss, leaflets, gadgets, etc).
- Support in organising missions for the General Management and Commercial Management.
- Creating and distributing the 2012 Exchange Calendar to correspondent banks.
- Handling all the activities linked to religious holidays and celebrations.

4. IT systems

During 2011, UBAE took steps to introduce and update systems and procedures, required by regulatory and operative changes which have taken place in the meantime, in order to mitigate the operative risks inherent in the use of IT procedures.
In particular:

- Integration of accesses to trading operations on the Bank's computer network (LAN);

- Adoption of protection and prevention systems appropriate for protecting the bank's assets and for the physical protection of personnel. With particular attention to aspects of physical and logical security in order to defend the patrimony with the logic of prevention, to improve the efficiency and effectiveness of security systems, complying with the reference norms and relieving the bank of civil and penal responsibilities towards third parties:
    - the Morena archive premises was rendered compliant with the norms thereof.
    - Installing systems of fire prevention, anti-intrusion, video-surveillance and "man down" (*uomo a terra*) for the Morena archive;
    - Rome: activating video cameras on the first floor, teller and parking areas;
    - Implementing access controls for some areas inside the bank;

- Analysis and selection of a company for automating the process of managing the Board of Directors' meetings with the consequent elimination of paper documents and the digitalisation of the documentation for Board meetings. The process envisages using a dedicated server and a portable PC to access the documents through an authentication system and an internal Wi-Fi network.

- Constant updating of data security systems, not only to filter the messages but also to avoid unwanted accesses from outside and to minimize the risks associated with malware;

- Drawing up the project for changing the UPS equipment – to ensure the continuity of electricity supply for the Rome and Milan offices.

5. Risk management

Over the years, the bank has installed suitable instruments for identifying, analysing and monitoring the Bank's risks.
The process of alignment with norms for due diligence was carefully analysed by the Risk Management, and the results obtained during internal simulation and through reporting were the subject of quarterly reports sent to the top management and the Board of Directors.
It should be pointed out that, for the purpose of applying diligence norms and in particular the methodologies for measuring risks of Pillar II, Banca UBAE comes into class 3 of the intermediaries, characterised by the adoption of simplified methodologies for measurable risks and policies, and mitigation procedures for non measurable risks.
From the organisational point of view, the process of due diligence is governed by the ICAAP Operative Manual which not only defines the roles and responsibilities of the various internal entities involved in the process, but also describes the management phases for each

type of risk (measurable or not) and, for quantifiable risks, sets out ways of calculating internal capital and stress testing methodologies.
Furthermore, in compliance with what the diligence norms state on the subject of non-quantifiable risks, therefore liable to specific capital absorption, UBAE has finalised the process of handling liquidity and reputational risks by issuing internal policies and by setting up a contingency funding plan limited to the liquidity risk. The policies are subject to continuous updating depending on the normative and operative changes in the fields where the bank operates.

Due diligence was part of the process leading towards the following objectives:

- keeping top management informed about questions relating to risks and capital planning issues;
- raising the bank's awareness of exposure to various types of risks deriving from its business activities;
- introducing new types of risks into the field of measuring (concentration risk, interest rate risk on the banking book) and boosting organisational safeguards and management tools for other types (liquidity, reputational and strategic risks);
- emphasising the need to install risk measuring and monitoring instruments ever more efficient and suitable to the risk;
- widening the time horizon of internal analyses (perspective analysis) and the reference scenario (stress testing);
- improving the strategic planning process by introducing capitalizing policies strictly connected to the bank's risk profile and therefore to the ICAAP results.

In June 2012 the ICAAP summary relating to the adequacy of asset evaluation as of 29/02/12 will be sent to the Bank of Italy.
Finally, regarding material in the public domain, UBAE will publish the tables containing the qualitative and quantitative information required by Pillar III of the due diligence norms, on the bank's website in the Financials area, within the terms set for the publication of the Financial Statements.

Market risk management
Capital Markets Divisions' activities and the compliance with operative limits set out in the Internal Regulations are constantly monitored by the control bodies of first, second and third levels, accessing and using the front office platform Master Finance.
The documentation, produced daily and made available on the bank's intranet, is divided by desks of competence and analyses the composition of the positions, the performance data (daily, monthly and annually) and the movement of the various risk indicators (Potential Loss, BPV, VaR, Stop Loss).
Compliance with internal operative limits is monitored daily and all anomalies are reported promptly to the departments involved, so that corrective actions can be taken, and/or authorised action governed by Internal Regulations can be started.
Risk Management prepares quarterly reports which are sent to the Risk Committee, the Internal Control Committee and the Board of Directors; such reports list the control activities carried out, the exceptions encountered and the performance analysis.
UBAE does not intend to request recognition of internal models in order to calculate the capital requirement against market risks.

Credit and counterparties risk

The various phases of granting, monitoring and reviewing credit facilities are safeguarded by due diligence and prudent risk management criteria.

In particular, for credit risks, the various operative phases are as follows:

Exposure to credit risk and counterparty risk is monitored constantly, not only in terms of compliance with operative limits of credit facilities (performance control) – carried out by the Risk reporting Department– but also deterioration in the quality of the portfolio in terms of capital absorption (credit risk control) – carried out by Risk Management.

For the purposes of ICAAP, Risk Management also monitors the movements of the concentration risk and carries out scenario analysis, simulating the impact on the required asset fund of certain shock events (stress testing) such as the downgrading or default of sovereign States, the default of economic sectors or the deterioration of the economic scene.

Regarding the counterparty risk, linked mainly to exposure to counterpart sellers of OTC derivates from the negotiation portfolio, Risk Management, in collaboration with the Capital Markets Division, monitors the exposure daily, revaluated to "mark to market".

Operational risk

While opting for the methodology of basic calculation (Basic Indicator Approach) in the determination of the required asset fund introduced by the due diligence norms, UBAE is implementing a system of operational risk management to assess and monitor over time the exposure to operative risks and the scale of the losses that might occur as a result.

During the early months of 2011, relating to the areas the bank considers as high risk, a session of self risk assessment was conducted with the support of a specialised consultancy firm, aimed at updating the mapping of the bank's processes, the types of risks to which the bank is exposed, and the qualitative assessment of the various prejudicial events.

The work was also aimed at implementing the model set out in legislative decree 231/01.

Periodically the self risk assessment forms are updated in the light of operative and organisational changes and are submitted for validation by the process owners called to provide a qualitative assessment of the frequency and severity of prejudicial events.

Other risks

- **Liquidity risk**

Exposure to risk is constantly monitored by the Treasury desk, while every week the Risk Management sector monitors the operative limits set out in the internal regulations.

During 2011, the management guidelines envisaged by the internal policy and the contingency liquidity plan were reviewed in the light of recent updates to the due diligence norms on the subject of liquidity. The system of internal operative limits and the construction of the stress tests were finalised to bring them into line with regulatory requirements; the concept of risk tolerance threshold was introduced; and the system of early warning indicators was expanded.

From the point of view of tools, the bank has an online prospect of maturity ladder within the integrated treasury product (Master Finance), and also makes use of an ALM digital product (ERMAS) fed directly by the accounting ledgers and able to provide the company maturity ladder and the database for conducting stress tests.

- **Credit concentration risk**

With the introduction of an additional capital requirement, the due diligence norm (Pillar II) has placed particular stress on the concentration risk for counterparties, or groups of linked counterparties (for the corporate portfolio). The bank is equipped with a consortium tool for the quantification of internal capital according to the simplified methodology recommended by The Bank of Italy and conducts internal simulations to assess the impact of any strategic-operative changes.
Regarding the risk of "single name" concentration amongst banking counterparties, UBAE has implemented a system of internal operative limits designed to reduce exposure to risk as requested by The Bank of Italy in 2009.
Regarding the risk of concentration by economic sectors and by geographic areas, for which the regulations do require any quantification, for the time being UBAE has opted for a strictly qualitative evaluation while maintaining its participation in conferences and refresher courses designed to furnish new types of analysis and methodological approaches.

- **Interest rate risk on the banking book**

Risk Management, using the integrated treasury product (Master Finance), monitors compliance every month with the internal operative limits set with due diligence below the regulatory threshold.
For the purposes of ICAAP, the bank makes use of an ALM product (ERMAS) fed directly by the accounting ledgers and able to provide the maturity ladder and the exposure to risk calculated not only according to the Bank of Italy's simplified methodology but also according to the full evaluation method.
This system is also used to carry out stress tests using hypothetical shifts, parallels and otherwise, of the tax curve.

- **Reputational and strategic risks**

Reputational and strategic risks complete the corporate risk profile. Because of the complexity inherent in their treatment, they require qualitative assessments and mitigation policies mainly of a preventive nature whenever such situations arise.
The bank has set up an internal policy for handling reputational risk which, apart from defining roles and responsibilities for the various internal departments involved, delineates the model of prejudicial events, pinpoints the mitigation actions required to limit the negative effects and/or to prevent the occurrence of the harmful event and establishes the courses of action to be taken should the event turn out to be a "reputational crisis".
As far as strategic risk is concerned, UBAE is formalising a process to create the scenarios required to build up the budget and the three-year plan, measuring the variability of the intermediation margin viewed as an approximation of the risk.

6. Management Information report

During the year, the bank continued to improve the internal systems of notification and managerial reporting with the aim of developing an “information system” able to make analytical data available as promptly as possible.

In this sense, the Management Control department, thanks to the computer projects which are underway, has tried to improve the time-to-market of data management in order to satisfy not only the need to communicate with the bank’s institutional bodies and the banking system in its entirety, but also the evolution of planning requirements and checking results.

The full utilisation and development of the available computer systems has made it possible to obtain good results not only in terms of effectiveness and efficiency of accounting tools, but also in terms of improved availability of daily and monthly accounting data making it possible to evaluate the bank’s asset situation, its revenue capacity and the stability of revenue flows in terms of performance.

The improved integration which will come from the computer projects underway, will lead to further significant benefits in terms of correctness and completeness of data, making it possible to reduce processing times and to develop new areas of analysis and reporting.

7. Security Blueprint

The coming into force of legislative decree no. 5 of 9 February 2012, converted with modifications into law no. 35 of 4 April 2011, (published in the Official Gazette no. 82 of 6 April 2012), the obligation to publish and update the programming document for security has been removed for all types of companies. However, Banca UBAE is anyway obliged to adopt other "minimum security measures" set out in articles 33-35 of the Civil Code on the subject of protecting personal data, and some of the measures are detailed in the relative technical specifications, in annex B of the Code.

8. Logistics

Apart from normal maintenance activities, the bank has carried out some works on the premises in Rome and Milan to improve the company premises.
Work has been carried out on the archive area in order to ensure the good condition of the premises and the security of the workers and third parties.
In the premises of the Milan branch, the certification of the technological plant has been updated in collaboration with specialised technicians who, in agreement with the technical unit, handle directly from the branch all the activities of ordinary and extraordinary maintenance which become necessary, bringing in local firms.

RECLASSIFIED BALANCE SHEET

EUR/000

	Balance as of:		Change	
	29.02.2012	**31.12.2010**	**Amount**	**%**
ASSETS				
Cash and cash equivalents	369	216	153	70.83%
Loans and advances				
- to customers	250,511	210,275	40,236	19.13%
- to banks	2,300,682	2,897,838	-597,156	-20.61%
Financial assets held for trading	110,017	115,517	-5,500	-4.76%
Fixed assets				
- financial [1]	298,270	94,605	203,665	215.28%
- tangible	24,133	24,982	-849	-3.40%
- intangible	2,186	2,219	-33	-1.49%
Other assets [2]	25,012	28,647	-3,635	-12.69%
Total assets	**3,011,180**	**3,374,299**	**-363,119**	**-10.76%**
LIABILITIES				
Accounts payable				
-to customers	648,091	761,550	-113,459	-14.90%
-to banks	2,105,719	2,380,598	-274,879	-11.55%
Financial liabilities held for trading	3,234	3,968	-734	-18.50%
Earmarked provisions [3]	2,386	2,595	-209	-8.05%
Other liabilities [4]	38,133	23,273	14,860	63.85%
Shareholders' equity				
-Capital and reserves	201,876	193,914	7,962	4.11%
-Net profit for the year	11,741	8,401	3,340	39.76%
Total liabilities	**3,011,180**	**3,374,299**	**-363,119**	**-10.76%**

[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

	Amounts as of:			Change 29.02.12 / 31.12.10		Change 31.12.11 / 31.12.10	
	29.02.2012	**31.12.2011**	**31.12.2010**	**Amount**	**%**	**Amount**	**%**
Net interest income	44,266	36,373	25,225	19,041	75.48%	11,148	44.19%
Net non-interest income [1]	16,383	10,180	27,143	-10,760	-39.64%	-16,963	-62.49%
Gross operating income	**60,649**	**46,553**	**52,368**	**8,281**	**15.81%**	**-5,815**	**-11.10%**
Personnel expenses	-18,241	-15,784	-15,420	-2,821	18.29%	-364	2.36%
Other administration expenses and operating charges [2]	-7,267	-5,878	-6,233	-1,034	16.59%	355	5.70%
Gross operating result	**35,141**	**24,891**	**30,715**	**4,426**	**14.41%**	**-5,824**	**-18.96%**
Net adjustments to tangible and intangible fixed assets	-1,902	-1,622	-1,516	-386	25.46%	-106	6.99%
Provisioning, write-downs and write-ups [3]	-6,989	-7,969	-14,604	7,615	-52.14%	6,635	-45.43%
Pre-tax profit from continuing operations	**26,250**	**15,300**	**14,595**	**11,655**	**79.86%**	**705**	**4.83%**
Income tax for the year	-14,509	-10,439	-6,194	-8,315	134.24%	-4,245	68.53%
Net profit from continuing operations	**11,741**	**4,861**	**8,401**	**3,340**	**39.76%**	**-3,540**	**-42.14%**
Net result from non-continuing operations							
Net profit for the year	**11,741**	**4,861**	**8,401**	**3,340**	**39.76%**	**-3,540**	**-42.14%**

[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 risk and charges

COMMENTS ON BALANCE SHEET ITEMS

EUR/000

	Balance as of:		Change	
	29.02.2012	31.12.2010	Amount	%
Loans and advances to customers:				
§ In euros	215,942	185,028	30,914	16.71%
§ In other currencies	34,569	25,247	9,322	36.92%
Loans and advances to banks:				
§ In euros	526,706	1,769,781	-1,243,075	-70.24%
§ In other currencies	1,773,976	1,128,057	645,919	57.26%
Total	**2,551,193**	**3,108,113**	**-556,920**	**-17.92%**

Loans and advances to customers

Loans and advances to customers showed an upswing of 19.13% due mainly to an increase in corporate financing operations. The commercial action which led to such an upswing was based on increased subdivision of risks also in consideration of the closer attention paid by the bank to the norms on "Large Exposures". The operations arranged by UBAE mainly take the form of financial support to Italian operators for commercial activities conducted with countries of interest to the bank, also through participation in pools organised by leading institutes of credit.
The credits are shown net of analytical and synthetic corrections. For the evaluation criteria adopted, see the Integrative Note.
The incidence of outstanding credits against the total of credits towards customers amounts to 0.04%.

During the period in question, value adjustments were made for an overall amount of Euro 1,330,485 referring to expected losses on credits towards customers and to annulling outstanding positions for which there is little hope of further collection except marginally, net of recoveries from previous devaluation for 35,849 euros.

Loans and advances to banks

Loans and advances to banks at the end of the period showed an overall diminution of Euro 597,155,958 equivalent to 37.58%.
The reduction is mainly due to the above-mentioned policy which involved the funds gathered from our customers (banks or otherwise) requiring a decrease of commitments towards financial institutions not only European but also from UBAE's area of reference.

The consistency of the total amount was only marginally affected by the resumption of the "oil" funds and the consequent policy of using the liquidity after the cancellation of the restrictive measures which involved Libya during 2011.

During the period in question, value adjustments to the balance sheet were made for an overall amount of Euro 300,177 referring to expected losses on credits towards banks. These corrections are linked to the moment of uncertainty that permeates the banking sector due to the noted contingent facts and the events that led to instability in the markets of North Africa and the Middle East, and suggesting a more prudent policy.
Value recoveries were registered for an overall amount of Euro 10,986,995 referring to devalued credit positions since they were judged to be at high risk in the 2010 balance sheet, relating mainly to counterparties resident in countries towards which no further investments were made, and which returned regularly during the period in question.

Financial assets

The consistency of financial assets, including stocks, derivatives and minority equity stakes stands at Euro 206,052,935 representing a net increase of Euro 198,899,115 compared to the previous year. This variation reflects, on the one hand, a lower level of trading activities which, in line with the bank's policy, took advantage of the opportunities offered by the market, that is the availability of easily negotiable securities with good yield, and on the other hand an increase in financial activities of the stocks and shares investment portfolio. In addition, due to the market problems, a new commercial policy towards banking counterparties was started, financing them by subscription issues to listed bonds, always evaluating the securities both in terms of yield and in terms of the standing of the issuers. This policy also had the objective of enabling our bank, in case of need, to access the "open-market operations" at the European Central Bank through the Bank of Italy.
Banca UBAE did not carry out any transfers between portfolios.

Overall, the type of securities in the trading segment and the intense activity carried out during the year enabled us to report good results in this specific sector where, as mentioned above, we took advantage of the opportunities offered by the market while trying to avoid and/or limit the effects of strong mistrust with a consequent fall in the listed price of some securities.

EUR/000

	Balance as of:		**Change**	
	29.02.2012	**31.12.2010**	**Amount**	**%**
Financial assets				
§ Assets held for trading	110,017	115,517	-5,500	-4.76
§ Liabilities held for trading	-3,234	-3,968	734	-18.50
§ Assets available for sale	10,525	3,504	7,021	200.37
§ Assets held to maturity	287,745	91,101	196,644	215.85
Total	**405,053**	**206,154**	**198,899**	**96.48**

For the criteria used to evaluate the securities, as well as those adopted to distinguish between negotiable and investment securities, see the description in the Integrative Note (pages 56-59).
It should be pointed out that the value of securities and derivatives is directly aligned to the market for negotiable items, while for other securities the evaluation is at amortised cost.

Accounts payable

Accounts payables to banks and customers are shown on the balance sheet at amortised cost.
The following table shows the data and the variations of funding in Euros and other currencies from customers and banks.

As previously mentioned, funding from institutional counterparties during 2011 was affected by the restrictive dispositions issued by international and domestic authorities against our main counterparties in Libya from whom UBAE receives funding, showing an initial growth in 2011 followed by effective stability. In 2012, after showing an initial increase, there was an effective realignment with more contained values. Funding from customers stands at particularly significant levels and is mainly linked to counterparties in countries of our interest.

EUR/000

	Balance as of:		**Change**	
	29.02.2012	**31.12.2010**	**Amount**	**%**
Payable to customers				
§ In euros	85,488	700,571	-615,083	-87.80
§ In other currencies	562,603	60,979	501,624	822.62
Payable to banks				
§ In euros	749,689	1,292,281	-542,592	-41.99
§ In other currencies	1,356,030	1,088,317	267,713	24.60
Total	**2,753,810**	**3,142,148**	**-388,338**	**-12.36**

Shareholders' equity

The table below shows the changes in the bank's equity:

EUR/000

	Capital	Share premium	Reserves	Retained profit	Net profit	**Total**
31.12.2010	**151,061**	**16,702**	**18,471**	**7,680**	**8,401**	**202,315**
01.01.11-29.02.12 Movements:						
§ Appropriation of 2010 profit				8,401	-8,401	**0**
§ Bonus capital increase						**0**
§ Valuation reserve			(439)			**(439)**
§ Net profit					11,741	**11,741**
29.02.2012	**151,061**	**16,702**	**18,032**	**16,081**	**11,741**	**213,617**

Highlights include the increase in legal reserves and profits after the approval of the 2010 balance. During the period in question, following the noted events, there were no actions or exchanges between partners.

Shares

The bank's company capital on 29 February 2012 amounted to Euro 151,060,800 subdivided into 1,373,280 ordinary shares valued at 110 euros each. At the end of 2011, the rights matured on Euro 97,680,440 of the warrant 2001-2011, utilised only partially in 2005.

Subordinated loan

During 2008, in line with the strategic plan to boost the capital, the bank stipulated a new ten-year contract on a subordinated loan, subscribed by the Libyan Foreign Bank, for an overall amount of Euro 100,000,000 in addition to the existing residual loan which was closed in 2011, with a payment of Euro 70,000,000.
During August 2011, the same Libyan Foreign Bank, following authorisation by the Italian authorities, paid over the residual part of the subordinated loan of Euro 30 million thereby continuing the bank's policy of capital reinforcement.

COMMENTS ON THE ITEMS IN THE PROFIT AND LOSS ACCOUNT

Net Interest Income

	Revenues			Change 29.02.12 / 31.12.10		Change 31.12.11 / 31.12.10	
	29.02.2012	**2011**	**2010**	**Amount**	**%**	**Amount**	**%**
10. Interest income and related revenue	70,531	58,097	37,309	33,222	89.05%	20,788	55.72%
20. Interest charges	-26,265	-21,724	-12,084	-14,181	117.35%	-9,640	79.77%
Net interest income	**44,266**	**36,373**	**25,225**	19,041	75.48%	11,148	44.19%
30. Dividends and other proceeds	27	27	9	18	200.00%	18	200.00%

The significant upswing in net interests (+75.48% compared to the previous year, and +44% on 31.12.2011) confirms the bank's ability, in spite of the problems linked to international crises and the extraordinary administration of the bank leading to reduced negotiating power, to diversify its commitments in search of improved yields for the available funds and to maintain a good differential between fund raising and commitments, acting mainly as an intermediate for inter-bank funds or for companies of high credit standing. This opportunity, also linked to the consistency of the total amount administered during the period, made it possible to achieve a highly satisfactory result.

The duration of the balance period is 14 months, and the increase in market spreads helped to produce a higher amount of interest in absolute value compared to the previous year.

Net Non-Interest Income

The breakdown of Non-Interest Income is as follows:

	Revenues			Change 29.02.12 / 31.12.10		Change 31.12.11 / 31.12.10	
	29.02.2012	**2011**	**2010**	**Amount**	**%**	**Amount**	**%**
40. Commissions received	19,141	15,539	24,849	-5,708	-22.97%	-9,310	-37.47%
50. Commissions paid	-2,933	-2,468	-3,020	87	-2.88%	552	-18.28%
Net commissions	**16,208**	**13,071**	**21,829**	-5,621	-25.75%	-8,758	-40.12%
80. Trading assets	148	-2,918	5,305	-5,157	-97.21%	-8,223	-155%
190. Other operating proceeds	2,116	1,862	1,821	295	16.20%	41	2.25%
Net non-interest income	**18,472**	**12,015**	**28,955**	-10,483	-36.20%	-16,940	-58.50%

Non-Interest Income from intermediation and other activities showed a downturn of 36.2% (-58% on 31.12.2011); the decrease was affected by the well known events involving North-African countries which have led to a slowing down of operations with many of them, especially with Libya. The crisis had negative effects for most of 2011 on that geographical area, especially the level of commissions on importations, and the commissions relating to letters of credit opened by banks in those countries.
In spite of the deep crisis in these areas, the results show that UBAE is well placed in the general performance of business deals between countries of the reference area, since it managed to maintain, amongst many difficulties, its traditional bridging role for commercial exchanges with Italy and between the various areas.
Revenues on guarantees also showed a downturn of about 20% against a reduction of 50% in the volume of new guarantees and of 18% in the overall stock.

Trading activities showed a negative margin on 31.12.2011 wholly recovered in the first two months of 2012 thereby achieving a slightly positive result, in spite of the fact that the crisis affecting the financial sector continues to produce negative effects.
Other net management revenues concern the recovery of expenses on commercial operations, and are in line with the previous period. These figures also include the balance net of extraordinary charges and revenues.

Administrative expenses

	Results			Change 29.02.12 / 31.12.10		Change 31.12.11 / 31.12.10	
	29.02.2012	2011	2010	Amount	%	Amount	%
a) Personnel expenses:							
§ wages and salaries	11,145	9,511	9,081	2,064	22.73%	430	4.74%
§ social security contributions	3,074	2,588	2,520	554	21.98%	68	2.70%
§ staff severance payments	909	695	663	246	37.10%	32	4.83%
§ other expenses	2,367	2,352	1,778	589	33.13%	574	32.28%
Total employee expenses	**17,495**	**15,146**	**14,042**	**3,453**	**24.59%**	**1,104**	**7.86%**
§ Administrators	539	463	1,095	-556	-50.78%	-632	-57.72%
§ Auditors	155	123	120	35	29.17%	3	2.50%
§ Non-staff associates	52	52	163	-111	-68.10%	-111	-68.10%
Total personnel expenses	**18,241**	**15,784**	**15,420**	**2,821**	**18.29%**	**364**	**2.36%**
b) other administration expenses	**9,383**	**7,740**	**8,054**	1,329	16.50%	-314	-3.90%
Total	**27,624**	**23,524**	**23,474**	**4,150**	**17.68%**	**50**	**0.21%**

Total personnel expenses, item (a) above, show an increase of 18.29% equivalent to 2.36% as of 31.12.2011.
The net result is linked to an increase in remuneration costs and the number of employees, partly balanced by the fact that several people at a higher contractual level left the bank during the period in question. Other personnel costs showed an increase linked to voluntary resignations and personnel on detachment, while there was a marked downturn in the cost of the administrators following the closure of the bank's institutional bodies.
The other administrative expenses, point (b) above, show an overall decrease of 3.90% on 31.12.2011 and an increase of 16.50% on 29.02.2012. This result is in line with the careful policy of keeping running costs down, and confirms the bank's ability to control its operating costs by better management of available resources.

Components of year end Net Result

	Results						Change 29.02.12 / 31.12.10		Change 31.12.11 / 31.12.10	
	29.02.2012		2011		2010		Amount	%	Amount	%
Gross operating profit		35,141		24,891		30,715	4,426	14.41%	-5,824	-18.96%
Net adjustments to tangible and intangible fixed assets		-1,902		-1,622		-1,516	-386	25.46%	-106	6.99%
Net impairment adjustments:										
§ to loans	9,657		8,202		-19,646					
§ to AFS	-30		-135		1,180					
§ to HTM	-1,830		-1,899		30					
§ to other fin. assets	-14,696		-14,096		3,984					
§ net provisioning for risks and charges	-90		-41		-152					
Total		-6,989		-7,969		-14,604	7,615	-52.14%	-7,968	54.56%
Profit before tax		26,250		15,300		14,595	11,655	79.86%	15,299	104.82%
Income tax for the year		-14,509		-10,439		-6,194	-8,315	134.24%	-4,245	68.53%
Net profit		11,741		4,861		8,401	3,340	39.76%	-3,540	-42.14%

The 14-month duration of the period in question, and the increase in the market spreads contributed to a higher gross management result amounting to about 35.1 million euros. This result was strongly influenced by the interest margin which increased by 75.48% compared to 2010.
The net result was higher by 40% on 29.02.2011 compared to 2010 and it dropped by 42% on 31.12.2011 compared to the previous year. Prudent risk assessment strongly influenced the result on 31.12.2011 following the inclusion of Libya amongst the countries considered to be at risk, subsequently placed amongst those *in bonis* on 29.02.2012, once the country's situation was normalised.
The evaluation of the points raised by the tax office (*Agenzia delle Entrate*) regarding the verification carried out during the year, in particular the VAT positions, did not lead to further allocations amongst the risk funds.
The above table shows the components of the net profit on 29 February 2012 and on 31.12.2011 compared with the end of 2010.

For more information on the above data, see the Integrative Note, Part c): Information on the Income Statement, while the proposed subdivision of the profit is outlined in the section "Profit allocation".

SIGNIFICANT POST YEAR-END EVENTS

With a provision of 24 February 2012, The Bank of Italy authorised UBAE to call the shareholders' meeting in order to start the reconstitution of the bank's ordinary administration bodies, bringing the Extraordinary Administration to an end.

The shareholders' meeting on 29 February 2012 proceeded to appoint the bank's new administration and control bodies.

The bank, therefore, restarted its entire activity, and continued with increased vigour the intense commercial action initiated after the end of the disorders in the area of North Africa, especially the appointment of a transitional government to guide the country until new political elections in early July 2012.

Finally, the bank completed the internal re-organisation of the commercial structures with the aim of providing full support for promotional actions.

ADDITIONAL INFORMATION

The bank does not carry out research and development activities. The bank does not hold its own shares in the portfolio.

The information regarding relations with related parties are contained in the appropriate section of the integrative note.

PROFIT ALLOCATION

1. Approval of the Financial Statements as of 29 February 2012

Gentlemen,

According to the norms governing Extraordinary Administration, the balance closure for extraordinary administration does not include the possibility of distributing the profits, therefore the bank proceeded to set aside the whole result for the compulsory part as legal reserve and the rest as undivided profit.

2. Destination of profits

We put forward the following subdivision of the profits:

- Net profit	Euro	11,741,289.00
- 5% to the Legal Reserve (article 30 letter A of the Articles of Association)	Euro	587,100.00
- Retained profit	Euro	11,154,189.00
- Profits brought forward from previous years	Euro	15,660,416.23
	Euro	26,814,605.23
- **Carry-forward**	**Euro**	**26,814,605.23**

With the above allocation, the bank's Shareholders' Equity will amount to Euro 213,617,373.13 divided as follows:

- Share capital	Euro	151,060,800.00
- Share premium	Euro	16,702,216.29
- Reserves and profit carried forward	Euro	45,549,117.46
- FTA-IAS Reserves and profit (2005)	Euro	305,239.38
	Euro	**213,617,373.13**

FINANCIAL STATEMENTSS

(AMOUNTS EXPRESSED IN EUROS)

BALANCE SHEET: ASSETS

	Assets	29.02.2012	31.12.2010
10	Cash and cash equivalents	368,956	216,394
20	Financial assets held for trading	110,016,659	115,517,036
40	Financial assets available for sale	10,524,997	3,503,653
50	Financial assets held to maturity	287,745,277	91,100,706
60	Loans and advances to bank	2,300,681,971	2,897,837,929
70	Loans and advances to customers	250,511,138	210,275,496
110	Tangible fixed assets	24,132,716	24,981,933
120	Intangible fixed assets,	2,186,254	2,219,484
	of which: goodwill		
130	Tax assets	23,368,107	27,249,518
	a) current	16,374,831	17,428,059
	b) deferred	6,993,276	9,821,459
150	Other assets	1,643,974	1,396,185
	Total assets	**3,011,180,049**	**3,374,298,334**

BALANCE SHEET: LIABILITIES

	Liabilities	29.02.2012	31.12.2010
10	Accounts payable to banks	2,105,718,956	2,380,597,369
20	Accounts payable to customers	648,090,615	761,550,250
40	Financial liabilities held for trading	3,233,998	3,967,575
80	Tax liabilities	12,886,712	11,706,382
	a) current	12,797,947	11,617,617
	b) deferred	88,765	88,765
100	Other liabilities	25,246,407	11,566,817
110	Staff severance fund	2,020,600	2,128,847
120	Provisions for risks and charges	365,388	465,841
	a) pensions and similar	0	0
	b) other	365,388	465,841
130	Valuation reserves	294,292	733,461
160	Reserves	33,818,776	25,417,880
170	Share premium reserve	16,702,216	16,702,216
180	Share capital	151,060,800	151,060,800
190	Treasury stock	0	0
200	Net profit for the year	11,741,289	8,400,896
Total liabilities and shareholders' equity		**3,011,180,049**	**3,374,298,334**

INCOME STATEMENT

	Items	29.02.2012	31.12.2010
10	Interest and similar income	70,531,010	37,309,436
20	Interest charges and similar expenses	(26,264,918)	(12,083,877)
30	**Net interest income**	**44,266,092**	**25,225,559**
40	Commission income	19,140,479	24,849,395
50	Commission expense	(2,932,918)	(3,020,333)
60	**Net commissions**	**16,207,561**	**21,829,062**
70	Dividends and similar income	27,050	8,500
80	Net trading income	148,172	5,305,315
120	**Gross operating income**	**60,648,875**	**52,368,436**
130	Net impairment adjustments:	(6,899,672)	(14,452,406)
	a) to loans and advances	9,656,510	(19,646,429)
	b) to financial assets available for sale	(30,364)	1,180,503
	c) to financial assets held-to-maturity	(1,830,081)	29,879
	d) to other financial assets	(14,695,737)	3,983,641
140	**Net income from financial operations**	**53,749,203**	**37,916,030**
150	Administration expenses:	(27,624,363)	(23,473,498)
	a) personnel	(18,241,209)	(15,299,582)
	b) other	(9,383,154)	(8,173,916)
160	Net provisioning for risks and charges	(89,486)	(152,292)
170	Net adjustments to tangible fixed assets	(904,559)	(817,334)
180	Net adjustments to intangible fixed assets	(997,002)	(698,335)
190	Other operating income / charges	2,116,010	1,820,658
200	**Operating charges**	**(27,499,400)**	**(23,320,801)**
250	**Profit from continuing operations before tax**	**26,249,803**	**14,595,229**
260	Income tax for the year on continuing operations	(14,508,514)	(6,194,333)
270	**Net profit from continuing operations**	**11,741,289**	**8,400,896**
290	**Net profit for the year**	**11,741,289**	**8,400,896**

COMPREHENSIVE NET INCOME DETAIL

	Items	29.02.2012	31.12.2010
10	**Net profit (loss)**	**11,741,289**	**8,400,896**
20	Financial assets available for sale	(298,337)	302,707
30	Tangible assets		
40	Intangible assets		
50	Hedging of foreign investments		
60	Hedging of financial flows		
70	Forex differentials		
80	Non-current assets earmarked for disposal		
90	Actuarial profit (loss) on defined-benefit plans		
100	Share of valuation reserves booked to shareholders' equity		
110	**Other sources of income, after tax**	**(298,337)**	**302,707**
120	**Comprehensive net income**	**11,442,952**	**8,703,603**

STATEMENT OF CHANGES IN EQUITY - 2012

	Balance as of 31.12.2010	Change in opening balance	Balance as of 01.01.2011	Allocation of profit from previous year		Changes to reserves
				Reserves	Dividends and others	
Share capital						
a) ordinary shares	151,060,800		151,060,800			
b) other shares						
Share premium account	16,702,216		16,702,216			
Reserves						
a) from profits	25,417,880		25,417,880	8,400,896		
b) other						
Revaluation reserves	1,018,025		1,018,025			(439,169)
Capital instrument						
Own shares						
Net profit for the year	8,400,896		8,400,896	(8,400,896)		
Shareholders' equity	**202,599,817**	**0**	**202,599,817**	**0**	**0**	(439,169)

Intervening variations

Changes to Equity							Shareholders' Equity as of 29.02.2012
New Shares issued	Treasury stock bought	Extraordinary dividends paid	Changes to capital instruments	Derivatives on treasury stock	Stock options	29.02.2012 **Net Profit**	
							151,060,800
							16,702,216
							33,818,776
							578,856
						11,741,289	11,741,289
						11,741,289	**213,901,937**

STATEMENT OF CHANGES IN EQUITY - 2010

	Balance as of 31.12.2009	Change in opening balance	Balance as of 01.01.2010	Allocation of profit from previous year		Changes to reserves
				Reserves	Dividends and others	
Share capital						
a) ordinary shares	151,060,800		151,060,800			
b) other shares						
Share premium account	16,702,216		16,702,216			
Reserves						
a) from profits	17,332,934		17,332,934	8,084,946		
b) other						
Revaluation reserves	284,564		284,564			448,897
Capital instrument						
Own Shares						
Net profit for the year	8,084,946		8,084,946	(8,084,946)		
Shareholders' equity	**193,465,460**	**0**	**193,465,460**			**448,897**

Intervening variations							
Changes to Equity						2010 Net Profit	Shareholders' Equity as of 31.12.2010
New Shares issued	Treasury stock bought	Extraordinary dividends paid	Changes to capital instruments	Derivatives on treasury stock	Stock options		
							151,060,800
							16,702,216
							25,417,880
							1,018,025
						8,400,896	8,400,896
						8,400,896	**202,599,817**

CASH FLOW STATEMENT

Indirect Method		29/02/2012	31/12/2010
A	**OPERATING ACTIVITIES**		
1	**Operations**	**23,354,908**	**16,428,601**
	Net profit for the year	11,741,289	8,400,896
	Capital gains (losses) on financial assets held for trading and financial assets/liabilities carried at fair value	(1,709,733)	(866,323)
	Capital gains (losses) on hedging assets		
	Net impairment adjustments	6,899,672	14,452,406
	Net adjustments to tangible and intangible assets	1,901,561	1,515,669
	Net provisions for risks and charges and other revenues (costs)	(100,453)	(9,986)
	Unsettled taxes and duties	5,061,741	(7,512,958)
	Net post tax adjustments to groups of assets earmarked for disposal		
	Other adjustments	(439,169)	448,897
2	**Liquidity generated (absorbed) by financial assets**	**(549,961,621)**	**896,268,524**
	Financial assets held for trading	(7,210,110)	46,779,710
	Financial assets carried at fair value		
	Financial assets available for sale	7,021,344	1,001,738
	Loans and advances to banks: demand	(597,155,958)	791,527,680
	Loans and advances to banks: other		
	Loans and advances to customers	47,135,314	56,623,901
	Other financial assets	247,789	335,495
3	**Liquidity generated (absorbed) by financial liabilities**	**(375,500,282)**	**890,681,804**
	Account payable to banks: demand	(274,878,413)	261,090,818
	Account payable to banks: other		
	Account payable to customers	(113,459,635)	637,957,457
	Outstanding securities		
	Financial liabilities held for trading	(733,577)	(3,186,877)
	Financial liabilities carried at fair value		
	Other financial liabilities	13,571,343	(5,179,594)
	Net liquidity generated (absorbed) by operating activities	**197,816,247**	**10,841,881**

B	**INVESTMENT/DIVESTMENT ACTIVITIES**		
1	**Liquidity generated by:**	**0**	**0**
	Disposal of equity investments		
	Dividends received on equity investments		
	Disposal of financial assets held to maturity		
	Disposal of tangible fixed assets		
	Disposal of intangible assets		
	Disposal of business units		
2	**Liquidity absorbed by:**	**197,663,685**	**10,966,386**
	Purchase of equity investments		
	Purchase of financial assets held to maturity	196,644,571	8,268,143
	Purchase of tangible fixed assets	55,342	128,124
	Purchase of intangible assets	963,772	2,570,119
	Purchase of business units		
	Net liquidity generated (absorbed) by investment/divestment activities	**(197,663,685)**	**(10,966,386)**
C	**FUNDING**	0	0
	Issue (purchase) of treasury stock	0	0
	Issue (purchases) of capital instruments	0	0
	Distribution of dividends and other	0	0
	Net liquidity generated (absorbed) by funding activities	0	0
NET LIQUIDITY GENERATED (ABSORBED) DURING THE YEAR		**152,562**	**(124,505)**

Reconciliation

	29/02/2012	**31/12/2010**
Cash and cash equivalents at start of year	**216,394**	**340,899**
Net liquidity generated/absorbed during the year	152,562	(124,505)
Cash and cash equivalents: effect of exchange rate variations		
Cash and cash equivalents at year's end	**368,956**	**216,394**

SUPPLEMENTARY NOTE

PART (A)
ACCOUNTING POLICIES

A.1 – GENERAL PART

Section 1 – Statement of conformity with international accounting standards

The Financial Statements (1 January 2011 – 29 February 2012) is drawn up in conformity with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Boar (IASB) and the relative interpretations by the International Financial Reporting Interpretations Committee (IFRIC) homologated by the European Commission, according to EU Regulation no. 1606 of 19 July 2002. The application of the IFRS was carried out with reference to the "systematic framework for preparing and presenting Financial Statementss".

Section 2 – General principles for preparation

The Financial Statementss, as per regulatory dispositions (ex article 75 – *Consolidated Banking Law*), were drawn up on 29 February 2012 (end of the extraordinary administration) and were compared with that presented by the Extraordinary Commissioners and the Supervisory body, drawn up on 31 December 2010.

In drawing up the Financial Statements, with particular regard to the tables and the supplementary note, the bank applied the dispositions of The Bank of Italy circular no. 262 of 22 December 2005 (first updated on 18 November 2009), combining the information where envisaged by the International Accounting Standards, or considered adequate from the viewpoint of relevance or significance for better information.

The Financial Statements are expressed in Euro units, while the supplementary note uses thousands of euros. The Financial Statements are drafted:

- with the prospect of business continuity;
- according to the principle of accounting for economic competence;
- according to the principle of relevance and significance of information;
- giving precedence to the economic substance with respect to the juridical form;
- keeping the same classification and presentation from one year to the next;
- not offsetting activities, liabilities, revenues and costs, unless requested or allowed by the principles, by an interpretation and The Bank of Italy's circular;
- providing the comparative information for the previous period.

Every relevant category of similar items is shown distinctly in the Financial Statements; the items of dissimilar nature or destination are presented separately unless they are relevant.

Section 3 – Events occurring after the end of the Financial year

The Annual Report shows the events that have taken place after the reference date. Such events did not lead to adjustments in the Financial Statements results.

Section 4 – Other aspects

Comprehensive Net Income detail
The Comprehensive Net Income detail, introduced for the year 2010 in the light of the changes in the IAS 1, includes items of revenue and costs which, in conformity with international accounting principles, are not shown in the profit and loss account, but in the net assets.

Comprehensive Net Income therefore expresses the change in the assets deriving not only from business operations that currently make up the year's profit, but also from other operations net of tax deductions such as changes in value of AFS securities, tangible and intangible activities, coverage of foreign investments and financial flows, differences in exchange rates, profit or loss on defined-benefit plans for employees which are ascribed to Shareholders' equity on the basis of a specific accounting principle.

1 - FINANCIAL ASSETS HELD FOR TRADING

Recognition
The initial registration of financial assets held for trading takes place on the date of regulation while registration of derivatives takes place on the date of trading.
Financial assets held for trading are initially registered at fair value which is normally the amount paid or received. For cases in which the amount received is different from the fair value, the financial asset is registered at its fair value and the difference between the amount received and the fair value is registered in the Income Statement.
Derivative contracts incorporated in financial instruments or in other contractual forms, which possess economic and risk characteristics not correlated to the host instrument or which themselves have elements to make them qualify as derivative contracts, are subject to separate accounting in the category of financial assets held for trading, except in cases where the complex instrument containing them is assessed at fair value with profit and loss effects. Following the breakup of the inherent derivative, the primary contract follows the accounting rules of its proper classification category.

Classification
Included in the category are financial assets, irrespective of their technical form, for short-term trading. Also included are derivatives with positive value, even coming from breakup operations of implicit derivatives which are not part of effective coverage relations.

Valuation
After initial evaluation, financial assets held for trading are assessed at fair value. The determination of fair value for financial assets or liabilities is based on official prices on the balance date if the financial instruments are listed on active markets. For other financial instruments, including capital securities not listed on active markets, the fair value is determined by using techniques of evaluation and available market data such as the price of similar instruments on active markets, discounted cash flows, models for determining option prices, values shown in recent comparable transactions.

Derecognition
Financial assets held for trading are cancelled from the asset situation if the contractual rights relating to financial flows have matured or in the presence of conveyance transactions which transfer to third parties all the risks and benefits connected with the transferred asset.

Recognition of gain and losses
The results of evaluating financial assets held for trading and the relative interest amounts are registered on the income statement.

2 – FINANCIAL ASSETS AVAILABLE FOR SALE

Recognition
Financial assets available for sale are recognized on the date of regulation. Initial registration is at fair value which is normally the amount paid or received. For cases in which the amount received is different from the fair value, the financial asset is registered at its fair value and the difference between the amount received and the fair value is registered on the income statement. The value of first registration includes the accessory charges and revenues attributable to the transaction.

Classification
Included in this category are financial assets, different from derivatives, which are not classified in the items of the asset situation: "Financial assets held for trading", "Financial assets carried at fair value", "Financial assets held to maturity", "Payable to banks", "Payable to customers".
The item includes capital securities, not subject to control, joint control and linking not held for trading purposes.

Valuation
After initial recording, financial assets available for sale are assessed at fair value.
The fair value is determined by using the criteria mentioned in the previous paragraphs relating to financial assets held for trading. For capital securities, if the fair value obtained from technical evaluations is not reliable, the financial instruments are valued at cost and adjusted in the presence of losses for reduction of value.

Derecognition
Financial assets available for sale are cancelled from the asset situation if the contractual rights relating to financial flows have matured or in the presence of conveyance transactions which transfer to third parties all the risks and benefits connected with the transferred asset.

Recognition of gain and losses
The profits and losses deriving from variations in fair value are shown in a specific reserve of the net assets until the time when the activity is cancelled. These variations are also shown in the Comprehensive Net Income detail.
At the closing date of the balance, in the presence of objective evidence of losses for reduction in value, the variations are transferred from the net assets and shown on the income statement as a reduction in value, equal to the difference between the cost of acquisition and the current fair value, subtracting any loss for reduction in value previously shown on the income statement.
In the light of an event which takes place after a loss in value on a debt instrument, if the fair value increases, then the higher value is registered on the income statement. Increases in value of capital instruments are not registered on the income statement.
Apart from indicating losses due to reduction in value, the profits or losses accumulated in the reserve of net assets are registered, as shown above, on the income statement at the

time when the activity ceases. The interest is calculated using the criterion of effective interest and is shown on the income statement. The dividends on an instrument representing capital available for sale are shown on 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 the date of regulation. Initial registration is at fair value which is normally the amount paid or received. For cases in which the amount received is different from the fair value, the financial asset is registered at its fair value and the difference between the amount received and the fair value is registered on the income statement. The value of first registration includes the accessory charges and revenues attributable to the transaction.

Classification
The item "Financial assets held to maturity" includes financial assets, different from derivatives, which present fixed or determinable contractual payments and established maturity dates, for which there is the effective intention and the ability to hold the asset until maturity. Included in this category are listed bond securities, excluding complex structured bonds with implicit derivatives that cannot be made explicit.

Valuation
After initial valuation, financial assets held to maturity are valued at amortised cost and verified for losses through reduction of value.
The amortised cost of a financial asset is equal to the value of initial registration, net of capital refunds, increased or decreased by the overall amortisation calculated using the criterion of effective interest on any difference between the initial value and the mature value, subtracting any reduction (operated directly or using an allocation) following a reduction of value or non-recoverability.
The criterion of amortised cost is not used for short-term financial assets since the effect of applying it would be insignificant; such assets are registered at cost.

Derecognition
Financial assets are cancelled when the contractual rights mature on financial flows relating to the assets themselves or when the financial asset is ceded, effectively transferring all the risks and benefits associated with them.

Recognition of gain and losses
Profits and losses are shown on the income statement at the time when the assets are cancelled. Interest is based on the criterion of amortised cost which involves calculating the effective interest rate.
At the closing date of the balance, in the presence of objective evidence of losses for reduction of value, the amount of the loss shown on the income statement is equal to the

difference between the accounting value of the asset and the current value of estimated future financial flows, discounted at the original effective interest rate.
In the light of an event which takes place after a loss through reduction of value, if the factors that caused the loss cease to exist, then value recovery is carried out, shown on the income statement. Value recovery does not determine an accounting value higher than the value of the amortised cost that the financial asset would have had if the loss through reduction of value had never been spotted.

4 – LOANS AND ADVANCES, GUARANTEES ISSUED

Recognition

Loans and advances are registered in the balance sheet on the payment date and, in case of secured debt, on the regulation date. The initial registration value is equal to the amount paid out, or subscription charge, including marginal costs and revenues directly linked to the transaction and quantifiable on the registration date, even if settled at a later date.
The initial registration value does not include the costs to be reimbursed by the debtor nor the internal costs of an administrative type.
The initial registration value of loans paid out under different conditions to those of the market, is equal to the fair value of the loans in question determined by using evaluation techniques; the difference between the fair value and the amount paid out, or subscription charge, is shown on the income statement.
Carry-over transactions and operations by cash at term with the obligation to repurchase or to resell at term, are shown on the balance sheet as operations of funding or commitment; operations of sale by cash and repurchase at term are shown on the balance sheet as debts for the amount received in cash, while operations to purchase by cash and to resell at term are shown as credits for the amount paid out in cash.
Contingent Liabilities that include issuing guarantees and commitments, with related credit risks, are registered at the fair value of the commitment given.
Financial guarantees are initially shown at their fair value which is represented by the commission initially received, and subsequently – whichever is the greater – the amount determined according to IAS 37, or the amount initially registered net of accumulated amortisations calculated on a linear basis.

Classification

Classified under the headings "Loans and advances to banks" and "Loans and advances to customers", these commitments are paid out directly or purchased by third parties, not listed on active markets, and have fixed and determinable payments, except for those classified under the headings: "Financial assets held for trading"; "Financial assets carried at fair value"; "Financial assets available for sale". The category also includes any type of securities with characteristics similar to loans. Also included are performance loans, and operations by cash at term.

Valuation

After initial registration, loans are valued at the amortised cost according to the ways defined in the previous section on evaluating financial assets held to maturity.

The criterion for amortised cost is not applied to short-term loans, to technical forms without defined maturity and to credit relationships with revocation, since the effect of applying it would be insignificant. Such relationships are valued at cost.
The loans portfolio is subject to evaluation at the closing date of the balance, in order to check whether there are elements of reduction of value due to losses.

The following are considered impaired loans: bad debts, stand-still positions, restructured debts and credit exposures that have matured or over-run for more than 90 days.
The loss of value is shown in the accounts only in cases where, after the first report of the credit, there is objective evidence of events that determine a reduction of value leading to changes in the cash flow, estimated in a reliable manner.

Impaired credit items classified bad debts, stand-still positions, restructured debts, which show a reduction in value due to objective evidence of loss, are subjected to analytical evaluation. The amount of the loss is obtained as the difference between the asset's registration value and the current value of the estimated cash flows discounted at the original effective interest rate of the financial asset. In evaluating loans, the following elements are considered:

- the "maximum collectable", corresponding to the best estimate of the expected cash flows from the loan and the interest payments; also considered, where collection is possible, the interest on arrears and the value of any guarantees net of recovery expenses;
- the collection estimated times, on the basis of contractual maturity dates where such exists, and on the basis of reasonable estimates in the absence of contractual agreements;
- the rate of actualisation, equivalent to the effective original interest rate; for impaired loans existing on the date of transition, where collection would be an excessive burden, reasonable estimates are used such as the average rate of outstanding loans during the year or the restructuring rate.

In the procedure of analytical valuation, the cash flows whose collection is foreseen in a short period of time are not actualised. The effective original rate of each loan remains unchanged over time even if the agreement has been restructured leading to a change in the contractual rate, and even if the agreement no longer produces contractual interest payments.
Loans without objective evidence of loss through reduction of value (in other words, normally the loans *in bonis*, both to customers and to banks, including loans to counterparties resident in risky countries), as well as impaired loans beyond the maturity date and over-run for more than 90 days, are subjected to collective valuation by creating groups of positions with similar risk profiles. The devaluation is determined on the basis of the performance over time of the losses referring to each reference group. For the purposes of determining the series over time, the positions subject to analytical valuation are eliminated from the overall number of loans. Value adjustments determined collectively are shown on the income statement. Any recoveries of value are calculated in a differential manner referring to the whole portfolio of loans in the same category.
They are considered as impaired loans, according to the same criteria as those established for loans subjected to analytical and collective valuation, including contingent liabilities.
Amounts shown as allocations, in compliance with IAS 37, represent the best estimate of the expenses required to meet the existing obligation on the reference date of the balance and linked to the financial guarantee, valued both analytically and collectively.

Derecognition
According to the dispositions of IAS 39, the transfer of financial assets leads to elimination from the accounts only in the presence of a substantial transfer of the risks and benefits of the assets to third parties. Otherwise, if the bank has not substantially transferred the risks and benefits of the assets and has kept control of them, the balance continues to show the asset, limited to the continuing involvement, in other words the exposure of the bank to changes in the value of the transferred asset.

Recognition of gain and losses
Profits and losses are shown on the income statement at the time when the loans are cancelled, following a loss by reduction of value and through amortisation of the difference between the registration value and the refundable value on maturity, shown on the income statement amongst the interest items.
Loss by reduction of value, as defined in the previous section relating to the valuation of loans, is shown on the income statement.
In the light of an event which takes place after a loss, if the factors that caused the reduction of value cease to exist, then value recovery is carried out, shown on the income statement. Value recovery does not determine an accounting value higher than the value of the amortised cost that the financial asset would have had if the loss through reduction of value had never been spotted.
Recoveries of value linked to the passage of time, corresponding to the interest matured over the year on the basis of the original effective interest rate previously used to calculate the losses through reduction of value, are included amongst the adjustments and recoveries of net value through impairment.
The valuation of risks and charges connected with loans on signature is shown on the income statement and in counterpart amongst the other liabilities.

5 – FINANCIAL ASSETS CARRIED AT FAIR VALUE
No items of this type are present.

6 – COVERING DERIVATIVES
No items of this type are present.

7 – PARTICIPATIONS
No items of this type are present.

8 – TANGIBLE FIXED ASSETS

Recognition
Tangible fixed assets are recognized in the Balance Sheet when it is possible to determine the reasonable cost and when it is probable that the future economic benefits will accrue to the company, independently of the formal transfer of property.
Such assets are initially registered at cost, including all the accessory charges directly involved in the purchase of the item and the start-up of its operation. Extraordinary maintenance expenses which lead to an increase in future economic benefits are shown as

an increase in the value of the assets, while others costs of ordinary maintenance are shown on the income statement.

Classification
The heading includes fixed assets held for use in the production and supply of goods and services, or for administrative purposes, and which are likely to be used for more than one year. Such assets include land and premises for business purposes, technical plant, furniture, fittings and equipment.

Valuation
This assets are valued at cost, after deducting amortisations and losses through reduction in value.
Amortisations are determined systematically according to a linear criterion based on the useful residual life of the item.
The land acquired as part of the value of a building owned from "ground-to-sky" is not subject to amortisation.

Derecognition
A tangible fixed asset is eliminated from the balance sheet at the time of its divestment, or when the item is permanently withdrawn from use and no economic benefits are expected from its divestment.

Recognition of gain and losses
Amortizations are recorded in the income statement. When there are indications that an element of the material assets might show a potential loss for reduction of value, it is useful to compare the accounting value and the recoverable value, the latter equal to the greater of the two between the usage value, understood as the current value of future flows originating from the asset, and the fair value net of divestment costs; any negative difference between the registration value and the recoverable value is shown on the income statement. If the factors that led to the value adjustment no longer exist, a value recovery is shown on the income statement; following value recoveries, the accounting value cannot exceed the value that the asset would have had, net of calculated amortisations in the absence of previous losses for value reduction.

9 – INTANGIBLE FIXED ASSETS

Recognition
Intangible Fixed assets are non-monetary activities identifiable by virtue of legal or contractual rights, without physical consistency, to be used over a period of many years, which are shown in the asset situation when there are future economic benefits deriving from them. The initial registration value of an intangible asset is the cost.

Classification
Intangible fixed assets consist mainly of software.

Valuation
Intangible fixed assets are registered at cost and are subject to amortisation according to a linear criterion.

Derecognition
Intangible fixed assets are written off at the time of divestment and when no future economic benefits from the use or the divestment are expected.

Recognition of gain and losses
Amortizations are shown on the income statement.
When there are indications that an element of the intangible fixed assets might show a potential loss for reduction of value, it is necessary to conduct the test to verify loss by reduction of value; any negative difference between the registration value and the recoverable value of the assets is shown on the income statement. If the factors that led to the value adjustment on elements of the intangible fixed assets are different from the initial registration, a value recovery is shown on the income statement; the value recovery cannot exceed the value that the asset would have had, net of calculated amortisations in the absence of previous losses by reduction of value.

10 – NON-RECURRING ASSETS FOR WHICH DISPOSAL IS UNDERWAY
There are no items of this type.

11 – FISCAL ASSETS AND LIABILITIES
Recognition
Income tax charges includes current and deferred taxes.
Registration of assets for tax advances takes place when there is likely to be a future taxable income against which such assets can be used. Deferred taxes are shown in all cases where the relative debt is likely to arise.

Classification
Tax advances and deferred taxes recorded in the Balance Sheet as open balance and without compensations, the former under “Tax assets” and the latter under “Tax liabilities”.

Valuation
When the results of operations are recorded under Shareholders’ equity directly, taxes are recorded under Shareholders’ equity too.
Assets and liabilities, registered as tax advances and deferred taxes, are valuated

periodically to take into account any regulatory modifications or changes in the tax rate, and in cases when the fiscal benefit no longer applies.

Recognition of gain and losses
Income taxes are shown on the income statement, consistently with the ways of showing costs and revenues, except for those, as already mentioned, relating to items debited or credited directly to the Shareholders' equity. Taxes on current incomes are calculated on the basis of the fiscal result for the period determined by applying the current tax rates on the reference date of the balance, as well as any adjustments to the figures from previous balances. Assets and liabilities for deferred taxes are valued using the tax rates which are likely to be applied in the year when the asset will be realised or when the liability to which they refer will be extinguished, according to the tax rates established by the provisions in force on the reference date of the balance. Deferred and advanced income taxes are calculated on the temporary differences between the assets and liabilities shown on the balance sheet and the corresponding values accepted for tax purposes.

12 – STAFF SEVERANCE FUND

Recognition and classification
The staff severance fund is registered on the basis of its value determined according to actuarial criteria set out in IAS 19 regarding defined benefits for personnel.
The value of the liability shown on the balance sheet is therefore subject to actuarial valuations which take into account, amongst other variables, the future development of the employment relationship.
The liability shown on the balance sheet is representative of the actual value of the obligation, increased by any actuarial profits not on the books and decreased by any actuarial losses not on the books.

Valuation and recognition of gain and losses
The future flows of the staff severance fund (TFR) are calculated on the reference date by an external expert according to the method of calculation known as Project Unit Credit Method. The value of the liability on the reference date of the balance is further adjusted for fair value of any asset pertaining to the plan, if present.
Following legislative reform, UBAE still holds (subject to the above method of actuarial valuation) only the severance shares which matured up to 31 December 2006.
The actuarial profits and losses are accounted for directly on the income statement.
For pension funds with defined contributions (external funds), the contributions charged to the company are shown on the income statement and determined according to the work performed; for each year, the liability is determined on the basis of the contributions due for that year.
Following legislative modification, the severance shares maturing from 1 January 2007 onwards are transferred upon the employee's choice, to an external pension fund or to the INPS Treasury Fund, and therefore such shares are considered as "defined contribution plan".

13 - FUNDS FOR RISKS AND FUNDS

Recognition and classification

Allocations for risks and charges are shown on the income statement and registered as liabilities in the balance sheet if the following conditions apply:

- if there is a current liability (legal or implicit) deriving from a past event;
- if there is a disbursement of financial resources to satisfy the obligation;
- if a reliable estimate can be made of the probable future disbursement.

The allocations are registered at the value representing the best estimate of the amount required to settle the liabilities, that is, to transfer it to third parties on the closing date of the period.
When the financial effect linked to the passage of time is significant and the payment dates of the liabilities can be estimated reliably, the allocation is stated at current market rates on the date of the balance.

Valuation and recognition of gain and losses

The amounts shown as allocations are subject to re-examination on the reference date of each financial year-end, and are adjusted to reflect the best estimate of the disbursement required to satisfy the existing liability on the closing date of the period.
The effect of the time elapsed and changes in interest rates are shown on the income statement amongst the net provisioning for the year.

Derecognition

Allocations are used only against the charges for which they were originally registered. If satisfying the liability is unlikely to require the disbursement of resources, the allocation is written off, through re-attribution to the income statement.

14 – DEBTS

Recognition

The first recognition is made on the basis of the liability's fair value, which is normally equal to the cash value, increased by any marginal costs and revenues directly attributable to the transaction and not reimbursed by the creditor; excluded are internal costs of an administrative type.
Financial liabilities issued under different conditions to those prevailing on the market are registered at fair value, using an estimate, and the difference with respect to the compensation or issue value is included on the income statement.

Classification

Classified amongst debts is the position of financial liabilities not held with the aim of short-term trading, such as all the various technical forms of funding at the interbank level and with customers.

Valuation and recognition of gain and losses
After initial registration, these items are evaluated at the amortised cost with the method of effective interest rate, except for short-term liabilities which, according to the general criterion of significance and relevance, are registered at fair value coinciding with the cash value, adjusted for directly attributable charges and revenues. For the criteria to determine the amortised cost, see the previous section on financial assets held to maturity.

Derecognition
Financial liabilities shown here are cancelled from the balance sheet following settlement or maturity.

15 – FINANCIAL LIABILITIES HELD FOR TRADING

Recognition
Recognition of HFT takes place on the date of regulation and on the trading date for derivative contracts. Initial registration of financial trading liabilities takes place at fair value which is normally equal to the cash value.
In cases where the amount is different from the fair value, the financial liability is registered at its fair value, and the difference between the amount and the fair value is shown on the income statement.
The derivative contracts incorporated in financial instruments or in other contractual forms, which show economic characteristics and risks not correlated with the host instrument or which show elements to be qualified as derivative contracts, are shown in the accounts separately, if having negative value, in the category of financial liabilities held for trading, except that in cases in which the complex instrument which contains them is evaluated at fair value with effects on the income statement.

Classification
This item includes the negative value of derivative contracts that are not part of hedging transactions as well as the negative value of implicit derivatives present in complex contracts.

Valuation
After initial registration, HFT liabilities are considered at fair value. As for the criteria for determining the fair value, see the previous section relating to valuation of financial assets held for trading.

Derecognition
Financial liabilities held for trading are cancelled when settled or matured.

Recognition of gain and losses
The results of evaluating Financial liabilities held for trading are shown in the income statement.

16 – FINANCIAL LIABILITIES CARRIED AT FAIR VALUE

There are no items of this type.

17 – FOREIGN CURRENCY TRANSACTIONS

Recognition

Foreign currency operations are shown in Euro at the time of initial registration; the amount of foreign currency is multiplied by the exchange rate in force on the date of the operation.

Recognition of gain and losses

At year-end, the items in foreign currency are assessed as follows:

- monetary items are converted at the year-end exchange rates;
- non-monetary items evaluated at the original cost are converted at the exchange rates on the date of the operation;
- non-monetary items shown at fair value are converted using the exchange rates at the year-end exchange rates.

The differences of exchange rates deriving from the regulation or the conversion of monetary positions at exchange rates that are different from those of the initial conversion, or the conversion of the previous balance, are shown on the income statement for the period in which they arise.
When a profit or a loss relating to a non-monetary position is shown in the Shareholders' equity, the difference in exchange rate relating to the position is also shown in the Shareholders' equity. However, when a profit or a loss is shown on the income statement, the relative difference in exchange rate is also shown on the income statement.

18 – ADDITIONAL INFORMATION

Fair value

Fair value is the amount for which an asset could be traded, or a liability settled, in a free transaction between informed and independent parties.

In line with the dispositions on this subject, it is helpful to describe the methodologies used by the bank to define and utilise fair value.

1. Estimates deduced from active markets (Level 1)
   Evaluation is made on the basis of the market price of the same instrument (that is, without modifications or re-compositions of the instrument itself), deducible from the estimates made by an active market (Mark-to-Market). A market is considered active when its listed prices reflect normal market operations, when they are regularly and promptly available through stock exchanges, listing services and intermediaries, as long as such prices represent effective and regular market operations.

2. Evaluation methods based on observable market parameters (Level 2)
   Evaluation of financial instruments is based on prices which can be deduced from market estimates for similar assets or through evaluation techniques for which all the significant factors – including credit spreads and liquidity – are deducible from observable market data. This level implies reduced discretional aspects in the evaluation since the parameters are taken from the market (for the same or similar securities) and the calculation methods make it possible to replicate estimates on active markets.

3. Evaluation methods based on non-observable market parameters (Level 3)
   UBAE uses evaluation models (Mark-to-Model) in line with the methods generally used and accepted by the market. Evaluation models include techniques based on the discounting back of future cash flows and on estimates of market volatility, and are subject to review during their development and also periodically, in order to ensure full and constant consistency. These evaluation techniques are based, to a large extent, on significant inputs which cannot be deduced from the market; therefore, their use involves estimates and assumptions on the management's part.

The criteria for determining the fair value of securities are as follows;
<u>a) Securities listed on active markets</u>
The fair value of financial instruments exchanged on an "active market" is assumed to have the following characteristics:

- capital and debt securities listed on the Italian stock exchange: the official price on the last trading day of the stock exchange for the reference period;
- capital and debt securities listed on foreign stock exchanges: the official price (or its equivalent price) on the last day of the reference period;

<u>b) Securities not listed on active markets</u>
The fair value of financial instruments <u>not</u> traded on an "active market" is assumed to have the following characteristics:

- for other capital and debt securities, according to the following order:
  - the reference price of recent transactions;
  - the price indications, when available and reliable, which can be deduced from information sources such as ICMA, BLOOMBERG, REUTERS;
  - the price obtained by using the evaluation techniques generally accepted by market operators, such as:
    - for debt instruments, the discounting back of future cash flows, on the basis of current yield rates at the end of the period for equal residual maturity, taking into account any "counterparty risk" and/or "liquidity risk";
    - for equities, if the amount is significant, the value resulting from independent surveys when available, or in their absence, the value corresponding to the amount of shareholders' equity, as shown on the most recent Financial Statements approved by the company;
  - the price supplied by the issuing counterpart, suitably adjusted to take into account any "counterparty risk" and/or "liquidity risk";
  - the cost, adjusted if necessary to take into account any significant value reductions, if it is not possible to determine the fair value reliably according to the above criteria.

The criteria for determining the fair value of derivative contracts are as follows:

- derivative contracts traded on regulated markets: the fair value is taken to be the market price on the last trading day of the period;
- derivative contracts which are supplied "over-the-counter": the fair value is taken to be the "market value" on the reference date, determined as follows depending on the type of contract:
  - contracts on interest rates: the "market value" is represented by the "replacement cost", determined by actualising the differences, on the set regulation date, between amounts calculated at contract rates and expected amounts calculated at market rates, objectively determined, current at the end of the period for equal residual maturity;
  - operations at term on currencies: the "market value" is represented by the current exchange rate "at term" on the said date, for maturity dates corresponding to those of the operations subject to evaluation;
  - operations at term on securities, goods or precious metals: the "market value" is represented by the current price "at term" on the said date, for maturity dates corresponding to those of the underlying asset.

Recognition of revenues and costs

Revenues are registered in the accounts when they are received or anyway when it is possible to receive the future benefits, and such benefits can be reliably quantified. In particular:

- dividends are shown on the income statement at the time when their distribution is decided;
- revenues deriving from intermediation of financial trading instruments, determined by the difference between the price of the transaction and the instrument's fair value, are shown on the income statement at the time of the operation if the fair value can be determined with reference to recent observable parameters or transactions on the same market where the instrument is traded;
- revenues relating to financial instruments for which the above measuring system is not possible are shown on the income statement for the duration of the operation.

Costs are shown on the income statement in the periods when the revenues are registered. If the link between costs and revenues can be made generically and indirectly, the costs are registered on more than one period with rational procedures on a systematic basis. The costs that cannot be linked to revenues are shown immediately on the income statement.

Assumption on corporate continuity
Contrary to previous years, the current conditions of financial markets and the real economy, and the negative short/medium-term forecasts make it essential to carry out particularly accurate evaluations regarding the assumption on corporate continuity.

On this subject, respecting the indications set out in document no. 4 of 3 March 2010 issued jointly by the Bank of Italy, Consob and Isvap, examining the risks and the uncertainties of the current macroeconomic context, it seems reasonable to expect that the bank will continue to exist for the foreseeable future; therefore, the Financial Statements which closed on 29 February 2012 was drawn up on the assumption of corporate continuity, also in the light of the positive results achieved during the period and in previous years, as well as the particular context in which the bank operates and the economic and financial forecasts for the near future.

Accounting estimates
In conformity with the IFRS, the corporate management needs to formulate valuations, estimates and assumptions which influence the application of the accounting principles and some amounts of assets, liabilities, costs and revenues shown on the Financial Statements. The estimates and the relative assumptions are based on previous experience and on other factors considered reasonable in the case in point, and have been used in order to estimate assets and liabilities that are not easily deducible from other sources, in particular with reference to evaluating financial assets.

Such estimates and assumptions are reviewed regularly. Any variations deriving from the review of accounting estimates are shown on the Financial Statements for the period when the review took place, in cases where the review concerns only that period. In cases where the review concerns current periods and also future periods, the variation is shown for each of the periods concerned.

Publication of the Balance
The Extraordinary Commissioners, in agreement with the Board of Directors, have authorised the publication of this balance after approval by the Bank of Italy, which should be given in during August 2012.

A.3 FAIR VALUE DETAIL

A.3.1 Transfers between portfolios

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

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

A.3.1.3 Transfers of financial assets held for trading

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

A.3.2 Fair value hierarchy

A.3.2.1 Accounting portfolios: Breakdown by fair value level

Financial assets/liabilities measured at fair value		29.02.2012			31.12.2010		
		L1	L2	L3	L1	L2	L3
1	Financial assets held for trading	109,481	536		114,068	1,449	
2	Financial assets designated at fair value						
3	Financial assets available for sale		9,657	868		2,621	883
4	Hedging derivatives						
	Total	**109,481**	**10,193**	**868**	**114,068**	**4,070**	**883**
1	Financial liabilities held for trading	17	3,217			3,968	
2	Financial liabilities designated at fair value						
3	Hedging derivatives						
	Total	**17**	**3,217**			**3,968**	

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

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

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

A.3.3 Information on the "day one profit/loss"

PART B
INFORMATION ON THE BALANCE SHEET

ASSETS

Section 1 – Cash and cash equivalents - Item 10

1.1 Cash and cash equivalents: Composition

		29.02.2012	31.12.2010
a)	Cash	364	206
b)	Free deposits with central banks	5	10
	Total	**369**	**216**

Section 2 – Financial assets held for trading – Item 20

2.1 Financial assets held for trading: Composition by type

		Items / Values	29.02.2012			31.12.2010		
			L1	L2	L3	L1	L2	L3
A		**Non-derivative assets**						
1		Debt securities	109,120			113,797		
	1.1	Structured securities	0			0		
	1.2	Other debt securities	109,120			113,797		
2		Equity securities	361			271		
3		Holdings in UCI						
4		Loans						
	4.1	Repo						
	4.2	Other debt securities						
		Total (A)	109,481			114,068		
B		**Derivatives:**						
1		Financial derivatives		536			1,449	
	1.1	For trading		536			1,449	
	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)		536			1,449	
		Total (A+B)	109,481	536		114,068	1,449	

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

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

	Items / Values	29.02.2012	31.12.2010
A	**Non-derivative assets**		
1	**Debt securities**	**109,120**	**113,797**
a)	Governments and central banks		
b)	Other public-sector entities		
c)	Banks	98,531	93,402
d)	Other issuers	10,589	20,395
2	**Equity securities**	**361**	**271**
a)	Banks	0	271
b)	Other issuers	361	0
	- Insurance undertakings		
	- Financial companies		
	- Non-financial companies	361	0
	- Other		
3	**Unit in UCI**		
4	**Loans**		
a)	Governments and central banks		
b)	Other public-sector entities		
c)	Banks		
d)	Other		
	Total (A)	**109,481**	**114,068**
B	**Derivatives**		
a)	Banks	513	921
	- *fair value*	513	921
	-		
b)	Customers	23	528
	- *fair value*	23	528
	-		
	Total (B)	**536**	**1,449**
	Total (A+B)	**110,017**	**115,517**

2.3 Financial assets held for trading: annual variation

			Debt securities	Equities	Holdings in UCI	Loans	**Total**
A	**Opening balance**		**113,797**	**271**			**114,068**
B	**Increases**		**18,291**	**48,119**			**66,410**
	B1	Purchases	16,968	47,790			
	B2	Variations (+) in FV	46				
	B3	Other variations	1,277	329			
C	**Decreases**		**22,968**	**48,029**			**70,997**
	C1	Sales	16,608	47,731			
	C2	Redemptions	4,500				
	C3	Variations (-) in FV	1,246	28			
	C4	Transfers from other portfolios					
	C5	Other variation	614	270			
D	**Closing balance**		**109,120**	**361**			**109,481**

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			29.02.2012			31.12.2010		
			L1	L2	L3	L1	L2	L3
1	Debt securities			9,657	804		2,621	819
	1.1	Structured			501			504
	1.2	Other		9,657	303		2,621	315
2	Equities				64			64
	2.1	Valued at fair value						
	2.2	Valued at cost			64			64
3	Holdings in UCI							
4	Loans							
	4.1	Structured						
	4.2	Others						
		Total		**9,657**	**868**		**2,621**	**883**

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

Items/Values		29.02.2012	31.12.2010
1	**Debt securities**	**10,461**	**3,440**
	a) Governments and central banks	2,191	2,621
	b) Other public-sector entities		
	c) Banks	8,270	819
	d) Other issuers	0	
2	**Equities**	**64**	**64**
	a) Banks		
	b) Other issuers	64	64
	- Insurance undertakings		
	- Financial companies	18	5
	- Non-financial companies	46	59
	- Other		
3	**Holdings in UCI**		
4	**Loans**		
	a) Governments and central banks		
	b) Other public-sector entities		
	c) Banks		
	d) Other public-sector entities		
	Total	**10,525**	**3,504**

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

4.4 Financial assets available for sale: Yearly variation

		Debt securities	Equities	Holdings in UCI	Loans	**Total**
A	**Opening balance**	**3,440**	**64**			**3,504**
B	**Increases**	**7,827**	**0**			**7,827**
B1	Purchases	7,646				
B2	Variations (+) in FV					
B3	Write-backs	39				
	- booked to income statement	39				
	- booked to shareholders' equity					
B4	Transfers from other portfolios					
B5	Other variations	142	0			
C	**Decreases**	**806**	**0**			**806**
C1	Sales					
C2	Redemptions	0				
C3	Variations (-) in FV	0				
C4	Write-downs caused by impairment:	0				**0**
	- booked to income statement	0				
	- booked to shareholders' equity					
C5	Transfers to other portfolios					
C6	Other variations (*)	806	0			
D	**Closing balance**	**10,461**	**64**			**10,525**

(*) This item includes Euro 69,437 as specific adjustments computed into the Income Statement

Section 5 – Financial assets held to maturity – Item 50

5.1 Financial assets held to maturity: Composition by type

		29.02.2012				31.12.2010			
		BV	FV			BV	FV		
			L1	L2	L3		L1	L2	L3
1	**Debt securities**	287,745	283,815	1,251		91,101	90,083	1,466	
1.1	Structured								
1.2	Other	287,745	283,815	1,251		91,101	90,083	1,466	
2	**Loans**								

Legend:

BV= Book Value

FV= Fair value

L1= Level 1

L2= Level 2

L3= Level 3

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

		29.02.2012	31.12.2010
1	**Debt securities**	**287,745**	**91,101**
a)	Governments and central banks	1,820	1,963
b)	Other public-sector entities		
c)	Banks	285,925	83,226
d)	Other issuers	0	5,912
2	**Loans**	**0**	**0**
a)	Governments and central banks		
b)	Other public-sector entities		
c)	Banks		
d)	Other public-sector entities		
	Total	**287,745**	**91,101**
	Total fair value	**285,066**	**91,549**

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

5.4 Assets held to maturity: Yearly variations

			Debt securities	Loans	Total
A	Opening balance		**91,101**		**91,101**
B	Increases		**216,587**		**216,587**
	B1	Purchases	214,546		214,546
	B2	Write-backs	156		156
	B3	Transfers from other			
	B4	Other variations	1,885		1,885
C	Decreases		**19,943**		**19,943**
	C1	Sales			
	C2	Redemptions	16,129		16,129
	C3	Write-downs	1,986		1,986
	C4	Transfers to other	0		
	C5	Other variations	1,828		1,828
D	Closing balance		**287,745**		**287,745**

Section 6 – Loans and advances to banks – Item 60

6.1 Loans and advances to banks: Composition by type

			29.02.2012	31.12.2010
A	**L&As to central banks**		**2,482**	**4,849**
	1	Term deposits		
	2	Compulsory reserves	0	0
	3	Repos		
	4	Other	2,482	4,849
B	**L&As to other banks**		**2,298,200**	**2,892,989**
	1	Current accounts and free deposits	1,105,370	1,028,583
	2	Term deposits	783,255	961,322
	3	Other	354,475	748,889
		3.1 Repos		
		3.2 Financial leases		
		3.3 Other	354,475	748,889
	4	Debt securities	55,100	154,195
		4.1 Structured		
		4.2 Other	55,100	154,195
		Total book value	**2,300,682**	**2,897,838**
		Total fair value	**2,300,682**	**2,897,838**

The "mandatory reserve" observed indirectly amounts to EUR 27,394,325.25
Impaired assets consist of:
EUR 1.585 mn of rescheduled debts (entered under exposures to central banks)

EUR 2.210 mn 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

		29.02.2012		31.12.2010	
		Bonis	Impaired	Bonis	Impaired
1	Current accounts	707	213	753	11
2	Repos				
3	Mortgages	6,433	89	6,890	89
4	Credit cards, personal loans and loans backed	2,153		2,114	
5	Financial leases				
6	Factoring				
7	Other (*)	240,916		200,418	
8	Debt securities				
8.1	Structured				
8.2	Other				
	Total book value	**250,209**	**302**	**210,175**	**100**
	Total fair value	**250,209**	**302**	**210,175**	**200**

(*) The figure of Euro 240,916 mln mainly consists of the following components: Euro 98,706 mln active subsidies not regulated in current account at fixed rate; Euro 84,370 mln discounted pro soluto; Euro 29,553 mln export financing,

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

			29.02.2012		31.12.2010	
			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**		**250,209**	**302**	**210,175**	**100**
	a)	Governments	0			
	b)	Other public-sector entities	0			
	c)	Others	250,209	302	210,175	100
		- Non-financial companies	189,095	212	147,653	11
		- Financial companies	40,627		28,521	
		- Insurance companies				
		- Others	20,487	90	34,001	89
		Total	**250,209**	**302**	**210,175**	**100**

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			29.02.2012	31.12.2010
A	**Assets held for operational use**			
1.1	**Owned**		**24,133**	**24,982**
	a)	land	8,187	8,187
	b)	buildings	15,657	16,352
	c)	movables	178	281
	d)	electronic systems	49	53
	e)	other	62	109
1.2	**Leased**		**0**	**0**
	a)	land		
	b)	buildings		
	c)	movables		
	d)	electronic systems		
	e)	other		
		Total (A)	**24,133**	**24,982**
B	**Assets held for investment**			
2.1	**Owned**			
	a)	land		
	b)	buildings		
2.2	**Leased**			
	a)	land		
	b)	buildings		
		Total (B)		
		Total (A+B)	**24,133**	**24,982**

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

11.3 Tangible fixed assets held for operational use: Yearly variations

		Land	Buildings	Movables	Electronic systems	Other	**Total**
A	**Opening gross balance**	**8,187**	**20,319**	**1,620**	**2,249**	**2,030**	**34,405**
A.1	Total net write-downs		3,967	1,339	2,196	1,921	9,423
A.2	Opening net balance	8,187	16,352	281	53	109	24,982
B	**Increases**		**16**	**1**	**28**	**11**	**56**
B1	Purchases		16	1	28	11	56
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**	**0**	**711**	**104**	**32**	**58**	**905**
C1	Sales						
C2	Depreciation		711	104	32	58	905
C3	Write-downs for impairment booked to:						
	a) shareholders' equity						
	b) income statement						
C4	Negative changes in fair value booked to:						
	a) shareholders' equity						
	b) income statement						
C5	Forex losses						
C6	Transfers to:						
	a) shareholders' equity						
	b) income statement						
C7	Other decreases						
D	**Net closing balance**	**8,187**	**15,657**	**178**	**49**	**62**	**24,133**
D1	Total net write-downs		4,678	1,443	2,228	1,979	10,328
D2	Gross closing balance	8,187	8,187	8,187	8,187	2,041	34,789
E	**Valuation at cost**	**8,187**	**15,657**	**178**	**49**	**62**	**24,133**
	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

				29.02.2012		31.12.2010	
				Limited Life	Unlimited Life	Limited Life	Unlimited Life
A1	Goodwill						
A2	Other intangible assets			2,186		2,219	
	A2.1	Assets valued at cost		2,186		2,219	
		a) Intangible assets developed in-house					
		b) Other assets		2,186		2,219	
	A2.2	Assets designated at fair value					
		a) Intangible assets developed in-house					
		b Other assets					
			Total	**2,186**		**2,219**	

12.2 Intangible fixed assets: Yearly variations

			Good-will	Other: generated in-house		Other: generated externally		**Total**
				Limited	Unl	Limited	Unl	
A	**Opening balance**					2,219		**2,219**
	A1	Total net write-downs						
	A2	Net opening balance				2,219		2,219
B	**Increases**					964		**964**
	B1	Purchases				964		964
	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**					997		**997**
	C1	Sales						
	C2	Write-downs:						
		- amortization				997		997
		- 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**					2,186		**2,186**
	D1	Total net write-downs						
E	**Gross closing balance**					2,186		**2,186**
F	**Valuation at cost**					2,186		**2,186**

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

		22/02/1919	20/11/1926
	Total	**6,993**	**9,821**
Income statement		6,993	9,821
1	Tax losses		
2	Loan losses	6,858	9,476
3	Other	135	345
Shareholders' equity			
4	Valuation reserves		
5	Other		

13.2 Deferred Tax liabilities: composition

		29.02.2012	31.12.2010
	Total	**89**	**89**
1	Income statement	89	89

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

			29.02.2012	31.12.2010
1	**Opening balance**		**9,821**	**4,588**
2	**Increases**		**0**	**5,486**
	2.1	Pre-paid tax assets recorded during the year	0	5,486
		a) relating to earlier years		
		b) due to changes in accounting policies		
		c) write-backs		
		d) other	0	5,486
	2.2	New taxes or increases in tax rates		
	2.3	Other increases		
3	**Decreases**		**2,828**	**253**
	3.1	Pre-paid tax assets annulled during the year	2,828	253
		a) reversals	2,828	253
		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**		**6,993**	**9,821**

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

			29.02.2012	29.02.2012
1	**Opening balance**		**89**	**112**
2	**Increases**		**0**	**0**
	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**		**0**	**23**
	3.1	Deferred tax liabilities annulled during the year	0	23
		a) reversals	0	23
		b) due to changes in accounting policies		
		c)other		
	3.2	Reductions in tax rates		
	3.3	Other decreases		
4	**Closing balance**		**89**	**89**

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

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

13.7 Other information

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

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

14.2 Other information

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

Section 15 – Other assets – Item 150

15.1 Other assets: Composition

		29.02.2012	31.12.2010
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)	1,644	1,396
	Total	**1,644**	**1,396**

LIABILITIES

Section 1 – Accounts payable to banks - Item 10

1.1 Accounts payable to banks: Composition by type

			29.02.2012	29.02.2012
1	**Accounts payable to central banks**		**324,378**	**209,216**
2	**Accounts payable to other banks**		**1,781,341**	**2,171,382**
	2.1	Current accounts and free deposits	1,101,234	886,432
	2.2	Term deposits	579,635	1,207,099
	2.3	Loans	100,472	77,851
		2.3.1 Repo		
		2.3.2 Other	100,472	77,851
	2.4	Liabilities in respect of commitments to repurchase own equity		
	2.5	Other liabilities		
		Total	**2,105,719**	**2,380,598**
		Fair value	**2,105,719**	**2,380,598**

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

Accounts payable to banks	
Subordinated Liabilities	**100,472**

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

			29.02.2012	**31.12.2010**
1	Current accounts and free deposits		121,741	757,708
2	Term deposits		526,350	3,842
3	Loans			
	3.1	Repo		
	3.2	Other		
4	Liabilities in respect of commitments to repurchase own equity			
5	Other accounts payable			
		Total	**648,091**	**761,550**
		Fair value	**648,091**	**761,550**

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

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

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

2.5 Financial-leasing liabilities

Section 3 – Debt securities outstanding - Item 30

3.1 Debt securities outstanding: Composition by type

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

3.3 Debt securities outstanding: Securities subject to micro-hedging

Section 4 – Financial liabilities held for trading – Item 40

4.1 Financial liabilities held for trading: Composition by type

			29.02.2012					31.12.2010				
			NV	FV			FV*	NV	FV			FV*
				L1	L2	L3			L1	L2	L3	
A	**Cash liabilities**											
1	Accounts payable to banks											
2	Accounts payable to customers											
3	Debt securities											
	3.1	Bonds										
		3.1.1 Structured										
		3.1.2 Others										
	3.2	Other securities										
		3.2.1 Structured										
		3.2.2 Others										
		Total A										
B	**Derivatives**											
1	Financial derivatives		184,429	17	3,217			222,680		3,968		
	1.1	Held for trading	184,429	17	3,217			222,680		3,968		
	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	184,429	17	3,217			222,680		3,968		
		Total (A+B)	184,429	17	3,217			222,680		3,968		

Legend:
FV= fair value
FV = fair value as reckoned by excluding variations in value due to changes intervened in the issuer's creditworthiness since the issue date*
NV= nominal or notional value
L1= Level 1 *L2= Level 2* *L3= Level 3*

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

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

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

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

5.1 Financial liabilities designated at fair value: Composition by type

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

5.3 Financial liabilities designated at fair value: Yearly variations

Section 6 – Hedging derivatives - Item 60

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

6.2 Hedging derivatives: Composition by portfolio and type of hedging

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

7.1 Adjustment to hedged liabilities: Composition by portfolio

7.2 Liabilities macro-hedged against interest rate risk: Composition

Section 8 – Tax liabilities – Item 80

See Assets, section 13

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

See Assets, section 14

Section 10 – Other liabilities – Item 100

10.1 Other liabilities: Composition

			29.02.2012	31.12.2010
1	Liabilities arising from the impairment of:		18,072	3,713
	a	*Contingent exposures*	*18,072*	*3,713*
	b	*Credit derivatives*		
	c	*Irrevocable commitments to disburse funds*		
2	Payment agreements based on own shares			
3	Accrued expenses			
4	Other liabilities (illiquid items, amounts available for customers)		7,174	7,854
		Total	**25,246**	**11,567**

Section 11 – Staff severance fund - Item 110

11.1 Staff severance fund: Yearly variations

			29.02.2012	31.12.2010
A	**Opening balance**		**2,127**	**2,446**
B	**Increases**		**205**	**0**
	B.1	Provisioning for the year	205	0
	B.2	Other increases		
C	**Decreases**		**313**	**319**
	C.1	Severance payments	313	319
	C.2	Other decreases		
D	**Closing balance**		**2,019**	**2,127**
		Total	**2,019**	**2,127**

11.2 Rates

Annual technical depreciation rate	3.40%
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

	29.02.2012	31.12.2010
Opening balance	**2,129**	**2,446**
Realignment		
Pension cost		
Financial charges	102	86
Benefits paid	(313)	(319)
Transfers		
Expected liabilities	**1,918**	**2,213**
Actuarial loss	103	(84)
Closing balance	**2,021**	**2,129**

11.4 Other information

Provisioning for the year	**205**
Pension costs	
Financial charges	102
Actuarial loss	103
Other	

Section 12 – Provisions for risks and charges – Item 120

12.1 Provisions for risks and charges: Composition

		29.02.2012	31.12.2010
1	Company pension plans		
2	Other provisions for risks and charges	365	466
	2.1 Litigation		
	2.2 Staff charges	365	466
	2.3 Other		
		365	**466**

12.2 Provisions for risks and charges: Yearly variations

			Company pension funds	Other provisions	Total
A	**Opening balance**			**466**	**466**
B	**Increases**			**90**	**90**
	B.1	Provisioning for the year		90	
	B.2	Variations due to the passing of time			
	B.3	Variations due to changes in discount rate			
	B.4	Other increases			
C	**Decreases**			**191**	**191**
	C1	Amount drawn during the year		191	
	C2	Variations due to changes in discount rate			
	C3	Other decreases			
D	**Closing balance**			**365**	**365**

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	365
Other	
Total	**365**

Section 13 – Insurance reserves - Item 140

13.1 Insurance reserves: Composition

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

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

	Items / Values	29.02.2012	31.12.2010
1	Share capital	151,061	151,061
2	Share premium account	16,702	16,702
3	Reserves	33,819	25,418
4	Capital instruments	0	0
5	(Treasury stock)	0	0
6	Valuation reserves	294	733
7	Profit (Loss) for the year	11,741	8,401
	Total	**213,617**	**202,315**

14.2 Share capital: Yearly variations in number of shares

			Common	Other
A	**Shares at start of year**		**1,373,280**	
		- fully paid up	1,373,280	
		- not fully paid up		
	A1	Treasury Stock		
	A2	Shares outstanding: Opening balance	1,373,280	
B	**Increases**		**0**	
	B1	New share issues	**0**	
		rights issues:		
		- combination of companies		
		- conversion of bonds		
		- exercise of warrants		
		bonus issues:	0	
		- for employees		
		- for directors		
		- other	0	
	B2	Sale of treasury stock		
	B3	Other increases		
C	**Decreases**		**0**	
	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.

The remaining no. 776,008 warrants (2001-2011) belonging to shareholders, expired on 31/12/2011.

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	**33,819**			
	a) Legal Reserve	10,123	B	9,298	
	b) Extraordinary Reserve	7,730	A,B,C	7,730	
	c) FTA/IFRS reserves	(95)			
	d) retained profitIFRS 2005	400			
	e) retained profit	15,661	A,B,C	0	
	Other Reserves				
	Total	**50,521**			
	Amount not allocatable	10,428			
	Amount allocatable	**40,093**			

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

14.5 Stock: Composition and yearly variations

14.6 Valuation reserves: Composition

Other information

1 Guarantees issued and commitments

			29.02.2012	31.12.2010
1)	**Financial guarantees issued**		**506**	**16,248**
	a)	to banks	58	16,248
	b)	to customers	448	0
2)	**Commercial guarantees issued**		**923,337**	**1,306,994**
	a)	to banks	536,104	557,407
	b)	to customers	387,233	749,587
3)	**Irrevocable commitments to disburse funds**		**34,538**	**67,992**
	a)	to banks	567	0
	i)	draw-down certain	566	0
	ii)	draw-down uncertain	1	0
	b)	to customers	33,971	67,992
	i)	draw-down certain	0	0
	ii)	draw-down uncertain	33,971	67,992
4)	**Commitments underlying credit derivatives: hedging sales**			
5)	**Assets pledged as collateral for third-party liabilities**			
6)	**Other commitments**			
		Total	**958,381**	**1,391,234**

2 Assets pledged as collateral for own liabilities and commitments

3 Information on operational leasing

4 Asset management and brokerage services

		Services	Amount
1		**Trading in financial instruments on behalf of third parties**	
	a)	Purchases	
	1	settled	
		not yet settled	
	b)	Sales	
	1	settled	
		not yet settled	
2		**Asset management**	
	a)	Individual	
	b)	Collective	
3		**Custody and administration of securities**	**700,200**
	a)	Third-party securities held as part of depositary bank services (asset management excluded)	0
		1 issued by reporting bank	
		2 other	
	b)	Other third-party securities on deposit (asset management excluded)	231,680
		1 issued by reporting bank	27,279
		2 other	204,401
	c)	Third-party securities deposited with third parties	203,381
	d)	Self-owned securities deposited with third parties	468,520
4		**Other transactions**	

It should be noted that the Bank has third-party funds of EUR 0.8 bn (EUR 2.2 bn at 31 December 2010) with depositories that represent reimbursement of third-party securities and relative coupons, now subject to international sequestration. These amounts are included in the Memorandum Accounts given that they are neither owned by nor available to the Bank.

Section 1 - Interest - Items 10 and 20

1.1 Interest and similar income: Composition

		Debt securities	Loans	Other assets	29.02.2012	31.12.2010
1	Financial assets held for trading	3,604			**3,604**	**1,632**
2	Financial assets available for sale	597			**597**	**321**
3	Financial assets held to maturity	10,453			**10,453**	**2,825**
4	L&As to banks	4,571	40,691		**45,262**	**25,305**
5	L&As to customers		10,615		**10,615**	**7,226**
6	Financial assets designated at fair value					
7	Hedging derivatives					
8	Financial assets disposed of but not derecognized					
	Total	**19,225**	**51,306**		**70,531**	**37,309**

Interest income from impaired L&As to customers amounted to EUR 27,2567 as at 29.02.12 compared to 20,427 for 2010
Interest income from impaired L&As to banks amounted to EUR 17,599 as at 29.02.12 compared to EUR 19,606 for 2010
Bank's interest referring to deteriorated activities, regarding other banks and classified amongst the “assets available for sale”, amounted to Euro 115,505 as at 29/02/2012; the amount was equal to Euro 98,842 on 31/12/2010.

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	29.02.2012	31.12.2010
		Debt securities	Loans				
1	Financial assets held for trading	0				**0**	**6**
2	Financial assets available for sale	481		116		**597**	**248**
3	Financial assets held to maturity	127				**127**	**109**
4	L&As to banks		21,815	18		**21,833**	**9,659**
5	L&As to customers		2,243	2		**2,245**	**1,611**
6	Financial assets designated at fair value						
7	Hedging derivatives						
8	Financial assets disposed of but not derecognized						
9	Other assets						
	Total	**608**	**24,058**	**136**		**24,802**	**11,633**

1.3.2 Interest income from leasing transactions

1.4 Interest charges and similar expenses: Composition

		Accounts payable	Securities	Other liabilities	29.02.2012	31.12.2010
1	Accounts payable to central banks	1,190			**1,190**	**607**
2	Accounts payable to banks	22,991			**22,991**	**10,581**
3	Accounts payable to customers	2,084			**2,084**	**896**
4	Securities outstanding					
5	Financial liabilities held for trading	0			**0**	
6	Financial liabilities designated at FV					
7	Other liabilities and allowances					
8	Hedging derivatives					
	Total	**26,265**			**26,265**	**12,084**

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	29.02.2012	31.12.2010
1	Accounts payable to central banks	657			**657**	**114**
1	Accounts payable to banks	7,767			**7,767**	**7,581**
2	Accounts payable to customers	1,705			**1,705**	**378**
3	Securities outstanding					
4	Financial liabilities held for trading					
5	Financial liabilities designated at fair value					
7	Other liabilities and allowances					
8	Hedging derivatives					
	Total	**10,129**			**10,129**	**8,073**

1.6.2 Interest charges on leasing transactions

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

2.1 Commission income: Composition

			29.02.2012	31.12.2010
a)	**Guarantees issued**		**18,309**	**25,223**
b)	**Credit derivatives**			
c)	**Management, brokerage and advisory services**		**633**	**2,019**
	1	trading in financial instruments	436	1,573
	2	forex	147	324
	3	asset management	0	
		3.1 individual	0	
		3.2 collective		
	4	custody and administration of securities	50	122
	5	depositary bank services		
	6	placement of securities		
	7	collection of orders		
	8	advisory services		
		8.1 in matters of investment		
		8.2 in matters of financial structure		
	9	distribution of third-party services		
		9.1 asset management:		
		9.1.1 individual		
		9.1.2 collective		
		- insurance products		
		- other products		
d)	**Collection and payment services**			
e)	**Securitization servicing**		**0**	**1**
f)	**Factoring services**			
g)	**Tax and debt collection services**			
h)	**Management of multilateral trading services**			
i)	**Keeping and management of current accounts**		**35**	**44**
j)	**Other services**		**164**	**142**
		Total	**19,106**	**27,429**

2.2 Commission income: distribution channels of products and services

2.3 Commission expense: Composition

		29.02.2012	31.12.2010
a)	**Guarantees received**	**2,669**	**2,556**
b)	**Credit derivatives**		
c)	**Management and brokerage services**	**126**	**193**
1	trading in financial instruments	126	193
2	forex	0	
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**	**138**	**271**
	Total	**2,933**	**3,020**

Section 3 – Dividends and similar income – Item 70

3.1 Dividends and similar income: Composition

		29.02.2012		31.12.2010	
		Dividends	Income from investment funds	Dividends	Income from investment funds
A	Financial assets held for trading	26		9	
B	Financial assets available for sale	1			
C	Financial assets designated at fair value				
D	Equity investments				
	Total	**27**		**9**	

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**		**46**	**3,642**	**1,274**	**270**	**2,144**
	1.1	Debt securities	46	306	1,246	0	(894)
	1.2	Equities		329	28	270	31
	1.3	Holdings in UCI					
	1.4	Loans					
	1.5	Other (*)		3,007			3,007
2	**Financial liabilities held for trading**						
	2.1	Debt securities					
	2.2	Other					
3	**Other financial liabilities: forex differentials**						**(397)**
4	**Derivatives (**)**		**261**	**2,428**	**566**	**3,722**	**(1,599)**
	4.1	Financial derivatives:	261	2,428	566	3,722	(1,599)
		- on debt securities and interest rates	49	1,190	108	2,377	(1,246)
		- on equities and equity indices		315	17	168	130
		- on foreign currencies and gold	212	923	441	1,177	(483)
		- other					
	4.2	Credit derivatives					
		Total	**307**	**6,070**	**1,840**	**3,992**	**148**

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

(**) The capital gains (Euro 261) and losses (Euro 566), reflecting the fair value of the financial derivatives on interest rates and on currency, are included respectively in item 20 of the assets (infra Euro 536) and item 40 of liabilities (infra Euro 3,234 mln)

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)				29.02 2012	31.12 2010
		Specific		Port-folio	Specific		Portfolio			
		write -offs	Others		A	B	A	B		
A	L&As to banks		297	3		2	925	10,360	**10,987**	**(19,332)**
	- Loans		297	0		2		10,360	10,065	(18,822)
	- Securities			3			925		922	(510)
B	L&As to customers	2	460	903		35		0	**(1,330)**	**(314)**
	- Loans	2	460	903		35		0	(1,330)	(314)
	- Securities			0						
C	**Total**	**2**	**757**	**906**		**37**	**925**	**10,360**	**9,657**	**(19,646)**

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

		Write-downs (1) Specific		Write-backs (2) Specific		29.02 2012	31.12 2010
		write -offs	Others	A	B		
A	Debt securities	0	69		39	(30)	1,180
B	Equities						
C	Holdings in UCI						
D	L&As to banks						
E	L&As to customers						
F	**Total**	**0**	**69**		**39**	**(30)**	**1,180**

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

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

	Write-downs (1)			Write-backs (2)				29.02 2012	31.12 2010
	Specific		Port-folio	Specific		Portfolio			
	write -offs	Others		A	B	A	B		
A Securities			1,986				156	(1,830)	30
B L&As to banks									
C L&As to customers									
D Total			**1,986**				**156**	**(1,830)**	**30**

Legend A = from interest B = other write-backs

8.4 Net impairment adjustments to other financial instruments: Composition

	Write-downs (1)			Write-backs (2)				29.02 2012	31.12 2010
	Specific		Port-folio	Specific		Portfolio			
	write -offs	Others		A	B	A	B		
A Guarantees issued		7,979	6,724		7		0	(14,696)	3,984
B Credit derivatives									
C Commitments to disburse funds									
D Other instruments									
E Total		7,979	6,724		7		0	(14,696)	3,984

Section 9 – Administration expenses – Item 150

9.1 Personnel expenses: Composition

			29.02.2012	31.12.2010
1	**Staff**		**17,495**	**14,042**
	a)	Wages and salaries	11,145	9,081
	b)	Social security contributions	3,074	2,520
	c)	Severance payments		0
	d)	Pension payments		0
	e)	Allocations to the staff severance fund	96	68
	f)	Allocations to the provision for pensions and similar liabilities:		
		- defined contribution	813	595
		- defined benefit		
	g)	Payments to external complementary pension funds:		
		- defined contribution		
		- defined benefit		
	h)	Costs arising from agreements to make payments in own equity instruments		
	i)	Other benefits to staff	2,367	1,778
2	Non-salaried personnel		**52**	**163**
3	Directors (*)		**694**	**1,215**
4	Retired personnel			
5	Expenses recouped for staff seconded to other institutions			
6	Expenses reimbursed for staff seconded from other institutions			
		Total	**18,241**	**15,420**

(*) For 2010 this table conventionally includes compensation paid to the Bank's Statutory Auditors which is recorded in the Income Statement under "Other administration expenses". As at 29.02.12 the amount is included into "Wages and Salaries". The figure of Euro 694 includes Euro 482 for the fees paid to the Extraordinary Commissioners and the Supervisory Board with reference to the Extraordinary Administration

9.2 Average number of staff: Breakdown by category

a)	Senior managers	5
b)	Executive cadres	79
c)	Other staff	77
	Total	**161**

9.3 Company defined-benefit pension funds: Total cost

9.4 Other staff benefits

		29.02.2012	31.12.2010
	Early retirement payments	771	195
	Other payments	1,596	1,583
		2,367	**1,778**

9.5 Other administration expenses: Composition

		29.02.2012	31.12.2010	
	It expenses	1,574	1,381	
	Expenses for movable/immovable property:		0	
	- rentals and other fees	179	129	
	- other	920	772	
	Expenses for the purchase of goods and non-professional services	3,004	2,788	
	Expenses for professional services	2,642	2,257	
	Insurance premiums	110	102	
	Advertising	95	149	
	Indirect duties and taxes	348	277	
	Other	511	319	
	Total	**9,383**	**8,174**	**(*)**

(*) For 2010 amount include compensation paid to the Statutory Auditors (as entered conventionally in Table 9.1 under the heading "Directors")

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

10.1 Net provisioning for risks and charges: Composition

		29.02.2012	31.12.2010
	Litigation		
	Other risks and charges	90	152
	Total	**90**	**152**

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	905			905
		- used in operations	905			905
		- held for investment				
	A2	Leased				
		- used in operations				
		- held for investment				
		Total	**905**			**905**

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	997			997
		- developed in-house				
		- other	997			997
	A2	Leased				
		Total	**997**			**997**

Section 13 – Other operating income / charges – Item 190

13.1. Other operating charges: Composition

		29.02.2012	**31.12.2010**
	Other operating charges	119	261
	Total	**119**	**261**

13.2. Other operating income: Composition

		29.02.2012	31.12.2010
	Duties and taxes recouped	24	26
	Rentals and fees	153	111
	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	1,121	684
	- other	468	808
	SSF attribution to profit and loss	0	63
	Other income	469	390
	Total	**2,235**	**2,082**

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

		29.02.2012	31.12.2010
1	**Current tax (-)**	**(11,681)**	**(11,450)**
2	Variations in current tax for prior years (+/-)		
3	Current tax rebate for the year (+)		
4	Variation in pre-paid taxes (+/-)	(2,828)	5,233
5	Variation in deferred taxes (+/-)	0	23
6	**Income tax for the year (-) (-1+/-2+-3+/-4+/-5)**	**(14,509)**	**(6,194)**

18.2 Reconciliation of theoretical tax liability and actual book liability

	29.02.2012	31.12.2010
Profit before tax	**26,250**	**14,595**
Theoretical IRES and IRAP due (32.32%)	8,720	4,717
IRAP adjustments for administration expenses	916	778
IRAP adjustments for write-offs	400	755
Taxes on non-deductible costs	1,713	5,200
Pre-paid and deferred taxes	2,828	(5,256)
Net Worth increase benefit	(68)	
Total taxes	**14,509**	**6,194**
Net profit	**11,741**	**8,401**

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

	29.02.2012	31.12.2010
Net profit	11,741	8,401
Number of Shares	1,373,280	1,373,280
Profit per Share	**8.55**	**6.12**

21.2 Other information

PART D
COMPREHENSIVE NET INCOME DETAIL

		Gross Amount	Income Taxes	Net Amount
10	**Net profit (loss)**	**11,741**		**11,741**
20	Financial assets available for sale:	(439)	(141)	(298)
	a) fair-value adjustments	(439)	(141)	(298)
	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 differentials:			
	a) value adjustments			
	b) income statement reversals			
	c) other adjustments			
80	Non-current assets earmarked for disposal:			
	a) fair-value adjustments			
	b) income statement reversals			
	c) other adjustments			
90	Actuarial profit (loss) on defined-benefit plans			
100	Share of valuation reserves booked to shareholders' equity:			
	a) fair-value adjustments			
	b) income statement reversals			
	- from impairment			
	- from disposals			
	c) other adjustments			
110	**Other sources of income**	**(439)**	**(141)**	**(298)**
120	**Comprehensive Net Income**	**11,302**	**(141)**	**11,443**

PART E
RISKS AND THEIR COVERAGE

Section 1 – Credit

QUALITATIVE INFORMATION

1. General aspects

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

- the identity and powers of the bodies and officials authorized to extend credit;
- the process for selecting and evaluating credit facilities;
- the criteria for allocating exposure by debtor, 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.

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

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

UBAE has adopted the "standardized" method for calculating the capital requirement against credit risk and 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.

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)

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

The Bank's ICAAP report, compiled on data as at 29.02.012, will be delivered to Banca d'Italia by 30 June 2012.

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

2. Policies for Managing Credit Risk

2.1 Organizational aspects

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

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

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

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

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

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

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

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

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

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

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.

2.2 Measuring, managing and monitoring credit risk

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

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

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

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

The heads of the competent business departments provide monthly updates to the 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.

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

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

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

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

2.3 Credit risk mitigation techniques

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

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

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

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

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

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

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

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

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

2.4 Impaired financial assets

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

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

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

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

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

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

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

QUANTITATIVE INFORMATION

A. Credit quality

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

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

	Portfolio/credit quality	Bad debts	Standstill positions	Resche-duled debts	Past-due positions	Other	Total
1	Financial assets held for trading					109,120	**109,120**
2	Financial assets available-for-sale	804				9,657	**10,461**
3	Financial assets held to maturity					287,745	**287,745**
4	L&As to banks	2,210		1,585		2,296,887	**2,300,682**
5	L&As to customers	90	212			250,209	**250,511**
6	Financial assets designated at fair value						
7	Financial assets being divested						
8	Hedging Derivativesves						
	29.02.2012	**3,104**	**212**	**1,585**	**0**	**2,953,618**	**2,958,519**
	31.12.2010	**3,419**	**11**	**1,847**	**0**	**3,312,623**	**3,317,900**

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

Portfolio/credit quality		Impaired assets			Other assets			Total (net exposure)
		Gross exposure	Specific write-downs	Net exposure	Gross exposure	Specific write-downs	Net exposure	
1	Financial assets held for trading				109,120		109,120	**109,120**
2	Financial assets available-for-sale	2,680	1,876	804	9,746	89	9,657	**10,461**
3	Financial assets held to maturity				290,416	2,671	287,745	**287,745**
4	L&As to banks	10,633	6,838	3,795	2,311,499	14,612	2,296,887	**2,300,682**
5	L&As to customers	11,117	10,815	302	253,066	2,857	250,209	**250,511**
6	Financial assets designated at fair value							
7	Financial assets being divested							
8	Hedging Derivatives							
	29.02.2012	24,430	19,529	4,901	2,973,847	20,229	2,953,618	2,958,519
	31.12.2010	24,085	18,808	5,277	3,341,335	28,712	3,312,623	3,317,900

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

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

Exposure type/values		Gross exposure	Specific write-downs	Portfolio write-downs	Net exposure
A	**CASH EXPOSURE**				
a)	Bad debts	11,713	8,699		3,014
b)	Standstill position				
c)	Rescheduled debts	1,600	15		1,585
d)	Past due positions				
e)	Other assets	2,706,149		17,340	2,688,809
	Total A	**2,719,462**	**8,714**	**17,340**	**2,693,408**
B	**OFF-BALANCE SHEET EXPOSURE**				
a)	Impaired				
b)	Other	545,746		9,070	536,676
	Total B	**545,746**		**9,070**	**536,676**
	Total A+B	**3,265,208**	**8,714**	**26,410**	**3,230,084**

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

	Causal / categories	Bad debts	Standstill positions	Rescheduled debts	Past due positions
A	**Opening gross exposure**	**11,767**		**1,864**	
	of which: exposures assigned but not derecognized				
B	**Increases**	**5,275**		**10**	
B1	inflows from performing positions				
B2	transfers from other classes of impaired positions				
B3	other increases (*)	5,275		10	
C	**Decreases**	**(5,329)**		**(274)**	
C1	outflows to performing positions				
C2	write-offs				
C3	items collected	0		(254)	
C4	items assigned				
C5	transfers to other classes of impaired positions				
C6	other decreases (*)	(5,329)		(20)	
D	**Closing gross exposure**	**11,713**		**1,600**	
	of which: exposures assigned but not derecognized				

*The figures include Euro 5,208.7 mln for the redenomination of a bad debt, from local currency to euros, for technical reasons

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

Causal / categories		Bad debts	Standstill positions	Rescheduled debts	Past due positions
A	**Opening gross exposure**	**8,437**		**17**	
	of which: exposures assigned but not derecognized				
B	**Increases**	**3,943**			
B1	write-downs	200			
B2	transfers from other classes of impaired positions				
B3	other increases (*)	3,743			
C	**Decreases**	**3,681**		**2**	
C1	valuation write-backs				
C2	collection write-backs				
C3	write-offs				
C4	transfers to other classes of impaired positions				
C5	other decreases (*)	3,681		2	
D	**Closing gross exposure**	**8,699**		**15**	
	of which: exposures assigned but not derecognized				

(*) The figures include Euro 3,646.1 mln for the redenomination of a bad debt, from local currency to euros, for technical reasons. For the remaining amount, the increases and decreases of value adjustments expressed in the other up-and-down variations, reflect changes in the exchange rates

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

Exposure type/values		Gross exposure	Specific write-downs	Portfolio write-downs	Net exposure
A	**CASH EXPOSURE**				
a)	Bad debts	10,468	10,378		90
b)	Standstill positions	649	437		212
c)	Rescheduled debts				
d)	Past due positions (*)				
f)	Other assets	267,698		2,889	264,809
	Total A	**278,815**	**10,815**	**2,889**	**265,111**
B	**OFF-BALANCE SHEET EXPOSURES**				
a)	Impaired	15,370	8,804		6,566
b)	Other	415,307		198	415,109
	Total B	**430,677**	**8,804**	**198**	**421,675**

(*) Regarding the past due positions, amounting overall to Euro 209.19 gross – following specific value adjustment for Euro 20.92 – it should be noted that they originated in June 2011. The past due positions, not classified as deteriorated, amount to Euro 67.86 net, originating in December 2011

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

	Causal / categories	Bad debts	Standstill positions	Rescheduled debts	Past due positions
A	**Opening gross exposure**	**10,442**	**12**		
	of which: exposures assigned but not derecognized				
B	**Increases**	**61**	**640**		
B1	inflows from performing		640		
B2	transfers from other classes of impaired positions				
B3	Other increases (*)	61			
C	**Decreases**	**(35)**	**(3)**		
C1	outflows to performing positions		(1)		
C2	write-offs		(2)		
C3	items collected (*)	(35)			
C4	items assigned				
C5	transfers to other classes of impaired positions				
C6	other decreases	0			
D	**Closing gross exposure**	**10,468**	**649**		
	of which: exposures assigned but not derecognized				

(*) Eur 35 mila reflects amounts collected on bad debt totally derecognized in previous financial periods

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

	Causal / categories	Bad debts	Standstill positions	Rescheduled debts	Past due positions
A	**Opening gross exposure**	**10,353**	**1**		
	of which: exposures assigned but not derecognized				
B	**Increases**	**60**	**436**		**0**
B1	write-downs	25	436		
B2	transfers from other classes of impaired positions				0
B3	Other Increases	35			
C	**Decreases**	**(35)**	**0**		**0**
C1	valuation write-backs				0
C2	collection write-backs	(35)			
C3	write-offs				
C4	transfers to other classes of impaired positions				
C5	other decreases				
D	**Closing gross exposure**	**10,378**	**437**		
	of which: exposures assigned but not derecognized				

A.2 Distribution of positions by external and internal ratings

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

Exposures		External rating bands						Unrated	Total
		class 1	class 2	class 3	class 4	class 5	class 6		
A	Cash Exposures	10,909	1,369,019	134,486	140,101	66,078		1,238,351	**2,958,944**
B	Derivatives	0	150	0	0	0		386	**536**
	B1 Financial derivatives		150	0	0	0		386	536
	B2 Credit derivatives							0	
C	Guarantees given	6,426	49,334	47,973	2,995	30,338		786,777	**923,843**
D	Commitments to disburse funds							33,972	**33,972**
	Total	**17,335**	**1,418,503**	**182,459**	**143,096**	**96,416**		**2,059,486**	**3,917,295**

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

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

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

A.3 Distribution of guaranteed exposures by type of guarantee

A.3.1 Guaranteed Banks' exposures

			Net exposure Value	Collateral			Credit Linked Notes
				Property	Secu-rities	Other assets	
1	**Cash exposures guaranteed**		**29,820**			**9,979**	
	1.1	fully guaranteed	5,483			1,492	
		- out of which, impaired					
	1.2	not fully guaranteed	24,337			8,487	
		- out of which, impaired					
2	**Off-Balance Sheet exposures guaranteed**		**23,072**			**4,930**	
	2.1	fully guaranteed	1,165			1,165	
		- out of which, impaired					
	2.2	not fully guaranteed	21,907			3,765	
		- out of which, impaired					

A.3.2 Guaranteed Clients' exposures

			Net exposure value	Collateral			Credit Linked Notes
				Property	Secu-rities	Other assets	
1	**Cash exposures guaranteed**		**28,654**	**6,522**		**0**	
	1.1	fully guaranteed	19,439	6,522			
		- out of which, impaired	90	90			
	1.2	not fully guaranteed	9,215	0			
		- out of which, impaired					
2	**Off-Balance Sheet exposures guaranteed**		**88,847**			**1,437**	
	2.1	fully guaranteed	46,501			1,428	
		- out of which, impaired	2,281			871	
	2.2	not fully guaranteed	42,346			9	
		- out of which, impaired	1			1	

(following)

Personal								Total
Credit derivatives				Endorsement				
Other derivatives								
Gov't and Central Banks	Other public entities	Banks	Others	Gov't and Central Banks	Other public entities	Banks	Others	
				3,988			**3**	**13,970**
				3,988			3	5,483
				0				8,487
				792				**5,722**
								1,165
				792				4,557

(following)

Personal								Total
Credit derivatives				Endorsement				
Other derivatives								
Gov't and Central Banks	Other public entities	Banks	Others	Gov't and Central Banks	Other public entities	Banks	Others	
				3,263			**18,869**	**28,654**
				3,263			9,654	19,439
							0	90
							9,215	9,215
				30,141		**0**	**38,028**	**69,606**
				7,045		0	38,028	46,501
				1,410			0	2,281
				23,096			0	23,105
				0				1

B. Credit distribution and concentration

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

Exposures / Counterparties	Governments			Other public entities			Financial
	Net exposure	Specific write-downs	Port-folio write-downs	Net exposure	Specific write-downs	Port-folio write-downs	Net exposure
A CASH EXPOSURE							
A1 Bad debts							
A2 Standstill positions							
A3 Rescheduled debts							
A4 Past due positions							
A5 Other assets	4,011		32	0		0	45,924
Total (A)	**4,011**		**32**	**0**		**0**	**45,924**
B OFF-BALANCE SHEET EXPOSURES							
B1 Bad debts							
B2 Standstill positions							
B3 Impaired							
B4 Other				144			0
Total (B)				**144**			**0**
Total (A+B) 29.02.2012	**4,011**		**32**	**144**		**0**	**45,924**
Total (A+B) 2010	**4,584**		**36**	**144**		**0**	**50,774**

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

Exposures / Geographical area	Italy		Other European countries	
	Net exposure	Total write-downs	Net exposure	Total write-downs
A CASH EXPOSURE				
A1 Bad debts	90	10,366		0
A2 Standstill positions	212	24		8
A3 Rescheduled debts	0	0		
A4 Past due positions	0	0		
A5 Other assets	131,145	1,214	83,404	677
Total (A)	**131,447**	**11,604**	**83,404**	**685**
B OFF-BALANCE SHEET EXPOSURES				
B1 Bad debts	2,746	674		
B2 Standstill positions	3,820	7,014		
B3 Impaired	0	0		
B4 Other	325,416	171	35,740	1
Total (B)	**331,982**	**7,859**	**35,740**	**1**
Total (A+B) 29.02.2012	**463,429**	**19,463**	**119,144**	**686**
Total (A+B) 2010	**760,235**	**12,442**	**180,023**	**650**

(following)

companies		Insurance companies			Non financial companies			Others		
Specific write-downs	Portfolio write-downs	Net exposure	Specific write-downs	Portfolio write-downs	Net exposure	Specific write-downs	Portfolio write-downs	Net exposure	Specific write-downs	Portfolio write-downs
12						10,301		90	65	
					212	437		0		
					0			0		
					0			0		
0	378				194,387		2,289	20,487		190
12	**378**				**194,599**	**10,738**	**2,289**	**20,577**	**65**	**190**
					2,746	674		0		
					3,820	8,130				
					0	0				
					414,965		198	0		
					421,531	**8,804**	**198**	**0**		
12	**378**				**616,130**	**19,542**	**2,487**	**20,577**	**65**	**190**
12	**320**				**969,659**	**11,126**	**1,741**	**34,112**	**62**	**316**

(following)

Americas		Asia		Rest of the World	
Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs
	12				
			405		
		0			
1,065	10	35,070	326	14,125	662
1,065	**22**	**35,070**	**731**	**14,125**	**662**
			1,116		
		0	0		
		1,780	1	52,173	25
		1,780	**1,117**	**52,173**	**25**
1,065	**22**	**36,850**	**1,848**	**66,298**	**687**
5,054	**15**	**58,488**	**312**	**55,473**	**194**

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

Exposures / Geographical area			Italy		Other European countries	
			Net exposure	Total write-downs	Net exposure	Total write-downs
A	**CASH EXPOSURE**					
	A1	Bad debts				
	A2	Standstill positions				
	A3	Rescheduled debts				
	A4	Past due positions				
	A5	Other assets	2,241,720	3,522	299,553	1,945
		Total (A)	**2,241,720**	**3,522**	**299,553**	**1,945**
B	**OFF-BALANCE SHEET EXPOSURES**					
	B1 Bad debts					
	B2 Standstill positions					
	B3 Impaired					
	B4 Other		118,185	58	8,307	4
		Total (B)	**118,185**	**58**	**8,307**	**4**
		Total (A+B) 29.02.2012	**2,359,905**	**3,580**	**307,860**	**1,949**
		Total (A+B) 2010	**2,303,003**	**4,904**	**782,919**	**2,917**

(following)

Americas		Asia		Rest of the World	
Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs
		3,014	8,699		
				1,585	15
16		86,483	4,549	61,037	7,324
16		**89,497**	**13,248**	**62,622**	**7,339**
115		179,800	2,595	230,269	6,413
115		**179,800**	**2,595**	**230,269**	**6,413**
131		**269,297**	**15,843**	**292,891**	**13,752**
4,653		**303,109**	**22,591**	**256,177**	**7,208**

B.4 Large Exposures

Nominal Amount	3,049,861,055
Weighted Amount	1,712,391,267
Number	24

C. Securitization and disposal of assets

C.1 Securitization

QUALITATIVE INFORMATION

QUANTITATIVE INFORMATION

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

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

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

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

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

C.1.6 Stakes in special-purpose vehicles

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

C.2 Disposals

C.2.1 Financial assets disposed of but not derecognized

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

C.3 Covered bonds

D. Credit risk measurement models

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

Risk Management Department is working on a project to utilize transition tables made available by ECAI to map internal risk groups so that the PD value indicated by ECAI can be attributed to each internal group.
Risk Management will use these PD values for each counterparty in order to obtain the EL (expected loss) value and UL (unexpected loss) value that will then be included in a pricing formula for credit transactions, which will highlight the risk premium and the risk adjusted performance measurement cost.

Section 2 – Market risk

2.1 – Price and Interest rate risk: Trading book

QUALITATIVE INFORMATION

A. General aspects

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

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

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

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

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

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

MF handles the following financial instruments:

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

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

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

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

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

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

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

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

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

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

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

B. Risk management processes and measuring methods

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

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

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

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

QUANTITATIVE INFORMATION

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

Type / Residual maturity			Sight	Up to 3 months	3 to 6 months
1	**Cash assets**			**108,291**	
	1.1	Debt securities		108,291	
		- with an option for early			
		- other		108,291	
	1.2	Other assets			
2	**Cash liabilities**				
	2.1	Repo			
	2.2	Other liabilities			
3	**Financial derivatives**			**(57,117)**	**11,234**
	3.1	**With underlying security:**			
		- Options			
		* Long positions			
		* Short positions			
		- Other derivatives			
		* Long positions			
		* Short positions			
	3.2	**W/out underlying security:**	**2,926**	**(57,117)**	**11,234**
		- Options		566	
		* Long positions			
		* Short positions		566	
		- Other derivatives	2,926	(57,683)	11,234
		* Long positions	2,910	141,725	11,234
		* Short positions	16	199,408	0

(following)

6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite
	0	**0**		
	0	0		
	0	0		
(490)	**(45,019)**	**0**		
(490)	**(45,019)**	**0**		
(490)	(45,019)	0		
	5,000			
490	50,019	0		

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

Type / Residual maturity			Sight	Up to 3 months	3 to 6 months
1	**Cash assets**			**0**	**0**
	1.1	Debt securities		0	0
		- with an option for early redemption			
		- other		0	
	1.2	Other assets			
2	**Cash liabilities**				
	2.1	Repo			
	2.2	Other liabilities			
3	**Financial derivatives**			**113,112**	**(1,152)**
	3.1	**With underlying security:**			
		- Options			
		* Long positions			
		* Short positions			
		- Other derivatives			
		* Long positions			
		* Short positions			
	3.2	**W/out underlying security:**	**(2,884)**	**113,112**	**(1,152)**
		- Options			
		* Long positions			
		* Short positions			
		- Other derivatives	(2,884)	113,112	(1,152)
		* Long positions	16	124,212	0
		* Short positions	2,900	11,100	1,152

(following)

6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite
0	**0**	**0**		
0	0	0		
(9,743)	**(4,424)**			
(9,743)	**(4,424)**			
(9,743)	(4,424)			
0	0			
9,743	4,424			

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

Type / Residual maturity	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite
1 Cash assets								
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		**0**	**(6,076)**	**0**				
3.1 With underlying security:								
- Options								
* Long positions								
* Short positions								
- Other derivatives								
* Long positions								
* Short positions								
3.2 W/out underlying security:		**0**	**(6,076)**	**0**				
- Options								
* Long positions								
* Short positions								
- Other derivatives		**0**	**(6,076)**	**0**				
* Long positions								
* Short positions			6,076					

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

Type / Residual maturity	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite
1 Cash assets								
1.1 Debt securities								
- with an option for early redemption								
- other								
1.2 Other assets								
2 Cash liabilities								
2.1 Repo								
2.2 Other liabilities								
3 Financial derivatives		**0**						
3.1 With underlying security:								
- Options								
* Long positions								
* Short positions								
- Other derivatives								
* Long positions								
* Short positions								
3.2 W/out underlying security:		**0**						
- Options								
* Long positions								
* Short positions								
- Other derivatives		**0**						
* Long positions		82,981						
* Short positions		82,981						

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

Type / Residual maturity	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite
1 Cash assets								
1.1 Debt securities								
- with an option for early redemption								
- other								
1.2 Other assets								
2 Cash liabilities								
2.1 Repo								
2.2 Other liabilities								
3 Financial derivatives		**0**	0	**0**				
3.1 With underlying security:								
- Options								
* Long positions								
* Short positions								
- Other derivatives								
* Long positions								
* Short positions								
3.2 W/out underlying security:		**0**	0	**0**				
- Options								
* Long positions								
* Short positions								
- Other derivatives		**0**	0	**0**				
* Long positions		1,777	0					
* Short positions		1,777						

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

Type / Residual maturity	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite
1 Cash assets								
1.1 Debt securities								
- with an option for early redemption								
- other								
1.2 Other assets								
2 Cash liabilities								
2.1 Repo								
2.2 Other liabilities								
3 Financial derivatives		**(6)**						
3.1 With underlying security:								
- Options								
* Long positions								
* Short positions								
- Other derivatives								
* Long positions								
* Short positions								
3.2 W/out underlying security:		**(6)**						
- Options								
* Long positions								
* Short positions								
- Other derivatives		**(6)**						
* Long positions		0						
* Short positions		6						

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

	Type / share indices	Listed			Not Listed
		Italy	Germany		
A	**Equities: trades settled**	**361**			
	Long positions	361			
	Short positions				
B	**Equities: trades no yet settled**	**244**	**304**		
	Long positions	244	304		
	Short positions				
C	**Other derivatives on equities**				
	Long positions				
	Short positions				
D	**Derivatives on shares indices**				
	Long positions				
	Short positions				

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

2.2 – Price and Interest rate risk – Banking book

QUALITATIVE INFORMATION

A. General aspects, risk management processes and measuring methods

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

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

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

B. Fair value hedges

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

C. Cash flow hedges

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

QUANTITATIVE INFORMATION

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

	Type / Residual maturity	Sight	Up to 3 months
1	**Cash assets**	**656,021**	**1,055,856**
	1.1 Debt securities	504	285,659
	- with an option for early redemption		
	-other	504	285,659
	1.2 L&As to banks	585,844	648,356
	1.3 L&As to customers	69,673	121,841
	- A/C	911	0
	-other L&As	68,762	121,841
	with an option for early redemption	17,134	76,576
	other	51,628	45,265
2	**Cash liabilities**	**475,302**	**359,875**
	2.1 Due to customers	82,758	2,730
	- A/C	82,758	2,730
	-other liabilities	0	0
	with an option for early redemption		
	other		0
	2.2 Due to banks	392,544	357,145
	- A/C	69,265	0
	-other liabilities	323,279	357,145
	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		

(following)

3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite
58,826	**40,595**	**45,852**	**2,789**	**2,162**	**0**
19,964		35,478			
19,964	0	35,478	0		
29,440	38,704	2,210	0		
9,422	1,891	8,164	2,789	2,162	
0	0	1	0		
9,422	1,891	8,163	2,789	2,162	
358	402	2,839	2,789	2,162	
9,064	1,489	5,324	0		
0	**0**				
0	0				

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

	Type / Residual maturity	Sight	Up to 3 months
1	**Cash assets**	**885,295**	**816,133**
	1.1 Debt securities	0	0
	- with an option for early redemption		
	-others	0	0
	1.2 L&As to banks	884,831	814,593
	1.3 L&As to customers	464	1,540
	- A/C	9	0
	-others L&As	455	1,540
	with an option for early redemption		0
	others	455	1,540
2	**Cash liabilities**	**860,301**	**973,512**
	2.1 Due to customers	39,202	522,944
	- A/C	39,202	522,944
	-others liablities	0	0
	with an option for early redemption		
	others		0
	2.2 Due to banks	821,099	450,568
	- A/C	298,188	0
	-others liablities	522,911	450,568
	2.3 Debt securities		
	- with an option for early redemption		
	-others		
	2.4 Other liabilities		
	- with an option for early redemption		
	-others		
3	**Financial derivatives**		
	3.1 With underlying security:		
	- Options		
	* Long positions		
	* Short positions		
	-others derivatives		
	* Long positions		
	* Short positions		
	3.2 W/out underlying security:		
	- Options		
	* Long positions		
	* Short positions		
	-others derivatives		
	* Long positions		0
	* Short positions		0

(following)

3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite
44,871	**42,981**	**17,522**	**0**	**557**	
3,431	7,713		0	557	
3,431	7,713	0		557	
40,625	17,010	5,873	0		
815	18,258	11,649	0	0	
0	0	0	0		
815	18,258	11,649	0		
815	18,258	11,649			
22,401	**55,928**				
22,401	55,928				
22,401	55,928				

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

Type / Residual maturity			Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite
1	**Cash assets**		**1,744**	**0**	**5,593**					
	1.1	Debt securities								
		- with an option for early redemptior								
		-others								
	1.2	L&As to banks	1,744		5,593					
	1.3	L&As to customers								
		- A/C								
		- Other L&As:								
		with an option for early redemption								
		others								
2	**Cash liabilities**		**1,173**	**0**						
	2.1	Due to customers	0	0						
		- A/C								
		-others liabilities								
		with an option for early redemption								
		others								
	2.2	Due to banks	1,173	0						
		- A/C	42							
		-others liabilities	1,131							
	2.3	Debt securities								
		- with an option for early redemptior								
		-others								
	2.4	Other liabilities								
		- with an option for early redemptior								
		-others								
3	**Financial derivatives**									
	3.1	With underlying security:								
		- Options								
		* Long positions								
		* Short positions								
		-other derivatives								
		* Long positions								
		* Short positions								
	3.2	W/out underlying security:								
		- Options								
		* Long positions								
		* Short positions								
		-other derivatives								
		* Long positions								
		* Short positions								

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

	Type / Residual maturity	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite
1	**Cash assets**	**51**	**80**	**37**	**2,346**				
1.1	Debt securities								
	- with an option for early redemptior								
	-others								
1.2	L&As to banks	51	80	37	2,346				
1.3	L&As to customers								
	- A/C								
	- Other L&As:								
	with an option for early redemption								
	others								
2	**Cash liabilities**	**6**		**2,508**					
2.1	Due to customers	4							
	- A/C	4							
	-others liabilities								
	with an option for early redemption								
	others								
2.2	Due to banks	2	0	**2,508**					
	- A/C								
	-others liabilities	2		2,508					
2.3	Debt securities								
	- with an option for early redemptior								
	-others								
2.4	Other liabilities								
	- with an option for early redemptior								
	-others								
3	**Financial derivatives**								
3.1	With underlying security:								
	- Options								
	* Long positions								
	* Short positions								
	-other derivatives								
	* Long positions								
	* Short positions								
3.2	W/out underlying security:								
	- Options								
	* Long positions								
	* Short positions								
	-other derivatives								
	* Long positions								
	* Short positions								

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

	Type / Residual maturity		Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite
1	**Cash assets**		**589**	**0**						
	1.1	Debt securities								
		- with an option for early redemption								
		-others								
	1.2	L&As to banks	589							
	1.3	L&As to customers								
		- A/C								
		- Other L&As:								
		with an option for early redemption								
		others								
2	**Cash liabilities**		**574**	**0**						
	2.1	Due to customers	235							
		- A/C	235							
		-others liabilities								
		with an option for early redemption								
		others								
	2.2	Due to banks	339	0						
		- A/C	339							
		-others liabilities								
	2.3	Debt securities								
		- with an option for early redemption								
		-others								
	2.4	Other liabilities								
		- with an option for early redemption								
		-others								
3	**Financial derivatives**									
	3.1	With underlying security:								
		- Options								
		* Long positions								
		* Short positions								
		-other derivatives								
		* Long positions								
		* Short positions								
	3.2	W/out underlying security:								
		- Options								
		* Long positions								
		* Short positions								
		-other derivatives								
		* Long positions								
		* Short positions								

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

Type / Residual maturity			Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite
1	**Cash assets**		**342**	**0**	**0**	**0**				
	1.1	Debt securities								
		- with an option for early redemption								
		-others								
	1.2	L&As to banks	342							
	1.3	L&As to customers								
		- A/C								
		- Other L&As:								
		with an option for early redemption								
		others								
2	**Cash liabilities**		**175**	**177**		**0**				
	2.1	Due to customers	41	177						
		- A/C	41	177						
		-others liabilities								
		with an option for early redemption								
		others								
	2.2	Due to banks	134	0		0				
		- A/C	133							
		-others liabilities	1							
	2.3	Debt securities								
		- with an option for early redemption								
		-others								
	2.4	Other liabilities								
		- with an option for early redemption								
		-others								
3	**Financial derivatives**									
	3.1	With underlying security:								
		- Options								
		* Long positions								
		* Short positions								
		-other derivatives								
		* Long positions								
		* Short positions								
	3.2	W/out underlying security:								
		- Options								
		* Long positions								
		* Short positions								
		-other derivatives								
		* Long positions								
		* Short positions								

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

Type / Residual maturity			Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite
1	**Cash assets**		**930**	**1,175**						
	1.1	Debt securities								
		- with an option for early redemption								
		-others								
	1.2	L&As to banks	262							
	1.3	L&As to customers	**668**	**1,175**						
		- A/C								
		- Other L&As:	668	1,175						
		with an option for early redemption								
		others	668	1,175						
2	**Cash liabilities**		**686**	**1,192**						
	2.1	Due to customers								
		- A/C								
		-others liabilities								
		with an option for early redemption								
		others								
	2.2	Due to banks	686	1,192						
		- A/C								
		-others liabilities	686	1,192						
	2.3	Debt securities								
		- with an option for early redemption								
		-others								
	2.4	Other liabilities								
		- with an option for early redemption								
		-others								
3	**Financial derivatives**									
	3.1	With underlying security:								
		- Options								
		* Long positions								
		* Short positions								
		-other derivatives								
		* Long positions								
		* Short positions								
	3.2	W/out underlying security:								
		- Options								
		* Long positions								
		* Short positions								
		-other derivatives								
		* Long positions								
		* Short positions								

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

Items			Currencies					
			US Dollar	United Arab Em.	Yen	Swiss Franc	British Pound	Other
			USD	AED	JPY	CHF	GBP	
A	**Financial assets**		**1,807,363**	**7,337**	**2,514**	**589**	**342**	**2,110**
	A1	Debt securities	11,701					
	A2	Equities	4					5
	A3	L&As to banks	1,762,932	7,337	2,514	589	342	262
	A4	L&As to customers	32,726					1,843
	A5	Other financial assets	0					
B	**Other assets**		**61**					**2**
C	**Financial liabilities**		**1,912,142**	**1,173**	**2,514**	**574**	**352**	**1,878**
	C1	Due to banks	1,349,996	1,173	2,510	339	134	1,878
	C2	Due to customers	562,146	0	4	235	218	0
	C3	Debt securities						
	C4	Other financial liabilities						
D	**Other liabilities**							
E	**Financial derivatives**		**94,909**	**(6,076)**	0			(6)
	- Options							
		* Long positions						
		* Short positions						
	-other derivatives		94,909	(6,076)	0	0	0	(6)
		* Long positions	107,757	0	0	82,981	1,777	
		* Short positions	12,848	6,076	0	82,981	1,777	6
	Total assets		**1,915,181**	**7,337**	**2,514**	**83,570**	**2,119**	**2,112**
	Total liabilities		**1,924,990**	**7,249**	**2,514**	**83,555**	**2,129**	**1,884**
	Balance (+/-)		**(9,809)**	**88**	**0**	**15**	**(10)**	**228**

2. Internal models and other sensitivity-analysis method

2.4 Derivatives

A. Financial derivatives

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

underlying assets / derivatives type		29.12.2012		31.12.2010	
		Over the counter	Core Counter-parties	Over the counter	Core Counter-parties
1	**Debt securities and interest rates**	**76,980**		**60,509**	
a)	Options				
b)	Interest rates Swap	76,980		60,509	
c)	Forward				
d)	Futures				
e)	Others				
2	**Equities and shares indices**				
a)	Options				
b)	Swap				
c)	Forward				
d)	Futures				
e)	Others				
3	**Exchange rates and gold**	**277,535**		**348,850**	
a)	Options				
b)	Swap				
c)	Forward	277,535		348,850	
d)	Futures				
e)	Others				
4	**Goods**				
5	**Others assets**				
	Total	**354,515**		**409,359**	
	Average	**455,133**		**488,631**	

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

A.2.1 Hedges

A.2.2 Others derivatives

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

	Portfolio / derivatives type	Positive Fair value - Total 29.02.2012		Positive Fair value - Total 31.12.2010	
		Over the counter	Core Counter-parties	Over the counter	Core Counter-parties
A	**Trading book**	**529**		**1,449**	
	a) Options				
	b) Interest rate swap	324		271	
	c) Cross currency swap				
	d) Equity swap				
	e) Forward	205		1,178	
	f) Futures				
	g) Others				
B	**Banking book: hedges**				
	a) Options				
	b) Interest rate swap				
	c) Cross currency swap				
	d) Equity swap				
	e) Forward				
	f) Futures				
	g) Others				
C	**Banking book: other derivatives**				
	a) Options				
	b) Interest rate swap				
	c) Cross currency swap				
	d) Equity swap				
	e) Forward				
	f) Futures				
	g) Others				
	Total	**529**		**1,449**	

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

Portfolio / derivatives type		Negative Fair value - Total 29.02.2012		Negative Fair value - Total 31.12.2010	
		Over the counter	Core Counter-parties	Over the counter	Core Counter-parties
A	**Trading book**	**3,214**		**3,968**	
	a) Options				
	b) Interest rate swap	2,776		3,044	
	c) Cross currency swap				
	d) Equity swap				
	e) Forward	438		924	
	f) Futures				
	g) Others				
B	**Banking book: hedges**				
	a) Options				
	b) Interest rate swap				
	c) Cross currency swap				
	d) Equity swap				
	e) Forward				
	f) Futures				
	g) Others				
C	**Banking book: other derivatives**				
	a) Options				
	b) Interest rate swap				
	c) Cross currency swap				
	d) Equity swap				
	e) Forward				
	f) Futures				
	g) Others				
	Total	**3,214**		**3,968**	

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

Contracts not included under netting agreements			Gov'ts & Central banks	Other public entities	Banks	Fin. Compa-nies	Insurance Compa-nies	Non financial companies	Others
1)	**Debt securities and interest rates**								
		- notional value			76,980				
		- positive fair value			324				
		- negative fair value			2,776				
		- future exposure			297				
2)	**Equities and equity indices**								
		- notional value							
		- positive fair value							
		- negative fair value							
		- future exposure							
3)	**Currencies and gold**								
		- notional value			194,554			82,981	
		- positive fair value			182			23	
		- negative fair value			438			0	
		- future exposure			1,946			830	
4)	**Other**								
		- notional value							
		- positive fair value							
		- negative fair value							
		- future exposure							

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

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

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

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

underlying assets / residual maturity	Up to 1 year	1 to 5 years	over 5 years	Total
Trading book	**295,072**	**59,443**	**0**	**354,515**
A1 Financial derivatives on debt instruments and rates	17,537	59,443		76,980
A2 Financial derivatives on equities and shares indices				
A3 Financial derivatives on exchange rates and gold	277,535			277,535
A4 Financial derivatives on others instruments				
Banking Book				
B1 Financial derivatives on debt instruments and rates				
B2 Financial derivatives on equities and shares indices				
B3 Financial derivatives on exchange rates and gold				
B4 Financial derivatives on others instruments				
Total 29.02.2012	**295,072**	**59,443**	**0**	**354,515**
Total 2010	**1,147,801**	**50,000**	**15,019**	**1,212,820**

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

B. Credit Derivatives

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

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

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

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

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

B.6 Residual maturity of credit derivatives: notional amounts

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

C. Credit and Financial derivatives

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

Section 3 – Liquidity risk

QUALITATIVE INFORMATION

A. General aspects

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

For ICAAP purposes, the bank uses an ALM product for carrying out maturity ladder analyses and for devising scenarios on which to base stress testing conducted every six months by the Risk Management Unit.

***B.* Risk management processes and measuring methods**

Banca UBAE is mainly an investor on the interbank liquidity market.
To complete the management process and in compliance with regulatory dispositions, UBAE produced an internal policy and a contingency liquidity plan which were revised in 2011 following recent updates to the norms regarding liquidity.

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

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

QUANTITATIVE INFORMATION

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

		Items / maturity ladder	Sight	1 to 7 days	over 7 to 15 days	over 15 days to 1 month
A		**Cash assets**	**287,226**	**24,876**	**20,468**	**84,704**
	A1	Gov't securities				
	A2	Listed debt securities		5,029		
	A3	Holdings in UCIs				
	A4	L&As	287,226	19,847	20,468	84,704
		- to banks	217,553	0	319	73,342
		- to customers	69,673	19,847	20,149	11,362
B		**Cash liabilities**	**475,302**	**128,661**	**108,096**	**11,261**
	B	Deposits and A/C	475,302	128,661	108,096	11,261
		- from banks	392,544	128,661	108,096	8,899
		- form customers	82,758			2,362
	B2	Debt securities				
	B3	Other liabilities				
C		**OBS transactions**	**425**	**4,174**	**0**	**0**
	C1	Financial derivatives with capital exchange	2,894	4,174		
		* long positions	2,910	8,194		
		* short position	16	4,020		
	C2	Financial derivatives without capital exchange	(2,422)			
		* long positions	324			
		* short position	2,746			
	C3	Deposits and loans to be settled				
		* long positions				
		* short position				
	C4	Irrevocable commitments to disburse funds	(47)			
		* long positions				
		* short position	47			
	C.5	Financial guarantees issued				

(following)

Over 1 month up to 3 months	3 to 6 months	6 to 12 months	over 1 year	over 5 years	Indefinite
134,487	**38,872**	**285,895**	**229,400**	**4,951**	
0		76	504		
5,292		246,075	193,749		
129,195	38,872	39,744	35,147	4,951	
83,361	29,574	37,853	2,210		
45,834	9,298	1,891	32,937	4,951	
11,385			**60,472**	**40,000**	
11,385			60,472	40,000	
11,017			60,472	40,000	
368					
(102,319)	**6,234**	**0**			
(102,366)	6,234				
83,022	6,234				
185,388					
47					
47					

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

		Items / maturity ladder	Sight	1 to 7 days	over 7 to 15 days	over 15 days to 1 month
A		**Cash assets**	**885,422**	**399,022**	**49,040**	**304,821**
	A1	Gov't securities				
	A2	Listed debt securities				
	A3	Holdings in UCIs				
	A4	L&As	885,422	399,022	49,040	304,821
		- to banks	884,958	399,022	49,040	304,724
		- to customers	464			97
B		**Cash liabilities**	**860,301**	**300,698**	**32,736**	**609,572**
	B	Deposits and A/C	860,301	300,698	32,736	609,572
		- from banks	821,099	150,262	32,736	237,064
		- form customers	39,202	150,436		372,508
	B2	Debt securities				
	B3	Other liabilities				
C		**OBS transactions**	**(36,839)**	**(4,173)**	**0**	**0**
	C1	Financial derivatives with capital exchange	(2,884)	(4,173)		
		* long positions	16	4,021		
		* short position	2,900	8,194		
	C2	Financial derivatives without capital exchange	(30)			
		* long positions				
		* short position	30			
	C3	Deposits and loans to be settled				
		* long positions				
		* short position				
	C4	Irrevocable commitments to disburse funds	(33,925)			
		* long positions				
		* short position	33,925			
	C.5	Financial guarantees issued				

(following)

Over 1 month up to 3 months	3 to 6 months	6 to 12 months	over 1 year	over 5 years	Indefinite
63,251	**41,582**	**43,054**	**16,932**	**4,235**	
				3,431	
		7,466		804	
63,251	41,582	35,588	16,932	0	
61,808	40,767	17,330	5,283		
1,443	815	18,258	11,649		
30,506	**22,401**	**55,928**	**0**	**0**	
30,506	22,401	55,928			
30,506	22,401	55,928			
137,195	**0**	**1**	**449**		
103,720			0		
103,720			0		
33,475		1	449		
33,475		1	449		

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

	Items / maturity ladder	Sight	1 to 7 days	over 7 to 15 days	over 15 days to 1 month	over 1 month to 3 months	over 3 to 6 months	over 6 to 12 months	over 1 year	Over 5 years	Indefinite
A	**Cash assets**	**1,744**					**5,593**				
A1	Gov't securities										
A2	Listed debt securities										
A3	Holdings in UCIs										
A4	L&As	1,744					5,593				
	- to banks	1,744					5,593				
	- to customers										
B	**Cash liabilities**	**1,172**	**0**								
B1	Deposits and A/C	1,172									
	- from banks	1,172									
	- form customers										
B2	Debt securities										
B3	Other liabilities										
C	**OBS transactions**		**0**			**0**	**(6,076)**	**0**			
C1	Financial derivatives with capital exchange						(6,076)	0			
	* long positions										
	* short position						6,076				
C2	Financial derivatives without capital exchange										
	* long positions										
	* short position										
C3	Deposits and loans to be settled										
	* long positions										
	* short position										
C4	Irrevocable commitments to disburse funds										
	* long positions										
	* short position										
C.5	Financial guarantees issued										

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

Items / maturity ladder			Sight	1 to 7 days	over 7 to 15 days	over 15 days to 1 month	over 1 month to 3 months	over 3 to 6 months	over 6 to 12 months	over 1 year	Over 5 years	Indefinite
A	**Cash assets**		**51**				**80**	**37**	**2,346**			
	A1	Gov't securities										
	A2	Listed debt securities										
	A3	Holdings in UCIs										
	A4	L&As	51				80	37	2,346			
		- to banks	51				80	37	2,346			
		- to customers										
B	**Cash liabilities**		**6**	**0**				**2,508**				
	B1	Deposits and A/C	6					2,508				
		- from banks	2					2,508				
		- form customers	4									
	B2	Debt securities										
	B3	Other liabilities										
C	**OBS transactions**			**0**			**0**	**0**	**0**			
	C1	Financial derivatives with capital exchange										
		* long positions										
		* short position										
	C2	Financial derivatives without capital exchange										
		* long positions										
		* short position										
	C3	Deposits and loans to be settled										
		* long positions										
		* short position										
	C4	Irrevocable commitments to disburse funds										
		* long positions										
		* short position										
	C.5	Financial guarantees issued										

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

Items / maturity ladder			Sight	1 to 7 days	over 7 to 15 days	over 15 days to 1 month	over 1 month to 3 months	over 3 to 6 months	over 6 to 12 months	over 1 year	Over 5 years	Indefinite
A	**Cash assets**		**589**									
	A1	Gov't securities										
	A2	Listed debt securities										
	A3	Holdings in UCIs										
	A4	L&As	589									
		- to banks	589									
		- to customers										
B	**Cash liabilities**		**574**	**0**								
	B1	Deposits and A/C	574									
		- from banks	339									
		- form customers	235									
	B2	Debt securities										
	B3	Other liabilities										
C	**OBS transactions**			**0**			**0**	**0**	**0**			
	C1	Financial derivatives with capital exchange						0				
		* long positions						82,981				
		* short position						82,981				
	C2	Financial derivatives without capital exchange										
		* long positions										
		* short position										
	C3	Deposits and loans to be settled										
		* long positions										
		* short position										
	C4	Irrevocable commitments to disburse funds										
		* long positions										
		* short position										
	C.5	Financial guarantees issued										

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

Items / maturity ladder		Sight	1 to 7 days	over 7 to 15 days	over 15 days to 1 month	over 1 month to 3 months	over 3 to 6 months	over 6 to 12 months	over 1 year	Over 5 years	Indefinite
A	**Cash assets**	**342**	**0**			**0**					
A1	Gov't securities										
A2	Listed debt securities										
A3	Holdings in UCIs										
A4	L&As	342	**0**			0					
	- to banks	342									
	- to customers		**0**								
B	**Cash liabilities**	**175**	**0**			**177**					
B1	Deposits and A/C	175	0			177					
	- from banks	134	0								
	- form customers	41				177					
B2	Debt securities										
B3	Other liabilities										
C	**OBS transactions**		**0**			**0**					
C1	Financial derivatives with capital exchange		0			0					
	* long positions		0			1,777					
	* short position					1,777					
C2	Financial derivatives without capital exchange										
	* long positions										
	* short position										
C3	Deposits and loans to be settled										
	* long positions										
	* short position										
C4	Irrevocable commitments to disburse funds										
	* long positions										
	* short position										
C.5	Financial guarantees issued										

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

	Items / maturity ladder	Sight	1 to 7 days	over 7 to 15 days	over 15 days to 1 month	over 1 month to 3 months	over 3 to 6 months	over 6 to 12 months	over 1 year	Over 5 years	Indefinite
A	**Cash assets**	**930**		**0**		**1,175**					
A1	Gov't securities										
A2	Listed debt securities										
A3	Holdings in UCIs										
A4	L&As	930		0		1,175					
	- to banks	262									
	- to customers	668				1,175					
B	**Cash liabilities**	**686**				**1,192**					
B1	Deposits and A/C	686				1,192					
	- from banks	686				1,192					
	- form customers										
B2	Debt securities										
B3	Other liabilities										
C	**OBS transactions**	**(6)**		**0**							
C1	Financial derivatives with capital exchange	(6)									
	* long positions										
	* short position	6									
C2	Financial derivatives without capital exchange										
	* long positions										
	* short position										
C3	Deposits and loans to be settled										
	* long positions										
	* short position										
C4	Irrevocable commitments to disburse funds										
	* long positions										
	* short position										
C.5	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 and Compliance Unit and Internal Auditing. Attended by the heads of the Bank's main business and supporting units, they aim to identify the areas where operational risk is a potential problem and devise appropriate remedies where needed .
Before any new products or services are introduced, a thorough assessment of the risks associated with the new activity is drawn up by the Treasury Division jointly with the IT & Organization Division, the Risk Management unit and the Internal Auditing. and is then submitted to Senior Management.

QUANTITATIVE INFORMATION

		29.02.2012	31.12.2010
OPERATIONAL RISK		**8,367**	**7,659**
1	Basic indicator approach	8,367	7,659
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.

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

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

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

Section 1 – Shareholders' equity

A.QUALITATIVE INFORMATION

B.QUANTITATIVE INFORMATION

B.1 Shareholders' equity: Composition

		29.02.2012	31.12.2010
1	Share capital	151,061	151,061
2	Share premium account	16,702	16,702
3	Reserves:	33,819	25,418
	of equity:	33,819	25,418
	a) Legal reserve	10,123	9,703
	b) Statutory reserve		
	c) own shares		
	d) other	23,696	15,715
	other reserves		
4	Capital instruments		
5	(Treasury stock)		
6	Valuation reserves	294	733
	-Financial assets available for sale	294	733
	-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	11,741	8,401
	Total	**213,617**	**202,315**

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

		29.02.12		31.12.2010	
		Positive reserve	Negative reserve	Positive reserve	Negative reserve
1	Debt securities	324	(30)	733	
2	Equities				
3	Holdings in UCI				
4	Loans				
	Total	**324**	**(30)**	**733**	

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

			Debt Securities	Equity and	Holdings in UCI	Loans
1	**Opening Balance**		**733**			
2	**Increases**		**10**			
	2.1	Fair value adjustments	0			
	2.2	Income statement reversal of negative reserves				
		- from impairment				
		- from disposals				
	2.3	Other increases	10			
3	**Decreases**		**449**			
	3.1	Fair value adjustments	449			
	3.2	Impairment write-downs				
	3.3	Income statement reversal of positive reserves: from				
	3.4	Other decreases				
4	**Closing Balance**		**294**			

Section 2 – Regulatory capital and capital ratios

2.1 Regulatory capital

A. QUALITATIVE INFORMATION

1. Tier 1 capital

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

net of residual value of intangible assets.

2. Tier 2 capital

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

3. Tier 3 capital

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 29.02.2012.

B. QUANTITATIVE INFORMATION

			29.02.2012	31.12.2010
A	**Tier 1 capital before prudential filters**		**211,137**	**199,362**
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)**		**211,137**	**199,362**
D	Tier 1 deductible items			
E	**Total capital (TIER1)(C-D)**		**211,137**	**199,362**
F	TIER 2 capital before prudential filters		100,197	78,346
G	Tier 2 capital prudential filters		(99)	(247)
	G.1	positive IAS/IFRS prudential filters		
	G.2	negative IAS/IFRS prudential filters	(99)	(247)
H	Tier 2 capital before deductible item (F+G)		100,098	78,099
I	Item to be deducted from Tier 2 capital			
J	**Total Tier 2 capital (H-I)**		**100,098**	**78,099**
K	Items to be deducted from Tier 1 and Tier 2 combined total			
L	**Eligible capital (E+J-K)**		**311,235**	**277,461**
M	Tier 3 capital (TIER 3)			
N	**Eligible capital inclusive of TIER 3 capital (L+M)**		**311,235**	**277,461**

2.2 Capital adequacy

A. QUALITATIVE INFORMATION

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

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

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

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

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

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

B. QUANTITATIVE INFORMATION

Categories/Values			Non-Weighted amount		Weighted amount	
			29.02.2012	31.12.2010	29.02.2012	31.12.2010
A	**RISK ASSETS**					
A1	**Credit and counterparty risk**					
	1	Standard methodology	3,378,745	3,937,734	1,372,395	1,503,077
	2	Methodology based on Internal ratings				
		2.1 based				
		2.2 advanced				
	3	Securitization	0	0	0	0
B	**CAPITAL REQUIREMENTS**					
B1	**CREDIT AND COUNTERPARTY RISK**				**109,792**	**120,246**
B2	**MARKET RISK**				**2,969**	**2,911**
	1	Standard Methodology			2,969	2,911
	2	Internal Models				
	3	Credit concentration Risk				
B3	**OPERATIONAL RISK**				**8,367**	**7,659**
	1	Basic indicator approach			8,367	7,659
	2	Standardized approach				
	3	Advanced method				
B4	**Other capital requirements**					
B5	Other factors					
B6	**TOTAL CAPITAL REQUIREMENTS**				**121,128**	**130,816**
C	**RISK ASSETS AND CAPITAL RATIOS**					
C1	Risk weighted assets				1,514,094	1,635,198
C2	Tier 1 capital ratio (Tier 1 capital/risk weighted assets)				**13.94%**	**12.19%**
C3	Total capital ratio (Eligible capital/risk weighted assets)				**20.56%**	**16.97%**

PART G
MERGERS INVOLVING CORPORATE UNITS OR LINES OF BUSINESS

Section 1 – Transactions completed during the period

1.1 Mergers

1.1.1 Other information relevant to mergers

1.2.1 Yearly variations in goodwill

1.2.2 Other

Section 2 – Transactions completed after year-end

2.1 Mergers

Section 3 – Retrospective Adjustments

PART H
DEALINGS WITH CONNECTED PARTIES

1. Compensation of Directors, Auditors and Management

	Description				29.02.2012
(1)	**Short-term benefits**				**2,049**
	- Directors		484		
	- Auditors		150		
	- Management		1,415		
(2)	**Post-severance benefits**				**67**
(3)	**Other benefits**				**394**

(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 Libyan Foreign bank (LFB) and the entity belonging to LFB's group form part of UBAE ordinary business operations and are conducted at market prices, as with unrelated parties of similar credit standing.

	Description	LFB	Group	TOTAL
	Financial assets	137	9,457	9,594
	Financial liabilities	1,195,951	102,751	1,298,702
	Guarantees outstanding	43,289	16,329	59,618

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

Costs

Description	LFB	Group	TOTAL
Letters of Credits	27	1	28
Letters of Guarantees	525		525
Deposits	14,954	881	15,835
Subordinated Loans	3,504		3,504
Total	**19,010**	**882**	**19,892**

Revenues

Description	LFB	Group	TOTAL
Letters of Credits	528	240	768
Letters of Guarantees		3	3
Deposits	13	129	142
Trading in financial instruments	3		3
Total	**544**	**372**	**916**

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

QUALITATIVE INFORMATION

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

QUANTITATIVE INFORMATION

1. Yearly changes

2. Other information

PART L
SEGMENT REPORTING