



2008
THIRTY-SIXTH
FINANCIAL YEAR



Banca UBAE, founded in 1972 as the "Unione delle Banche Arabe ed Europee", is a banking corporation funded by Italian and Arab capital.

Shareholders of Banca UBAE include major banks: Libyan Foreign Bank, National Société Générale Bank, Bank Al-Maghrib, Banque Marocaine du Commerce Extérieur, UniCredit, Monte dei Paschi di Siena (Sansedoni), Intesa Sanpaolo **and leading Italian enterprises:** ENI Group (SOFID) and Telecom Italia.

The aim of Banca UBAE is to become a trusted financial adviser and privileged partner for businesses and financial institutions interested in introducing or expanding trade, industrial, economic and financial relations between Europe and the countries of North Africa and the Middle East.

Banca UBAE offers a wide range of services and has unique expertise in every form of credit assistance to the countries it works with: **export financing, letters of credit, documents for collection, financing, syndications of loans and risks and on-site professional assistance.**

Backed up by 450 correspondent banks, Banca UBAE operates in more than 40 countries in North and Sub-Saharan Africa, the Middle East, the Indian Subcontinent and the principal CIS countries. Thanks to its unremitting efforts and its 37 years of experience, it has become a dynamic bridge and an effective link between Europe and these countries, constituting a reliable reference point on the foreign trade market.

**WE OPERATE IN OVER 40 COUNTRIES
WITH THE SUPPORT
OF 450 CORRESPONDENT BANKS**

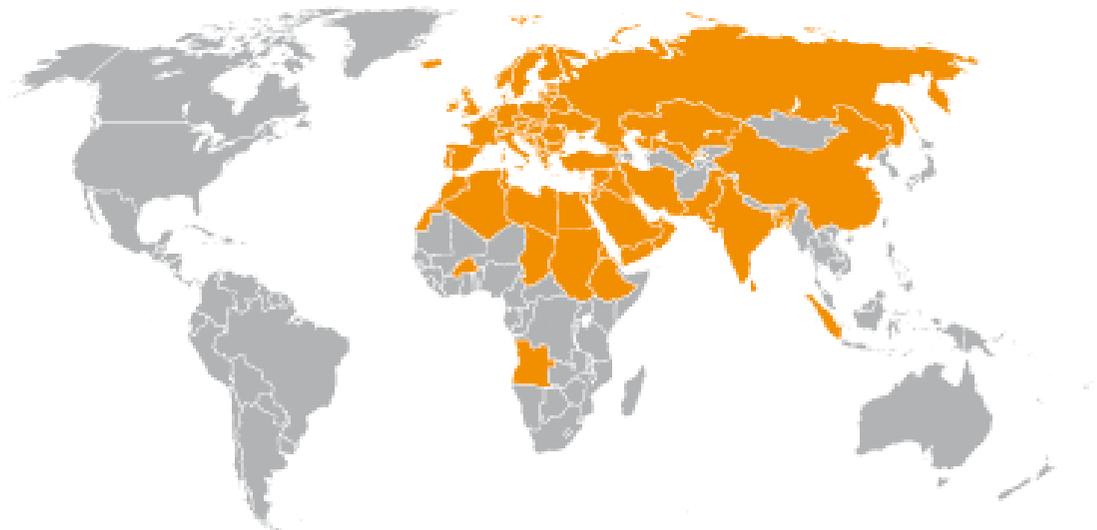
Countries we do business with

Algeria
Bahrain
Bangladesh
Burkina Faso
Chad
China
Egypt
Ethiopia
Europe
India
Iran
Jordan
Kazakhstan
Kuwait
Lebanon
Libya
Mauritania
Morocco

Oman
Pakistan
Qatar
Russia
Saudi Arabia
Senegal
South Korea
Sri Lanka
Sudan
Syria
Togo
Tunisia
Turkey
U.A.E.
Ukraine
Western Sahara
Yemen

New markets

Angola
Gabon
Indonesia
Ivory Coast
Kenya
Malaysia
Mali
Nigeria
Singapore
Thailand
Uzbekistan



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2008
THIRTY-SIXTH
FINANCIAL YEAR



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BANCA UBAE S.p.A.

2008

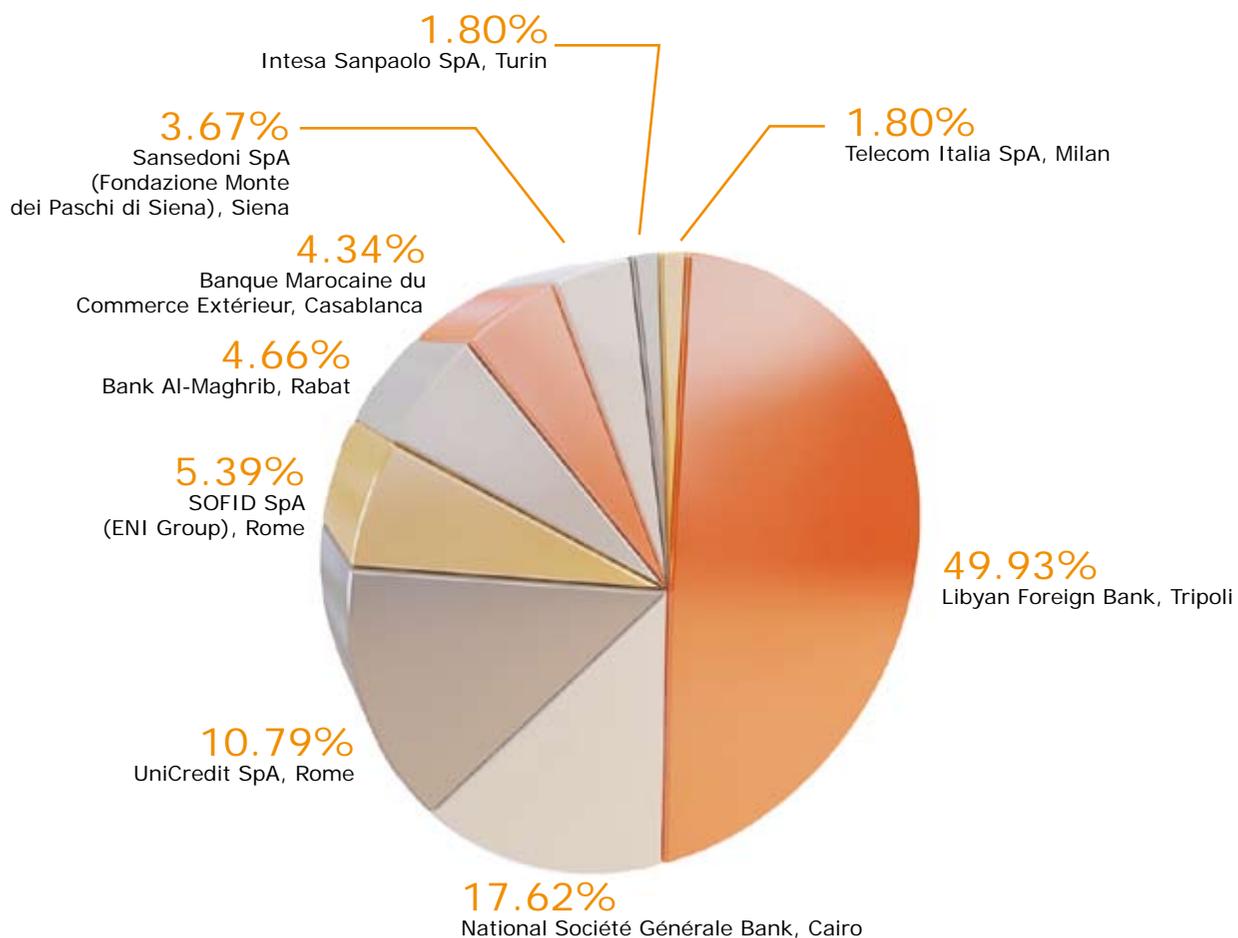
Annual Report and Financial Statements
Thirty-Sixth Financial Year





Share capital: Euro 151,060,800.00 (fully paid-up)
Reserves (at 30 April 2009): Euro 34,035,149.90

SHAREHOLDERS





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Fax:

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Website:

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CORPORATE BODIES

BOARD OF DIRECTORS 2006-2008

Chairman

Abdullatif El Kib *

Vice Chairman

Alberto Rossetti ^{(1)*}

Directors

Ahmed S. Abusnina

Hadi N. Coobar ^{(2)*}

Julie Coulon ⁽³⁾

Paolo Fagorzi

Selim K. Ihmouda ^{(4)*}

Abdellatif Jouahri

Saleh A. Keshlaf

Mohamed S.A. Madboly*

Vito U. Vavalli

Secretary to the Board of Directors and the Executive Committee

Priscilla Simonetta

* Member of the Executive Committee

⁽¹⁾appointed by the Shareholders on 28.04.2008

⁽²⁾appointed by the Shareholders on 28.04.2008

⁽³⁾resigned on 23.10.2008

⁽⁴⁾appointed by the Shareholders on 28.04.2008

BOARD OF AUDITORS 2006-2008

Chairman

Marco Leotta

Statutory Auditors

Michele Bianco

Cosimo Vella

Alternate Auditors

Fabio Gallassi

Francesco Rocchi

MANAGEMENT

General Manager

Marco Ferrario ⁽⁵⁾

Deputy General Manager

Jamal R. Elbenghazi

Assistant General Manager

Marcello Fontana

⁽⁵⁾took office on 01.06.2008 (succeeded Mr. Biagio Matranga, whose term of office had expired on 30.04.2008)

Manager of the Bank's Representative Office in Tripoli

Mahmud A. Elesawi





ANNUAL REPORT
FINANCIAL YEAR 2008

CHAIRMAN'S STATEMENT

Dear Shareholders,

The year just ended has been one of the most difficult ever for the banking industry.

Volatility reached unprecedented levels. Commodities - oil in particular - had an unsustainable run in the first six months of the year, with crude reaching \$147 per barrel on the 11th of July then tumbling all the way to \$32 per barrel by December 19th: a drop of nearly four-fifths in just five months.

Euro interest rates inched upwards in the first half of the year, the last increase by the European Central Bank setting a 4.25% benchmark on July 8th, but had dropped to 2.5% by year-end. Similarly, sterling and dollar rates had fallen to 2% and 0.25% respectively by December, marking all-time record lows.

What had appeared to be an American problem in 2007 spread rapidly in the course of 2008, first to Europe and then to the rest of the world, destroying consumer confidence and effectively becoming - after Lehman Brothers collapsed - an unstoppable "tsunami" that shattered trust and confidence in the entire financial system. Since September, the real economy has in turn taken a blow from the financial crisis, with nearly all countries in both Europe and North America entering into a deep recession.

A reluctance to take bold economic decisions on the part of the United States, typical of all dying presidencies, meant the situation went from bad to worse. Whatever benefits the "Obama cure" will bring will only materialize sometime later this year.

Banca UBAE has managed to navigate this generally catastrophic environment largely unscathed, turning its own increased liquidity and the resilience of international trade in

target countries to full advantage.

Brisk activity in international trade finance and an acumen for reading market trends and anticipating interest rate movements, combined with a very cautious credit policy, have allowed Banca UBAE to post yet another positive result for the year now ended.

Needless to say, our bond portfolio was affected by the general downward trend; yet we decided not to take advantage of newly-introduced, more favourable IAS rules and are keeping to a more transparent mark-to-market valuation policy for the entire HFT portfolio, based on prevailing market prices as at 31 December 2008.

In another conservative move, we created a new, ad hoc provision to guard against any deterioration in claims on banks.

Those two decisions notwithstanding, net profit for 2008 marked an improvement on 2007.

Costs have been kept under control and in line with the previous year's despite a slight uptick in the number of salaried staff which was, however, consistent with the expansion of the Bank's overall business volume. Indeed the cost/income ratio further improved - to 0.47 from 0.55 the previous year.

A number of projects came to fruition in 2008, including full implementation of the Bank's Compliance function, establishment of the Oversight Body mandated by LD 231/2001, and the new ICAAP process.

In harmony with sound and prudent management principles, the tools for detecting, analyzing and monitoring the Bank's risks were further enhanced.

I take this opportunity to underscore the constant and fundamental support Banca UBAE received from shareholder Libyan Foreign Bank in the pursuit of its institutional objectives during the year just ended as well as in the less recent past. In this respect, I wish to

recall that Libyan Foreign Bank was the sole subscriber of the € 100 million Subordinated Loan which was finalized and partially disbursed in the month of December.

At the same time, the profit result we are posting for 2008 would not have been attained without the dedication displayed by the Bank's governing bodies, management and staff.

To conclude, I trust the shareholders will look upon Banca UBAE with confidence and will, as always, support this institution's growth so that it may continue to fulfil its mission efficiently, meaningfully and profitably.

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

EUR/mn

COUNTRIES	2008		2007		2006	
	IMPORTS	EXPORTS	IMPORTS	EXPORTS	IMPORTS	EXPORTS
1) TURKEY	5,585	7,496	5,344	7,207	5,433	6,780
2) UAE	455	5,226	324	4,443	268	3,315
3) SAUDI ARABIA	4,231	3,314	3,628	3,039	4,236	2,429
4) ALGERIA	8,597	3,008	6,338	1,853	8,025	1,562
5) TUNISIA	2,329	2,948	2,459	2,922	2,109	2,608
6) EGYPT	2,247	2,906	1,825	2,146	2,187	1,551
7) LIBYA	17,390	2,639	14,005	1,639	12,658	1,406
8) IRAN	3,921	2,170	4,186	1,862	3,881	1,839
9) MOROCCO	609	1,689	624	1,450	542	1,153
10) QATAR	44	1,534	45	1,624	56	1,013
11) SYRIA	818	1,030	927	943	717	666
12) LEBANON	35	774	29	733	40	780
13) KUWAIT	151	738	121	824	99	549
14) PAKISTAN	495	543	457	518	429	544
15) JORDAN	57	426	27	402	30	373
16) OMAN	16	414	22	298	31	196
17) BAHRAIN	77	222	77	184	39	196
18) IRAQ	3,936	209	2,929	96	2,225	130
19) YEMEN	28	122	14	160	14	95
TOTAL	51,021	37,408	43,381	32,343	43,019	27,185
UBAE'S SHARE	5,069	1,864		1,654		1,176
%	9.94	4.98		5.11		4.33





SUMMARY OF BUSINESS ACTIVITIES

FINANCIAL YEAR 2008

SUMMARY OF BUSINESS ACTIVITIES FINANCIAL YEAR 2008

BUSINESS OPERATIONS

Loans and advances to Customers

The focus of the Bank's activity is the provision of financial assistance to corporate clients engaged in import/export business or contract works in target countries, with retail credit playing only a marginal role. The year to 31 December 2008 witnessed good overall performance and growth in line with Banca UBAE's business strategy, particularly in the second half.

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

Generally speaking, credit risk is on modest levels.

Commercial Operations on Foreign Markets

In 2008 as in previous years, most of the Bank's efforts were directed at developing trade-driven business on its core markets. In some of these, Banca UBAE managed to take back significant market share; in others, it held its ground in the face of severe competition from rival institutions.

The Bank tapped growth in bilateral trade with certain countries in its traditional region of interest, thanks in particular - during the first half of the year - to the surge in liquidity that ensued from rising oil prices. The crisis which swept global financial markets in the final months of 2008 and the consequent drop in the price of crude resulted in no more than a modest slowdown in trade.

Dealings with Libya, both direct and indirect, recorded further growth and yielded higher earnings, not least as certain types of transaction had been redesigned and streamlined. In the oil sector, for instance, letters of credit were introduced as a means to pay for imports, resulting in a significant increase in the volume of L/Cs processed by the Bank and good profit margins.

EUR/000

	2008		2007		2006	
	Value / no.	+/- %	Value / no.	+/- %	Value / no.	+/- %
Letters of credit: Number	4,674	2.27	4,570	40.79	3,246	15.31
Letters of credit: Value	9,632,830	482.51	1,653,687	40.59	1,176,215	-2.81
% of total exports		4.98		5.11		4.33
% of total imports		9.94		n/r		n/r
Commissions accrued	17,703	42.86	12,391	41.89	8,733	33.35

The volume of guarantees issued fell sharply in 2008, though commitments outstanding at year-end were in line with the previous year's as a consequence (among other factors) of growth in international trade which generally favoured Italian firms. The rise in commissions reflects demand for certain types of guarantee over others as well as the higher level of risk associated with some countries, hence higher market rates.

EUR/000

	2008		2007		2006	
	Value	+/- %	Value	+/- %	Value	+/- %
Turnover fideiussioni	140,968	-47.46	268,330	1.09	265,427	112.06
Fideiussioni in essere a fine anno	304,259	-0.92	307,094	23.02	249,623	5.67
Commissioni	3,021	51.20	1,998	-15.08	2,353	1.20

Financial Market Operations

Throughout 2008, we endeavoured to find the most profitable channels for employing funds raised from banking counterparts as well as those representing oil-sales receipts.

The former grew steadily over the course of the year thanks to the Bank's continuing ability to attract deposits from key credit institutions, even as the credit crunch was biting hard towards the end of the period.

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

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

EUR/000

FUNDING 2008							
First quarter		Second quarter		Third quarter		Fourth quarter	
Value	+/- %	Value	+/- %	Value	+/- %	Value	+/- %
2,542,367	21.70	2,619,183	3.02	2,858,249	9.13	3,247,287	13.61

Managing Financial Assets

Portfolio activity was fairly stable in 2008. Trading proper gave way to the renewal of issues that came to maturity, pending the emergence of yields in line with other types of earning assets. As the global financial climate soured, trading gave way to the purchase of debt instruments for the HTM portfolio, where their valuation would not be affected by market price fluctuations.

Financial assets at year-end consisted mostly of bonds, whose average residual life was 5 years for the HFT portfolio and 5.4 years for the HTM portfolio. The use of derivatives to mitigate interest rate risk effectively shortened average duration to 5 months for the HFT and 2 months for the HTM portfolio.

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

The general downturn notwithstanding, closing results show limited trading losses. These are in line with the portfolio's low-risk profile, as determined by the hedging of exchange rate and interest rate risk for management purposes on the one hand and a basic freezing of turnover on the other. In the light of those results, the Board of Directors resolved to forgo the option of moving issues from the HFT to the HTM portfolio.

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

Dealings in securities and certificates of deposit on customers' behalf totalled EUR 1,612 mn in 2008, down somewhat from the previous year despite the fact that the volume of assets under management had grown.

Agreed guidelines for the purchase of securities led to choose:

- Investment portfolio (issues held to maturity/available for sale)
 - floating rate issues with a substantial spread, resulting in yields higher than the interbank rate
 - fixed or floating rate issues from entities resident in the Bank's geographical areas of interest
 - fixed rate, short-term issues
- HFT portfolio (issued held for trading)
 - fixed or floating rate issues chosen for their aptitude to yield short-term capital gains
 - shares in top-tier domestic and international companies

Limited potential losses in the Bank's portfolio were generated by price movements and by the crisis that hit financial markets in general and bond markets in particular. We are looking at bond issues from reputable corporate and - chiefly - banking institutions, so those virtual losses are expected to be reabsorbed over the coming years, in line with maturity periods. Given the recent turbulence, we decided to defer the introduction of new formulas and novel instruments (such as harmonized financial products and OICRs) for managing the Bank's own securities.

Having been authorized to deal in securities on customers' behalf as well, we reinforced the architecture of our finance departments and the IT resources underpinning business, operational, and risk management activity in this area.

Interbank Transactions

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

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

To support current and prospective medium- and long-term investment levels, the Bank has focused on bolstering its medium-term funding, including by means of targeted loans taken out to that end. An initial tranche of the new subordinated loan was drawn as the year came to a close.

Year-End Results

The provisioning policy adopted by the Board of Directors has been quite conservative, yet Banca UBAE's net result for 2008 (EUR 7,824,653) marks an improvement on 2007 and confirms the ability of our institution to stabilize earnings through solid growth in commercial and non-commercial operations.

At EUR 25,762,119 (+46.4% on 2007), our gross operating result reflects a surge in interest margins (+32.7%) as more favourable market opportunities emerged, and was boosted furthermore by optimal handling of administered funds. Net non-interest income also rose substantially (+23.4%). Here, the negative result posted by financial dealings was offset several-fold by forex earnings and, above all, growth in revenue from fees and commissions, part of which was linked to newly-signed oil agreements.

The increase in gross operating profit was achieved in the face of rising personnel costs (+10.5%) and other administration expenses (+18.4%) which may be judged moderate, however, in the light of some non-recurrent outlays and the recruitment of new staff.

Net write-downs and provisioning soared by 234% as the combined outcome of lower amortization charges on tangibles and intangibles, larger loan write-downs, and higher provisioning against contingent liabilities. In the wake of the turmoil that has engulfed the international credit sector, in particular, the Board of Directors deemed it wise to allocate fixed amounts against UBAE's exposure to bank borrowers as well.

Income tax for the year amounted to EUR 7,256,974 - up 8.1% on 2007.

ORGANIZATION AND PERSONNEL

Personnel

Banca UBAE had a total of 154 staff on its payroll as of 31 December 2008, 7 more than a year earlier.

As part of an ongoing calibration of the workforce to market objectives, 3 executive and 14 non-executive cadres were hired, while 8 non-executive and 2 executive cadres left the Bank's service in the course of the year. In addition, there was a rotation in the post of General Manager.

Several initiatives linked to the management and development of human resources were implemented:

- completion of a staff potential evaluation system and related census of professional competences;
- upkeep and refinement of a performance management system;
- creation of vertical and horizontal career paths;
- creation of an in-house training system, supported also by access to industry-wide refresher-course funds;
- design of a performance- and result-linked reward system.

Internal Organization

A number of projects were planned, implemented and brought onstream across multiple departments in the course of 2008. The most significant include:

- alignment with Basel 2 risk management requirements, which mobilized a range of units and departments to implement available information and later to verify the adequacy of the data to internal requirements and central bank reporting standards; resources deployed for this purpose included software, tools and methods developed in-house as well as the systems UBAE had designed jointly with outsourcer SEC. In October, the Bank submitted its first simplified ICAAP report, the preparation of which enabled it to locate IT areas and systems in need of refinement prior to finalizing the comprehensive version of the report;
- the production of new periodic reports as demanded by Banca d'Italia for the purpose of monitoring the financial crisis, not to mention those relating to the supervisory authorities' full-scale revision of mandatory reporting;
- alignment of the Bank's organizational model and internal rules and procedures with the standards set out in Legislative Decree 231/2001 and operational launch of the relevant Oversight Body;
- finalization of a set of regulations governing the Compliance function, including the definition of its duties and practical activities and adjustments to the way the unit is manned;
- changes to internal procedures and to organizational and operational arrangements as required by the MIFID directive;
- updating of online data monitoring systems for the purposes of money laundering prevention and tracking of European and other international blacklists;
- business continuity, which saw the Bank define procedures to deal with a partial or total breakdown of systems at its Rome and/or Milan offices; tests were then run to check operational and management requirements on the ground;
- an ongoing search for better software applications and constant improvements to existing ones in an effort to render operational tasks ever more streamlined and automation more efficient - so in turn as to minimize the scope for human error and allow for more targeted and effective controls;

□ Marketing

- marketing activity in three broad areas:

1) institutional marketing:

- strategic analysis (second customer satisfaction survey for banks and non-bank clients), assessment of opportunities for expansion into new markets, analysis of mission reports;
- external communication (articles and interviews with the Management on topics of special interest in dailies, periodicals and television, plus regular updating of the Bank's corporate website);

2) customer development and fidelity enhancement: direct marketing and targeted participation in trade fairs, domestic and international workshops (particularly where chambers of commerce and Italian industry associations were involved), inauguration of the Bank's courses in trade finance for foreign correspondents;

3) operational aspects: creation, management and updating of marketing material (Dealers' Calendar, brochures, financial statements, interim data, etc.).

□ IT Systems

The Bank was actively engaged in refining the programs on which to run all newly-introduced activities. In particular:

- completing the set-up and updating of the software and hardware required to carry out business continuity trials and handle any related needs;
- expanding the range of tools at the disposal of personnel for widespread, customized use of the Bank's ample wealth of data, ensuring in the process that data are not only made available but are extracted from the same datawarehouse;
- keeping IT resources up-to-date and well aligned with ongoing changes in technology and procedures.

At the same time, the Bank continued to survey the market for - and evaluate - potential alternatives to its current IT system in a drive to improve on existing performance levels.

□ Risk Management

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

Principles of sound and prudent risk management underlie the extension of credit throughout its various phases, from loan granting to monitoring and review. Each phase involves:

- the systematic assignment of "credit access scores" to bank and corporate borrowers;
- day-to-day monitoring of loan performance and related anomalies such as overruns, be these UBAE-specific or displayed in CRB data;
- the calculation of risk-adjusted pricing for all the main types of loan.

The practical implications of applying Basel 2 rules were simulated and analyzed by the Risk Management Department, whose conclusions were presented to Senior Management and the Board of Directors.

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

In October 2008, the Bank completed work on the Internal Capital Adequacy Assessment Process (ICAAP) as mandated by Pillar II and submitted its first (simplified) ICAAP report relating to the situation as at 30.6.2008.

The process in turn helped the Bank pursue a number of objectives:

- raise the governing bodies' awareness of risk- and capital planning-related issues;
- improve understanding of UBAE's exposure to the various types of risk associated with its business operations;
- quantify previously unquantified risks (credit concentration risk, interest rate risk in the banking book) and bolster organizational safeguards and risk management tools for others (liquidity, reputational, strategic risks);
- highlight the need to acquire more effective and rule-compliant risk measuring and risk monitoring tools by investing in suitable IT products and undertaking targeted projects (including on a consortium-wide level);
- expand the time frame for internal (forward-looking) analyses and stress testing;
- improve the strategic planning process by introducing capitalization policies strictly

linked to the Bank's risk profile, ie, to the results emerging from the ICAAP as performed.

As foreseen by the rules, the Board of Directors approved guidelines for institutionalizing the ICAAP and entrusted their implementation to the Management.

Besides setting out the respective roles and duties of the Board, Management and sundry other units involved in the process, the guidelines provide a methodological framework for quantifying the Bank's prospective internal capital and for stress testing with a view to preparing the ICAAP report.

The first comprehensive ICAAP report (relating to the situation as at 31.12.2008) will be approved by the Board of Directors by 30.4.2009 at the latest.

□ Market Risk

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

Reports are produced daily, may be consulted on the corporate intranet and are traceable to the desks that generated them. They are concerned with portfolio composition, (daily, monthly and yearly) performance, movements in risk indicators (potential loss, BPV, duration, VaR, etc.), and the emergence of any overruns on operating limits.

A revised structure for operating limits currently under evaluation will take account of the Bank's new derivatives business, yet also of the acute volatility now characterizing the market and attendant transaction volumes.

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

□ Credit and Counterparty Risk

Exposure to credit and counterparty risk is monitored constantly in terms of both the observance of approved borrowing limits and the deterioration of portfolio quality and thus capital absorption.

In particular, the Risk Management Dept. produces regular reports for Management and the Risk Committee on the distribution of loans by external rating tier and internal credit score as well as by geographical area and business sector. In the context of the ICAAP, moreover, Risk Management monitors credit concentration risk and carries out scenario analyses by simulating the impact of certain information shocks such as sovereign debt defaults or economic downturns on the capital requirement against credit risk.

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

□ Operational Risks

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

A preliminary mapping of the Bank's processes to identify the operational risks to which it is exposed (and which call for a qualitatively-focused self risk assessment) has been completed.

Self risk assessment files were brought up to date and redistributed to process owners for their annual evaluation. This presupposes that any new risk drivers are reported and a qualitative judgment is formed on the frequency and severity of the relevant adverse events. That initial judgment is completed by an evaluation of the line controls (if any) guarding against the risks in question.

Analysis of all self risk assessment files completes the qualitative evaluation phase, while the ensuing reports to Management enable the latter to determine what organizational and procedural steps are most likely to mitigate the risks discerned.

Next to be implemented will be a loss data collection system to record risk events and operational losses if applicable. Exposure analysis will rely on dedicated reporting tools.

□ Other Risks

❖ Liquidity risk

To monitor the cash-flow maturity ladder, the Risk Management Dept. uses LCF (Liquidity

Cash Flow), an online module that is part of the Master Finance platform. In this way, the size and temporal distribution of gaps can be analyzed to ensure they remain consistent with the Bank's strategy guidelines. In addition, the new operating-limits system includes a liquidity grid in which gap limits are broken down by temporal bands.

In view of the upcoming comprehensive ICAAP report, UBAE decided to participate (as a "pilot bank" in the instance) in a SEC-sponsored project whose aim is to implement an ALM product capable of simulation and analysis on two fronts, ie, interest rate risk (gap and margin analysis) and liquidity risk (maturity ladder, stress testing).

❖ Credit concentration risk

In introducing an additional capital requirement, Pillar II rules place a special emphasis on credit concentration risk associated with individual counterparties or groups of related counterparties. Banca UBAE has equipped itself with an ad hoc tool to quantify internal capital by the simplified method foreseen by Banca d'Italia and conducts simulations to evaluate the impact of any changes of a strategic or operational character.

One aspect worthy of more detailed study is credit concentration risk by business sector and geographical area; at the moment, the Bank has opted for a strictly qualitative assessment even as it takes regular part in industry-wide courses and conferences apt to provide new ideas on the analytical as well as the methodological plane.

❖ Interest rate risk in the banking book

Here again, the introduction of a specific risk relevant to capital adequacy assessment has called for new tools for analysis and information processing. To that end, UBAE is participating in a "pilot bank" capacity in the project referred to above in the sub-section on liquidity risk.

❖ Reputational and strategic risks

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

A range of assessment options are currently being considered and some methodological assumptions on reputational risk have already been incorporated into Banca UBAE's draft

comprehensive ICAAP report.

□ Security Blueprint

Pursuant to art. 34 of Legislative Decree 196/2003, the Bank's security blueprint for 2009 was revised as set out in section 19 of the Decree's Technical Guidelines for Minimum Security Standards.

□ Logistics

A number of improvements at the Bank's offices in Rome and Milan were undertaken and completed to ensure space was optimally exploited, notably in light of the staff additions that occurred during the period.

RECLASSIFIED BALANCE SHEET

EUR/000

	Balance		Change	
	2008	2007	Amount	%
ASSETS				
Cash and cash equivalents	306,560	222	306,338	n/a
Loans and advances				
- to customers	200,659	139,212	61,447	44.14
- to banks	3,260,580	2,393,718	866,862	36.21
Financial assets held for trading	92,278	127,705	- 35,427	-27.74
Fixed assets				
- financial ¹	49,306	5,094	44,212	867.94
- tangible	26,415	27,451	- 1,036	- 3.77
- intangible	496	664	- 168	- 25.27
Other assets ²	17,471	20,993	- 3,522	- 16.78
Total assets	3,953,765	2,715,059	1,238,706	45.62
LIABILITIES				
Accounts payable				
- to customers	66,357	124,578	- 58,221	- 46.73
- to banks	3,596,587	2,318,054	1,278,533	55.16
Financial liabilities held for trading	21,151	2,708	18,443	680.95
Earmarked provisions ³	2,822	2,892	- 70	- 2.42
Other liabilities ⁴	81,752	89,556	- 7,804	- 8.71
Shareholders' equity				
- Capital and reserves	177,271	169,582	7,689	4.53
- Net profit for the year	7,825	7,689	136	1.76
Total liabilities	3,953,765	2,715,059	1,238,706	45.62

¹ Inclusive of financial assets HTM and AFS

² Inclusive of tax assets and other assets

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

⁴ Inclusive of tax liabilities and other liabilities

RECLASSIFIED INCOME STATEMENT

EUR/000

			Change	
	2008	2007	Amount	%
Net interest income	30,595	23,058	7,537	32.68
Net non-interest income ⁵	15,882	12,926	2,956	22.87
Gross operating income	46,477	35,984	10,493	29.16
Personnel expenses	-14,765	-13,367	-1,398	10.46
Other administration expenses and operating charges ⁶	-5,950	-5,024	-926	18.43
Gross operating result	25,762	17,593	8,169	46.43
Net adjustments to tangible and intangible fixed assets	-1,171	-1,250	79	- 6.31
Provisioning, write-downs and write-ups ⁷	-9,510	-1,944	-7,566	389.08
Pre-tax profit from continuing operations	15,081	14,399	682	4.74
Income tax for the year	-7,256	-6,710	- 546	8.14
Net profit from continuing operations	7,825	7,689	136	1.76
Net result from non-continuing operations	0	0		
Net profit for the year	7,825	7,689	136	1.76

¹ Inclusive of net commissions, dividends and net trading income

² Inclusive of other administration expenses and other operating income

³ Inclusive of net impairment adjustments and net provisioning for risks and charges

COMMENTS ON BALANCE-SHEET ITEMS

Loans and advances

EUR/000

	Consistenze al		Variation	
	31.12.2008	31.12.2007	Amount	%
Loans and advances to customers:				
▪ In euros	134,398	53,610	80,788	150.70
▪ In other currencies	66,261	85,602	-19,341	- 22.59
Loans and advances to banks:				
▪ Euro	2,065,860	1,360,280	705,580	51.87
▪ In other currencies	1,194,720	1,033,438	161,282	15.61
Total	3,461,239	2,532,930	928,309	51.75

Loans and advances to Customers

Loans to customers grew by 44.1% in 2008, reflecting a rebound in corporate lending even as the Bank kept up efforts to spread risk in the light, inter alia, of more stringent limits for individual borrowers. The credit lines' main purpose, regardless of whether they are granted directly by UBAE or through syndicated facilities arranged by major lending institutions, is to support domestic clients engaged in trade with countries in the Bank's region of interest.

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

Non-performing items accounted for 0.04% of total loans and advances to customers.

The value of outstanding loans was adjusted down by EUR 508,178 - net of recovered amounts - in the course of the year. The sum written off represents anticipated loan losses plus the portion of non-performing debt that was judged recoverable to a marginal extent at best.

Loans and advances to Banks

Loans to banks rose by EUR 866,861,760 (+36.2%). Such a significant increase is linked primarily to growth in the volume of funds raised, which enabled the Bank to expand the amount of capital employed with financial institutions in Europe and elsewhere.

The item is also contingent on movements in “oil funds” and on UBAE’s investment policy in relation thereto, which once again involved fairly substantial amounts.

For the first time, UBAE booked a write-down (EUR 6,865,710) reflecting expected losses from loans and advances to banks. The adjustment was prompted by the uncertainties surrounding the banking sector following the notorious events which hit it over the past year, and which were taken as ground for a more prudent accounting approach.

Financial Assets

Financial assets, comprising securities, derivatives and minority equity stakes, amounted to EUR 120,433,061 - down by EUR 9,657,465 on the previous year. The decline was due to the fact that issues coming up for partial renewal were scrutinized closely for profitability and issuer’s standing in the light, *inter alia*, of the current market turmoil. Newly-purchased issues were mostly allocated to the HTM portfolio, in accordance with approved policy. As mentioned, the Bank did not transfer any assets from one portfolio to another.

Given the type of securities held in the HFT portfolio, the fall in market prices had only limited consequences for the Bank, whose losses were far smaller than those recorded on average by other financial institutions.

EUR/000

			Variation	
	31.12.2008	31.12.2007	Amount	%
Financial assets				
▪ Assets held for trading	92,278	127,705	- 35,427	- 27.74
▪ Liabilities held for trading	- 21,151	- 2,708	- 18,443	681.06
▪ Assets available for sale	2,709	3,777	- 1,068	- 28.28
▪ Assets held to maturity	46,598	1,317	45,281	3438.19
Total	120,433	130,091	- 9,568	- 7.42

The criteria followed for valuing securities and for assigning issues to the investment or the trading portfolio are discussed in the Notes to the Financial Statements (pp. 66-69).

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

Accounts Payable

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

As indicated, funding from institutional parties (+50%) kept up the strong growth trend that had emerged late in 2007, particularly in the European currency as investors sought to avoid losses from a depreciating dollar.

The next table presents a breakdown of accounts payable by year, currency and type of creditor.

EUR/000

			Variation	
	31.12.2008	31.12.2007	Amount	%
Payable to customers				
▪ In euros	58,673	109,432	- 50,759	- 46.38
▪ In other currencies	7,684	15,146	- 7,462	- 49.27
Payable to banks				
▪ In euros	2,445,346	948,344	1,497,002	157.85
▪ In other currencies	1,151,242	1,369,711	- 218,469	- 15.95
Total	3,662,944	2,442,632	1,220,312	49.96

Shareholders' Equity

Movements in shareholders' equity may be represented as follows.

EUR/000

	Capital	Share premium	Reserves	Retained profit	Net profit	Total
31.12.2007	136,320	16,702	16,556	4	7,689	177,271
Movements 2008:						
▪ Appropriation of 2007 profit			7,690	- 1	- 7,689	0
▪ Bonus capital increase	7,304		- 7,304			
▪ Net profit					7,825	7,825
31.12.2008	143,624	16,702	16,942	3	7,825	185,096

The bonus capital increase was approved jointly with the 2007 accounts.

Shares

As of 31 December 2008, share capital amounted to EUR 143,624,470 and consisted of 1,305,677 common shares of EUR 110 each. Following the exercise of some rights in the course of 2005, warrants (2001-2011) still in circulation amounted to EUR 97,680,440.

Subordinated Loan

In line with the recapitalization goals set out in the new strategic plan, UBAE finalized a new, ten-year subordinated loan agreement for a total of EUR 100,000,000 - over and beyond the residual portion of the current loan, which will expire in 2011.

In December the Bank drew an initial EUR 70,000,000 tranche of the new subordinated loan, making for a total of EUR 93,400,000 when added to the residual portion of the old loan (EUR 23,400,000).

COMMENTS ON THE ITEMS IN THE PROFIT AND LOSS ACCOUNT

Net Interest Income

EUR/000

	2008	2007	Variation	
			Assolute	%
10. Interest income and related revenue	155,821	100,201	55,620	55.51
20. Interest charges	- 125,227	- 77,143	- 48,084	62.33
Net interest income	30,595	23,058	7,537	32.69
30. Dividends and other proceeds	0	8	- 8	- 100.00

Strong growth in net interest income (+32.7% on 2007) is attributable to the Bank's ability to diversify earning assets so as to secure the highest possible returns on the one hand, and to preserve a good spread between assets and liabilities (not least by working the interbank market) on the other. Combined with an increase in the volume of funds administered over the period, this made for a genuinely satisfying result.

High market rates in general and euro and US dollar rates in particular during the early months of the year account in part for the fact that both total interest income and total interest charges grew in 2008.

Net Non-Interest Income

EUR/000

	2008	2007	Variation	
			Amount	%
40. Commissions received	24,092	16,961	7,131	42.0
50. Commissioni paid	- 3,194	-2,007	- 1,187	59.1
Net commissions	20,898	14,954	5,944	39.8
80. Trading assets	- 5,016	-2,036	- 2,980	146.4
190. Other operating proceeds	2,473	1,961	512	26.1
Net non-interest income	18,355	14,879	3,476	23.4

Net income from commissions rose very significantly (+39.8%) thanks in part to the administration of oil funds, a newly-introduced service which called for some adjustments on the organizational side but generated additional revenue.

Letters of credit - oil-related and otherwise - registered considerable growth in terms of both earnings and volume, a sign of the Bank's ability to tap into the general increase in commerce between the countries it has traditionally focused on.

Trading activity declined steeply in 2008, chiefly as a result of the crisis affecting financial markets everywhere. In contrast, customers' strategic decisions in the forex domain led to a tangible upturn in turnover and expanded margins.

Other net operating income includes amounts recouped on costs incurred for commercial transactions, where commission income rose as mentioned, and extraordinary items. In particular, the 2008 accounts benefited from several one-off cost offsets.

Administration Expenses

EUR/000

	2008	2007	Variation	
			Amount	%
a) Spese per il personale:				
▪ wages and salaries	7,944	7,750	194	2.50
▪ social security contributions	2,443	2,331	112	4.80
▪ staff severance payments	795	598	197	32.94
▪ other expenses	2,547	1,556	991	63.69
Total employee expenses	13,729	12,235	1,494	12.21
▪ Administrators	864	927	- 63	- 6.80
▪ Non-staff associates	171	205	- 34	- 16.59
Total personnel expenses	14,764	13,367	1,397	10.45
b) other administration expenses	8,441	6,985	1,456	20.84
Total	23,205	20,352	2,853	14.02

Total personnel expenses grew by 10.4% in 2008. The increase was driven by the arrival of new salaried staff, whose number exceeded that of retiring employees (besides, the most senior among the latter left late in the year). Higher outlays for early-retirement packages paid out make up a substantial proportion of "other personnel expenses".

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

Other administration expenses were up 20.8%. Though significant, the increase remains in line with the Bank's vigilant cost containment policy and was generated to a large extent by the higher cost of external business promoters as revenue from the countries they operate in rose in turn. Some services the Bank relies on likewise involved one-off costs.

Composition of the Year-End Net Result

After variations in net interest income (+32.7%), net non-interest income (+23.4%) and administration expenses (+14.0%), gross operating profit rose from EUR 17,593,625 in 2007 to EUR 25,762,119 in 2008. As for net profit:

Results	EUR/000	
	2008	2007
Gross operating profit	25,762	17,593
Net adjustments to tangible and intangible fixed assets	- 1,171	-1,250
Net impairment adjustments:		
▪ to loans	- 7,374	-2,404
▪ to financial assets available for sale	- 1,214	-800
▪ to financial assets held to maturity	- 364	0
▪ to other financial operations	- 444	1,362
▪ net provisioning for risks and charges	- 114	-102
	- 9,510	-1,944
Profit before tax	15,081	14,399
Income tax for the year	- 7,256	-6,710
Net profit	7,825	7,689

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

SIGNIFICANT POST-YEAR-END EVENTS

There were no especially noteworthy events in the early months of 2009, during which time the Bank pursued its ordinary business operations.

ADDITIONAL INFORMATION

The Bank has no research and development activity.

The Bank does not hold any of its own shares.

Information regarding the Bank's dealings with related parties may be found in the relevant section of the Supplementary Note.

PROPOSALS TO SHAREHOLDERS

1. Approval of the Accounts for the Financial Year Ended 31 December 2008

Gentlemen:

We hereby ask that you formally approve, on the basis of this Report, the Bank's Accounts at 31 December 2008, including the Balance Sheet, Profit and Loss Account and Supplementary Note, considered both jointly and in their several postings, as proposed by this Board of Directors.

2. Appropriation of Net Profit

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

- Net profit	Euro	7,824,653.00
- 5% to Legal Reserve (art. 30.a) of the Articles of Association)	Euro	391,500.00
	Euro	7,433,153.00
- Retained profit	Euro	3,251.23
	Euro	7,436,404.23
- Allocation to Extraordinary Reserve (art. 30.b) of the Articles of Association	Euro	7,436,330.00
- Carry-forward	Euro	74.23
If the scheme is approved Shareholders' Equity will amount to EUR 185,095,949,90 and will be composed as follows:		
- Share capital	Euro	143,624,470.00
- Share premium	Euro	16,702,216.29
- Reserves and profit carried forward	Euro	24,464,024.23
- IAS FTA reserve and carry-forward from 2005 IAS profit	Euro	305,239.38
	Euro	185,095,949.90

Rome, 31 March 2009

THE BOARD OF DIRECTORS

AUDITORS' REPORT ON THE ACCOUNTS FOR THE FINANCIAL YEAR 2008

Gentlemen:

Throughout the year to 31 December 2008, we monitored the Bank's compliance with the law and the Articles of Association as well as its adherence to sound and prudent management principles. In doing so we referred, inter alia, to the recommendations set out in the "Practical Guidelines for Statutory Auditors" as issued by the National Boards of Professional Accountants.

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

We monitored the adequacy of the Bank's administrative, organizational and book-keeping arrangements and assessed whether its accounting system could be relied upon to provide a fair and accurate representation of all relevant business events. To that end, we interviewed those responsible for the various functions, compared the information thus obtained with that recorded in the Bank's official documents, and scrutinized the findings of the independent auditors' quarterly reviews.

As far as our statutory duties are concerned, you will recall that the AGM which convened on 28 April 2006 resolved to entrust the auditing of the Bank's books to KPMG SpA for financial years 2006, 2007 and 2008; accordingly, we refer you to their separate report.

Periodically over the course of the year and in conformity with the legal provisions in force, we were updated by the Board of Directors on the Bank's overall performance and foreseeable direction, as well as on those transactions deemed worthy of note on account of their calibre or characteristics. We may reasonably reassure you, in this light, that none of the actions taken by the Bank was at odds with either the law or the Articles of Association. No complaints under art. 2408 of the Civil Code were received in the course of the year.

Our oversight activities did not reveal any facts or events whose significance might have warranted their mention in this report.

As to the accounts for the year ended 31 December 2008, and regarding aspects other than the figures themselves, we monitored the way the financial statements took shape and verified the general adherence of their structure and manner of preparation to the relevant stipulations of the law. In particular, we ascertained that they had been compiled in accordance with the instructions laid down by Banca d'Italia and reflected international accounting standards.

We likewise ascertained that the Directors' annual report on operations had been drafted as legally mandated, and have no specific remarks to submit on that count. So far as we are aware, the Board of Directors did not invoke any exceptions under art. 2423, para. 4, of the Civil Code. The Notes to the Financial Statements, for their part, supply the information called for in Legislative Decree 87/1992.

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

In conclusion, and in the light inter alia of the review performed by the body charged with auditing the Bank's books (the outcome of which is detailed in the Independent Auditors' Report), we encourage you to approve the Annual Report and Financial Statements for the year to 31 December 2008 as submitted by the Board of Directors, and endorse the latter's proposals for the allocation of net profit.

Rome, 14 April 2009

THE BOARD OF AUDITORS

Marco Leotta
Michele Bianco
Cosimo Vella



KPMG S.p.A.
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e-mail it-fmauditaly@kpmg.it

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

Report of the auditors in accordance with article 2409-ter of the Italian Civil Code

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

- 1 We have audited the financial statements of Banca UBAE S.p.A. as at and for the year ended 31 December 2008, comprising the balance sheet, income statement, statement of changes in equity, cash flow statement and notes thereto. The company's directors are responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2 We conducted our audit in accordance with the auditing standards generally accepted in Italy. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors. We believe that our audit provides a reasonable basis for our opinion.

Reference should be made to the report dated 14 April 2008 for our opinion on the prior year financial statements, which included the prior year figures presented for comparative purposes.

- 3 In our opinion, the financial statements of Banca UBAE S.p.A. as at and for the year ended 31 December 2008 comply with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Therefore, they are clearly stated and give a true and fair view of the financial position of Banca UBAE S.p.A. as at 31 December 2008, the results of its operations, changes in its equity and its cash flows for the year then ended.



*Banca UBAE S.p.A.
Report of the auditors
31 December 2008*

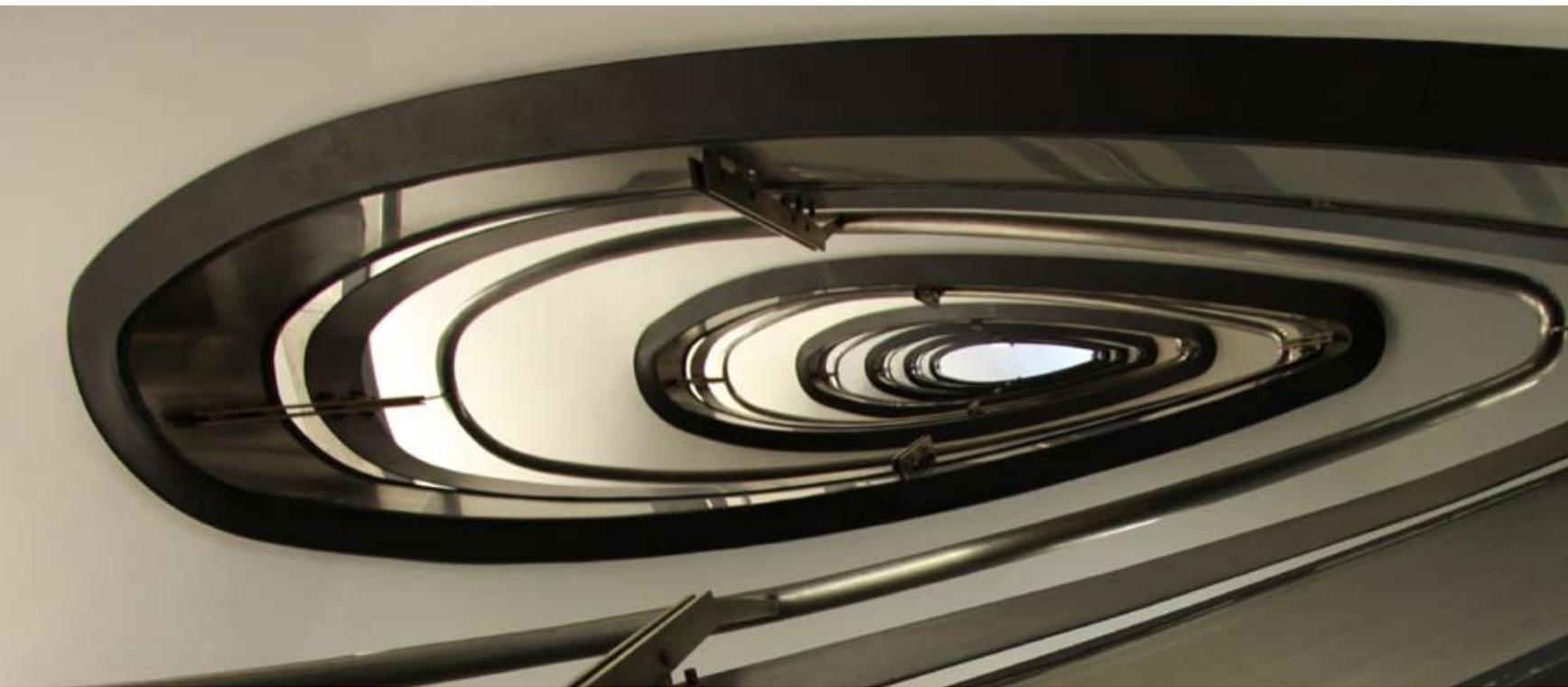
- 4 The directors of Banca UBAE S.p.A. are responsible for the preparation of a report on operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations with the financial statements to which it refers, as required by article 2409-ter.2.e of the Italian Civil Code. For this purpose, we have performed the procedures required by the Italian Standard on Auditing 001 issued by the Italian Accounting Profession. In our opinion, the report on operations is consistent with the financial statements of Banca UBAE S.p.A. as at and for the year ended 31 December 2008.

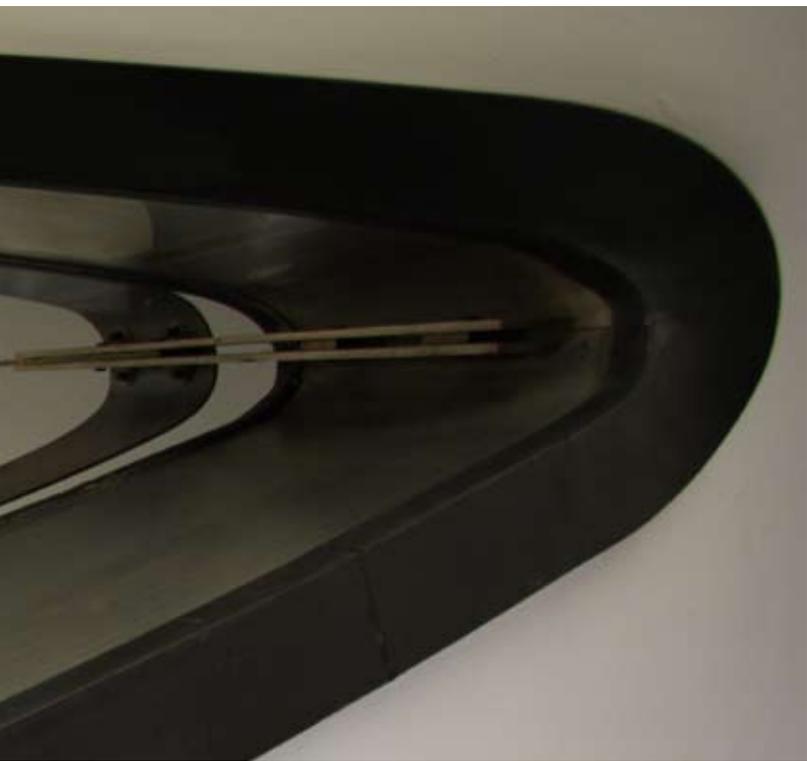
Rome, 15 April 2009

KPMG S.p.A.

(signed on the original)

Giuseppe Scimone
Director of Audit





FINANCIAL STATEMENTS

(amounts in euros)

BALANCE SHEET: ASSETS

Assets	2008	2007
10 Cash and cash equivalents	306,560,301	221,752
20 Financial assets held for trading	92,277,927	127,704,960
40 Financial assets available for sale	2,708,551	3,777,133
50 Financial assets held to maturity	46,597,816	1,316,814
60 Loans and advances to banks	3,260,579,842	2,393,718,082
70 Loans and advances to customers	200,659,048	139,212,023
110 Tangible fixed assets	26,415,106	27,450,892
120 Intangible fixed assets	496,456	664,319
of which:		
- goodwill	0	0
- other	496,456	664,319
130 Tax assets	16,034,297	17,882,203
a) current	13,148,124	16,948,250
b) deferred	2,886,173	933,953
150 Other assets	1,436,386	3,111,456
Total assets	3,953,765,730	2,715,059,634

BALANCE SHEET: LIABILITIES

Liabilities	2008	2007
10 Accounts payable to banks	3,596,587,414	2,318,054,481
20 Accounts payable to customers	66,356,888	124,577,818
40 Financial liabilities held for trading	21,151,233	2,708,381
80 Tax liabilities	9,646,851	6,885,203
a) current	9,526,016	6,696,632
b) deferred	120,835	188,571
100 Other liabilities	72,105,108	82,670,052
110 Staff severance fund	2,554,932	2,661,806
120 Provisions for risks and charges	267,354	230,596
a) pensions and similar	0	0
b) other	267,354	230,596
160 Reserves	16,944,611	16,560,454
170 Share premium reserve	16,702,216	16,702,216
180 Share capital	143,624,470	136,319,590
190 Treasury stock	0	0
200 Net profit for the year	7,824,653	7,689,037
Total liabilities and shareholders' equity	3,953,765,730	2,715,059,634

INCOME STATEMENT

Items	2008	2007
10 Interest and similar income	155,821,413	100,201,349
20 Interest charges and similar expenses	(125,226,800)	(77,143,123)
30 Net interest income	30,594,613	23,058,226
40 Commission income	24,091,665	16,960,778
50 Commission expense	(3,193,969)	(2,006,542)
60 Net commissions	20,897,696	14,954,236
70 Dividends and similar income	121	7,799
80 Net trading income	(5,016,048)	(2,035,969)
120 Gross operating income	46,476,382	35,984,292
130 Net impairment adjustments:	(9,395,542)	(1,842,118)
a) to loans and advances	(7,373,888)	(2,404,298)
b) to financial assets available for sale	(1,214,439)	(800,000)
c) to financial assets held-to-maturity	(363,550)	0
d) to other financial assets	(443,665)	1,362,180
140 Net income from financial operations	37,080,840	34,142,174
150 Administration expenses:	(23,205,483)	(20,351,730)
a) personnel	(14,764,551)	(13,366,781)
b) other	(8,440,932)	(6,984,949)

160	Net provisioning for risks and charges	(114,197)	(102,281)
170	Net adjustments to tangible fixed assets	(845,516)	(989,906)
180	Net adjustments to intangible fixed assets	(325,237)	(259,730)
190	Other operating income / charges	2,491,220	1,961,063
200	Operating charges	(21,999,213)	(19,742,584)
250	Profit from continuing operations before tax	15,081,627	14,399,590
260	Income tax for the year on continuing operations	(7,256,974)	(6,710,553)
270	Net profit from continuing operations	7,824,653	7,689,037
290	Net profit for the year	7,824,653	7,689,037

STATEMENT OF CHANGES IN EQUITY - 2007

	Causal/ Categories	Overdue bills	Substandard loans	Restructuring loans		Changes in reserves
				Allocation of profit from previous year		
	Balance at 31.12.2006	Change in opening balance	Balance at 1.1.2007	Reserves	Dividends and other destinations	
Share capital						
a) ordinary shares	122,319,560		122,319,560			
b) other shares						
Share premium account	16,702,216		16,702,216			
Reserves						
a) from profits	16,208,070		16,208,070	14,352,414		
b) other						
c) FTA						
Revaluation reserves:						
a) available for sale						
b) cash flow hedging						
c) other (to detail)						
Capital instruments						
Own shares						
Operating profit (loss)	14,352,414		14,352,414	(14,352,414)		
Net equity	169,582,260		169,582,260			

Restructured loans						Net profit or loss 31.12.2007	Not guaranteed loans towards risky country
Changes during the year							Shareholders' equity at 31.12.2007
Equity operations							
Issue of new shares	Purchase of own shares	Distribution of extra. dividends	Change in capital instruments	Derivatives on own shares	Stock options		
14,000,030							136,319,590
							16,702,216
(14,000,030)							16,560,454
						7,689,037	7,689,037
							177,271,297

STATEMENT OF CHANGES IN EQUITY - 2008

	Balance at 31.12.07	Change to opening balance	Balance at 1.1.2008	Allocation of profit from previous year		Changes to reserves
				to reserves	Dividends and other	
Share capital						
a) common shares	136,319,590		136,319,590			
b) other shares						
Share premium account	16,702,216		16,702,216			
Reserve						
a) from profits	16,560,454		16,560,454	7,689,037		
b) other						
c) FTA						
Revaluation reserves:						
a) available for sale						
b) cash flow hedging						
c) other						
Treasury stock						
No profit for the year	7,689,037		7,689,037	(7,689,037)		
Shareholders' equity	177,271,297		177,271,297			

Intervening variations							Shareholders' equity at 31.12.2008
Changes to equity						Net profit at 31.12.2008	
New shares Issued	Treasury stock bought	Extraordinary dividends paid	Changes to capital instruments	Derivatives on treasury stock	Stock options		
7,304,880							143,624,470
							16,702,216
(7,304,880)							16,944,611
						7,824,653	7,824,653
0						7,824,653	185,095,950

CASH FLOW STATEMENT

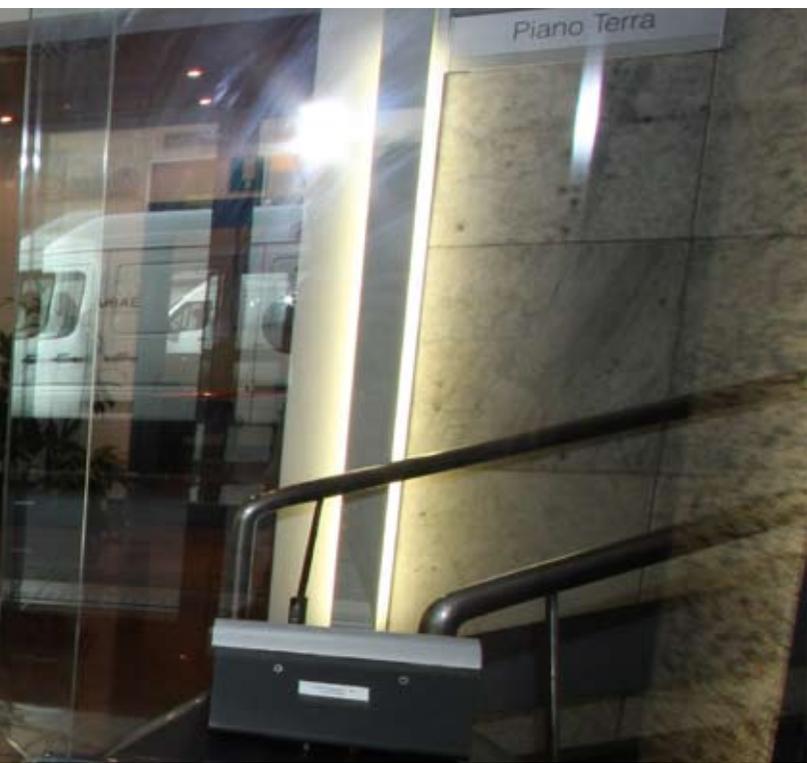
Indirect method	2008	2007
A OPERATING ACTIVITIES		
1. Operations	16,638,113	74,564
- Net profit for the year	7,824,653	7,689,037
- Capital gains (losses) on financial assets held for trading and financial assets/liabilities carried at fair value	(6,399,147)	(2,145,641)
- Capital gains (losses) on hedging assets		
- Net impairment adjustments	9,395,542	1,842,118
- Net adjustments to tangible and intangible assets	1,170,753	1,249,636
- Net provisions for risks and charges and other revenues (costs)	36,758	30,987
- Unsettled taxes and duties	4,609,554	(8,591,573)
- Net post tax adjustments to groups of assets earmarked for disposal		
- Other adjustments		
2. Liquidity generated (absorbed) by financial assets	893,134,495	753,027,267
- Financial assets held for trading	(41,826,180)	9,478,748
- Financial assets carried at fair value		
- Financial assets available for sale	(1,068,582)	465,788
- Loans and advances to banks: demand	866,861,760	691,531,146
- Loans and advances to banks: other		
- Loans and advances to customers	70,842,567	49,401,151
- Other financial assets	(1,675,070)	2,150,434
3. Liquidity generated (absorbed) by financial liabilities	1,228,083,037	752,975,083
- Account payable to banks: demand	1,278,532,933	936,174,693
- Account payable to banks: other		
- Account payable to customers	(58,220,930)	52,314,198
- Outstanding securities		
- Financial liabilities held for trading	18,442,852	(5,153,002)
- Financial liabilities carried at fair value		
- Other financial liabilities	(10,671,818)	(230,360,806)
Net liquidity generated (absorbed) by operating activities	351,586,655	22,380

B INVESTMENT/DIVESTMENT ACTIVITIES		
1 Liquidity generated by:	190,270	142,348
- Disposal of equity investments		
- Dividends received on equity investments		
- Disposal of financial assets held to maturity		
- Disposal of tangible fixed assets	190,270	142,348
- Disposal of intangible assets		
- Disposal of business units		
2 Liquidity absorbed by:	45,438,376	149,570
- Purchase of equity investments		
- Purchase of financial assets held to maturity	45,281,002	(68,625)
- Purchase of tangible fixed assets		
- Purchase of intangible assets	157,374	218,195
- Purchase of business units		
Net liquidity generated (absorbed) by investment/divestment activities	(45,248,106)	(7,222)
C FUNDING		
- Issue (purchase) of treasury stock	7,304,880	14,000,030
- Issue (purchases) of capital instruments		
- Distribution of dividends and other	(7,304,880)	(14,000,030)
Net liquidity generated (absorbed) by funding activities	0	0
NET LIQUIDITY GENERATED (ABSORBED) DURING THE YEAR	306,338,549	15,158

Reconciliation

	2008	2007
Cash and cash equivalents at start of year	221,752	206,594
Net liquidity generated (absorbed) during the year	306,338,549	15,158
Cash and cash equivalents: effect of exchange rate variations		
Cash and cash equivalents at the year end	306,560,301	221,752





SUPPLEMENTARY NOTE

PART A

ACCOUNTING POLICIES

A.1 – GENERAL PART

Section 1 – Declaration of compliance with international accounting standards

The 2008 financial statements have been prepared in conformity with the accounting principles issued by the IASB and certified by the European Commission pursuant to EC Regulation 1606 of 19 July 2002. Reference was also made to the IFRS Framework for the preparation and presentation of financial statements.

Section 2 – General principles for preparation

In preparing the financial statements, particularly as regards the format for the Balance Sheet, the Income Statement and the Notes, the Bank followed the instructions set out in Banca d'Italia's circular directive 262 of 22 December 2005. Additional information was provided as required to meet International Accounting Standards and wherever it was judged appropriate from the standpoint of relevance or meaningfulness. Amounts in the Balance Sheet and Income Statement are expressed in whole euros, while figures in the Notes are represented in thousands of euros.

The financial statements were drafted to reflect:

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

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

Section 3 – Events Occurring After the End of the Financial Year

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

A.2 – PART CONCERNING PRINCIPLES

1 – FINANCIAL ASSETS HELD FOR TRADING

Recognition

Financial assets held for trading are recorded on their settlement date while derivatives are recorded on the trade date.

Financial assets in this category are initially recognized at fair value, which is usually the amount paid or received for them. In cases where fair value differs from the amount paid or received, the asset is recognized at fair value and the balance of actual payment and fair value is recorded in the Income Statement.

Derivatives embedded in financial instruments or in other contractual arrangements which have financial characteristics and risks that are not correlated with the host instrument or that otherwise qualify them as derivatives are accounted for separately under “Financial assets held for trading” except in cases where the host instrument is assessed at fair value and this has an impact on the Income Statement. Where the implied derivative is separated from its host contract, the latter is subject to the accounting rules applying to its own particular instrument class.

Classification

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

Valuation

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

Derecognition

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

Recognition of Gains and Losses

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

2 – FINANCIAL ASSETS AVAILABLE FOR SALE

Recognition

Financial assets available for sale are recognized on their settlement date. They are first recorded at fair value, which is usually the amount paid or received for them. In cases where fair value differs from the amount paid or received, the asset is recognized at fair value and the balance of actual payment and fair value is recorded in the Income Statement.

The amount recorded initially will include any accessory charges or income relating to the transaction.

Classification

The available-for-sale category refers to non-derivative assets which are not classified in the Balance Sheet as financial assets held for trading, financial assets held at fair value, financial assets held to maturity, loans and advances to banks, or loans and advances to customers.

The item includes equity holdings which do not qualify as controlling, jointly controlling or connected stakes, and which are not held for trading purposes.

Valuation

After their initial recording, financial assets available for sale are assessed at fair value. Fair value is established by the method described in the section concerned with financial

assets held for trading. If a plausible fair-value figure for equities cannot be obtained by technical assessments, these will be recorded at cost and adjusted for impairment losses if and as applicable.

Derecognition

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

Recognition of Gains and Losses

Gains and losses arising from changes in fair value are recorded in an ad hoc reserve within shareholders' equity and are kept there until the asset is reversed out.

If there is evidence of an impairment loss at the end of the financial year, the loss is reversed out of shareholders' equity and charged to the Income Statement for an amount equal to the difference between purchase cost and fair value, after deducting any pre-existing impairment losses in the Income Statement.

If fair value should rise again after an impairment loss was recorded, the gain is entered in the Income Statement if the item is a debt instrument, though not if it is an equity.

Besides impairment losses, cumulative gains or losses in the shareholders' equity reserve are recorded in the Income Statement at the time of disposal of the asset concerned as indicated above. Interest reckoned by the actual interest rate method is recorded in the Income Statement. Dividends on financial assets available for sale are recorded in the Income Statement when the right to receive payment matures.

3 – FINANCIAL ASSETS HELD TO MATURITY

Recognition

Financial assets held to maturity are recognized on their settlement date. They are first recorded at fair value, which is usually the amount paid or received. In cases where fair value differs from the amount paid or received, the asset is recognized at fair value and the balance of actual payment and fair value is recorded in the Income Statement.

The amount recorded initially will include any accessory charges or income relating to the transaction.

Classification

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

Valuation

After initial recording, financial assets held to maturity are assessed at their amortized cost and are later checked for possible impairment losses.

The amortized cost of a financial asset is the value initially recorded, net of any principal reimbursed, plus or minus cumulative amortization as reckoned by the actual interest rate method on any difference between the initial value and value on maturity and net of any write-down (either direct or made by drawing on provisions) due to impairment or outright uncollectibility.

The amortized-cost method is not used for short-term financial assets, as applying it would not produce meaningful results; such assets are recorded at cost.

Derecognition

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

Recognition of Gains and Losses

Gains and losses are entered in the Income Statement at the time the HTM assets are removed from the Balance Sheet. Interest is reckoned by the amortized-cost method based on actual interest rates.

If evidence points to an impairment loss at the end of the financial year, this is entered in the Income Statement as the difference between the asset's book value and the present value of future estimated cash flows, discounted by using the original actual interest rate.

If the reasons that gave rise to the impairment loss should cease to subsist after the loss was recognized, a write-back is recorded in the Income Statement. The gain cannot result in a higher book value than that which the asset's amortized cost would have exhibited if no impairment loss had been recorded.

4 – LOANS, RECEIVABLES AND GUARANTEES ISSUED

Recognition

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

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

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

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

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

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

Classification

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

Valuation

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

The amortized cost method is not applied to short-term loans, to loans carrying an unspecified maturity, or to open-ended loans, as applying the amortized cost method would not be meaningful in such cases; all three types of loans are assessed at cost. The loan portfolio is reviewed at the end of each financial year and checked for any instances of impairment that may lead to losses.

Bad debts, standstill positions, restructured debts and positions that are overdue by, or display overruns extending for, more than 180 days are considered impaired loans.

Impairment losses are only recorded in the accounts when, after initial recognition of the loan, there is objective evidence of events likely to cause a reduction in the loan's value such that future estimated cash flows will be affected.

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

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

For the purposes of valuation, cash flows estimated to occur over the short term are not discounted to present value. The original actual rate for each loan remains the same over time, even when restructuring has introduced a change in the contractually agreed rate or the loan no longer bears interest.

Loans that show no objective evidence of impairment (typically, performing loans to banks and customers, including loans to counterparties resident in countries considered as being at risk) and impaired loans with overdue positions in excess of 180 days, are assessed collectively by means of creating groups of positions with a similar risk profile.

The write-down is based on historical trends for losses on each group of positions; for this purpose, individually valued positions are left out of the loan population. Adjustments determined collectively in this way are recorded in the Income Statement.

Recoveries in value (if any) are calculated differentially by reference to the entire portfolio of loans in a given class.

Contingent liabilities are also subject to review for impairment using methods similar to those adopted for loans valued individually and collectively.

The amount recognized as a provision in accordance with IAS 37 represents the best estimate of the expenditure required to settle the liability existing at the Balance Sheet date in connection with the financial guarantee valued individually or collectively.

Derecognition

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

Recognition of Gains and Losses

Gains and losses are entered in the Income Statement at the time a loan is derecognized as a result of impairment loss and by amortization of the difference between the book value and the amount to be repaid at maturity, the latter being recorded in the Income Statement as interest.

Impairment losses as defined above in the section on loan valuation, are recorded in the Income Statement.

If the reasons that gave rise to the impairment loss should cease to subsist after the loss was recognized, a write-back is recorded in the Income Statement. The gain cannot result in a higher book value than that which the asset's amortized cost would have exhibited if no impairment loss had been recorded.

Write-backs linked to the passing of time, corresponding to interest accrued over the year on the basis of the original actual interest rate previously used to calculate impairment losses, are recorded under Net impairment write-downs.

Risks and charges relating to contingent liabilities are recorded in the Income Statement and the contra-entry under Other liabilities.

5 – FINANCIAL ASSETS CARRIED AT FAIR VALUE

There are no items in this category.

6 – HEDGING TRANSACTIONS

There are no items in this category.

7 – EQUITY INVESTMENTS

There are no items in this category.

8 – TANGIBLE FIXED ASSETS

Recognition

Tangible fixed assets are recognized in the Balance Sheet when their cost can be reasonably determined and it is likely that the relevant future economic benefits will accrue to the Bank, regardless of the formal transfer of ownership.

Tangible fixed assets are recognized initially at cost, including all directly related costs for the purchase and installation of the assets. Extraordinary maintenance expenses that lead to an increase in a fixed asset's future useful life are recorded as an increase in the value of the asset concerned, whereas ordinary maintenance costs are recorded in the Income Statement.

Classification

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

Valuation

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

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

Derecognition

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

Recognition of Gains and Losses

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

9 – INTANGIBLE FIXED ASSETS

Recognition

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

Classification

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

Valuation

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

Derecognition

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

Recognition of Gains and Losses

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

10 – NON-CURRENT ASSETS FOR WHICH DISPOSAL IS UNDERWAY

There are no items in this category.

11 –TAX ASSETS AND LIABILITIES

Recognition

Income tax charges comprise current and deferred tax.
Prepaid tax assets are recognized to the extent that it is probable that future taxable

income will be available against which such assets can be utilized. Deferred taxes are recognized in all cases in which the relevant liability is likely to arise.

Classification

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

Valuation

When the results of transactions are recorded under shareholders' equity directly, taxes are recorded under shareholders' equity too.

Assets and liabilities representing prepaid and deferred taxes respectively are periodically reviewed to take account of any changes in regulations, tax rates or the likelihood that a tax benefit will no longer be realized.

Recognition of Gains and Losses

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

12 – STAFF SEVERANCE FUND

Recognition and classification

The Staff severance fund is recognized by the actuarial method prescribed in IAS 19 for staff defined-benefit programmes. Therefore, the liability recorded in the Balance Sheet is subject to actuarial estimates that also take into account, among other variables, future

developments in the employment relationship.

The liability in the Balance Sheet represents the present value of the obligation, adjusted for any unrecognized actuarial gains and losses.

Valuation and recognition of gains and losses

The present value of future staff severance liabilities is calculated at year-end, based on the Project Unit Credit Method, by an independent accountant. The year-end book value is adjusted by the fair value of any assets pertaining to the plan. Actuarial gains and losses are recorded directly in the Income Statement. In the case of (external) defined-contribution pension funds, the Bank's contribution is calibrated to work performed and charged to the Income Statement. Every year the liability is determined on the basis of contributions due for that year.

13 - FUNDS FOR RISKS AND CHARGES

Recognition and classification

Provisioning for risks and charges is entered in the Income Statement as well as in the Balance Sheet under liabilities provided the item meets the following conditions:

- a current liability exists (legal or implied) arising from a past event;
- it is deemed probable that financial resources will be disbursed to settle the liability;
- a reliable estimate can be made of the probable future disbursement.

Allocations are made based on the best estimate of the amount required to settle the liability, or to transfer it to a third party at the end of the year concerned.

When the financial impact linked to the passing of time is significant and the dates for settling the liabilities can be estimated reliably, the allocation is stated at present value using the market rates applying at the end of the financial year.

Valuation and recognition of gains and losses

Amounts provisioned for are reassessed at the end of each financial year and adjusted to reflect the best estimate of the expense required to settle outstanding liabilities.

The impact of time elapsed and any changes in interest rates are reflected in the Income Statement under Net provisioning for the year.

Derecognition

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

14 – ACCOUNTS PAYABLES

Recognition

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

Classification

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

Valuation and Recognition of Gains and Losses

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

Derecognition

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

15 – FINANCIAL LIABILITIES HELD FOR TRADING

Recognition

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

Classification

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

Valuation

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

Derecognition

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

Recognition of Gains and Losses

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

16 – FINANCIAL LIABILITIES CARRIED AT FAIR VALUE

There are no items in this category.

17 – FOREIGN CURRENCY TRANSACTIONS

Recognition

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

Recognition of gains and losses

At year-end positions denominated in foreign currency are assessed as follows:

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

Exchange rate differences arising from the settlement of monetary positions or from the conversion of monetary positions at rates different from those used initially for such positions (or for the conversion of the previous balance sheet) are entered in the Income Statement relating to the period in which they arose.

When a gain or loss relating to a non-monetary position is recorded under shareholders' equity, the exchange rate difference for that item is also recorded under shareholders' equity. On the other hand, when a gain or loss is recorded in the Income Statement, the related exchange rate difference is recorded there too.

18 – ADDITIONAL INFORMATION

Recognition of revenues and costs

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

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

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

Assumptions on corporate continuity

Given the current state of financial markets and the real economy and the negative outlook for both over the short and medium term, assumptions on corporate continuity need – unlike in the past – to rest on a painstaking assessment of the Bank's circumstances. Yet after taking full account of the risks and uncertainties associated with the present macroeconomic climate, we judge it reasonable to anticipate that the Bank will continue to operate for the foreseeable future. The Financial Statements for the year ended 31 December 2008 were thus prepared on that assumption – not least considering the Bank's profitability in 2008 as well as earlier years, the unique context in which it conducts its business, and positive near-term forecasts on both the earnings and the financial plane.

Accounting estimates

IFRS requires that management provide valuations, estimates and projections bearing on the application of accounting principles and the book value of assets, liabilities, expenses and revenue. Estimates and related projections are based on past experience and other factors deemed relevant, and are used to quantify assets – signally financial assets - and liabilities whose value is not readily obtained from other sources.

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

Publication

The 170th Board of Directors (3 April 2009) resolved that the Financial Statements could be published any time after the AGM to be held on 29 or 30 April 2009.

PART B

INFORMATION ON THE BALANCE SHEET

ASSETS

Section 1 – Cash and cash equivalents - Item 10

1.1 Cash and cash equivalents: composition

	Total 2008	Total 2007
a) Cash	253	222
b) Free deposits with central banks	306,307	0
Total	306,560	222

Section 2 – Financial assets held for trading – Item 20

2.1 Financial assets held for trading: composition by type

Items / Values		Total 2008		Total 2007	
		Listed	Unlisted	Listed	Unlisted
A	Non-derivative assets	74,143		124,048	
1	Debt securities	71,599		122,610	
1.1	Structured securities	7,172		2,605	
1.2	Other debt securities	64,427		120,005	
2	Equity securities	2,544		1,438	
3	Units in collective investment undertakings				
4	Loans				
4.1	Repo				
4.2	Other				
5	Impaired assets				
6	Assets sold not derecognized				
Total (A)		74,143		124,048	
B	Derivatives:		18,135		3,657
1	Financial derivatives		18,135		3,657
1.1	For trading		18,135		3,657
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)			18,135		3,657
Total (A+B)		74,143	18,135	124,048	3,657

2.2 Financial assets held for trading: composition by debtor/issuer

Items / Values	Total 2008	Total 2007
A Non-derivative assets	74,143	124,048
1 Debt securities	71,599	122,610
a) Governments and central banks		2,108
b) Other public-sector entities		
c) Banks	19,363	54,266
d) Other issuers	52,236	66,236
2 Equity securities	2,544	1,438
a) Banks	1,607	367
b) Other issuers	937	1,071
- Insurance undertakings		356
- Financial companies		
- Non-financial companies	937	715
- Other		
3 Unit in collective investment undertakings		
4 Loans		
a) Governments and central banks		
b) Other public-sector entities		
c) Banks		
d) Other		
5 Impaired assets		
a) Governments and central banks		
b) Other public-sector entities		
c) Banks		
d) Other		
6 Assets sold not derecognized		
a) Governments and central banks		
b) Other public-sector entities		
c) Banks		
d) Other issuers		
Total (A)	74,143	124,048
B Derivatives		
a) Banks	17,243	1,628
b) Customers	892	2,029
Total (B)	18,135	3,657
Total (A+B)	92,278	127,705

2.3 Financial assets held for trading: derivatives

Type of derivative / Underlying assets	Interest rates	Currency and gold	Equities	Loans	Other	Total 2008	Total 2007
A) Listed derivatives							
1 Financial derivatives							
With exchange of principal							
- Purchased options							
- Other derivatives							
Without exchange of principal							
- Purchased options							
- Other derivatives							
2 Credit derivatives							
With exchange of principal							
Without exchange of principal							
Total (A)							
B Unlisted derivatives							
1 Financial derivatives	214	17,921				18,135	3,657
With exchange of principal		17,921				17,921	2,238
- Purchased options							
- Other derivatives		17,921				17,921	2,238
Without exchange of principal	214					214	1,419
- Purchased options							
- Other derivatives	214					214	1,419
2 Credit derivatives							
With exchange of principal							
Without exchange of principal							
Total (B)	214	17,921				18,135	3,657
Total (A+B)	214	17,921				18,135	3,657

2.4 Non-derivative financial assets held for trading excluding impaired assets and assets sold but not derecognized: Yearly variations

	Debt securities	Equities	Holdings in collective investment undertakings	Loans	Total
A Opening balance	122,610	1,438			124,048
B Increases	1,561,916	28,981			1,590,897
B1 Purchases	1,558,915	28,709			1,587,624
B2 Variations (+) in FV	1,309	2			1,311
B3 Other variations	1,692	270			1,962
C Decreases	1,612,927	27,875			1,640,802
C1 Sales	1,573,572	27,323			1,600,895
C2 Redemptions	32,000				32,000
C3 Variations (-) in FV	5,084	241			5,325
C4 Other variations	2,271	311			2,582
D Closing balance	71,599	2,544			74,143

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

3.1 Financial assets designated at fair value: Composition by type

	Total 2008		Total 2007	
	Listed	Unlisted	Listed	Unlisted
1 Debt securities				
1.1 Structured				
1.2 Other				
2 Equities				
3 Holdings in collective investment undertakings				
4 Loans				
4.1 Structured				
4.2 Other				
5 Impaired assets				
6 Assets sold but not derecognized				
Total				
Cost				

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

	Total 2008	Total 2007
1 Debt securities		
a) Governments and central banks		
b) Other public-sector entities		
c) Banks		
d) Other issuers		
2 Equities		
a) Banks		
b) Other issuers		
- Insurance undertakings		
- Financial companies		
- Non-financial companies		
- Other		
3 Holdings in collective investment undertakings		
4 Loans		
a) Governments and central banks		
b) Other public-sector entities		
c) Banks		
d) Other		
5 Impaired assets		
a) Governments and central banks		
b) Other public-sector entities		
c) Banks		
d) Other		
6 Assets sold but not derecognized		
a) Governments and central banks		
b) Other public-sector entities		
c) Banks		
d) Other issuers		
Total		

3.3 Financial assets designated at fair value excluding impaired assets and assets sold but not derecognized: Yearly variations

	Debt securities	Equities	Holdings in collective investment undertakings	Loans	Total
A	Opening balance				
B	Increases				
B1	Purchases				
B2	Variations (+) in FV				
B3	Other variations				
C	Decreases				
C1	Sales				
C2	Redemptions				
C3	Variations (-) in FV				
C4	Other variations				
D	Closing balance				

Section 4 – Financial assets available for sale – Item 40

4.1 Financial assets available for sale: Composition by type

		Total 2008		Total 2007	
		Listed	Unlisted	Listed	Unlisted
1	Debt securities	1,823	822	1,718	1,996
1.1	Structured				
1.2	Other	1,823	822	1,718	1,996
2	Equities		64		63
2.1	Valued at fair value				
2.2	Valued at cost		64		63
3	Holdings in collective investment undertakings				
4	Loans				
5	Impaired assets				
6	Assets sold but not derecognized				
Total		1,823	886	1,718	2,059

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

	Total 2008	Total 2007
1 Debt securities	2,645	3,714
a) Governments and central banks		
b) Other public-sector entities	1,823	1,718
c) Banks		
d) Other issuers	822	1,996
2 Equities	64	63
a) Banks		
b) Other issuers	64	63
- Insurance undertakings		
- Financial companies	6	3
- Non-financial companies	58	60
- Other		
3 Holdings in collective investment undertakings		
4 Loans		
a) Governments and central banks		
b) Other public-sector entities		
c) Banks		
d) Other		
5 Impaired assets		
a) Governments and central banks		
b) Other public-sector entities		
c) Banks		
d) Other		
6 Assets sold but not derecognized		
a) Governments and central banks		
b) Other public-sector entities		
c) Banks		
d) Other		
Total	2,709	3,777

4.3 Financial assets available for sale: Hedged assets

	Hedged Assets			
	Total 2008		Total 2007	
	Fair value	Cash flow	Fair value	Cash flow
1 Debt securities				
2 Equities				
3 Holdings in collective investment undertakings				
4 Loans				
5 Portfolio				
Total				

4.4 Financial assets available for sale: Assets subject to microhedging

	Total 2008	Total 2007
1 Financial assets subject to microhedging of fair value		
a) Interest rate risk		
b) Price risk		
c) Currency risk		
d) Credit risk		
e) Multiple risks		
2 Financial assets subject to microhedging of cash flow		
a) Interest rate risk		
b) Currency risk		
c) Other		
Total		

4.5 Financial assets available for sale excluding impaired assets and assets sold but not derecognized: Yearly variations

	Debt securities	Equities	Holdings in collective investment undertakings	Loans	Total
A Opening balance	3,714	63			3,777
B Increases	267	1			268
B1 Purchases					
B2 Variations (+) in FV					
B3 Write-backs					
- booked to income statement					
- booked to shareholders' equity					
B4 Transfers from other portfolios					
B5 Other variations	267	1			268
C Decreases	1,336	0			1,336
C1 Sales					
C2 Redemptions					
C3 Variations (-) in FV					
C4 Write-downs caused by impairment	1,200				1,200
- booked to income statement	1,200				1,200
- booked to shareholders' equity					
C5 Transfers from other portfolios					
C6 Other variations	136				136
D Closing balance	2,645	64			2,709

Section 5 – Financial assets held to maturity – Item 50

5.1 Financial assets held to maturity: Composition by type

		Total 2008		Total 2007	
		Book value	Fair Value	Book value	Fair Value
1	Debt securities	46,598	45,332	1,317	1,180
1.1	Structured				
1.2	Other	46,598	45,332	1,317	1,180
2	Loans				
3	Impaired assets				
4	Assets sold but not derecognized				
Total		46,598	45,332	1,317	1,180

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

	Total 2008	Total 2007
1 Debt securities	46,598	1,317
a) Governments and central banks	708	206
b) Other public-sector entities	1,183	1,111
c) Banks	38,828	
d) Other issuers	5,879	
2 Loans		
a) Governments and central banks		
b) Other public-sector entities		
c) Banks		
d) Other		
3 Impaired assets		
a) Governments and central banks		
b) Other public-sector entities		
c) Banks		
d) Other		
4 Assets sold but not derecognized		
a) Governments and central banks		
b) Other public-sector entities		
c) Banks		
d) Othe		
Total	46,598	1,317

5.3 Financial assets held to maturity: Assets subject to microhedging

Financial assets subject to microhedging of fair value

- a) Currency risk
- b) Credit risk

5.4 Assets held to maturity, excluding impaired assets and assets sold but not derecognized: Yearly variations

	Debt securities	Loans	Total
A Opening balance	1,317		1,317
B Increases	45,705		45,705
B1 Purchases	45,229		45,229
B2 Write-backs			
B3 Transfers from other portfolios			
B4 Other variations	476		476
C Decreases	424		424
C1 Sales			
C2 Redemptions			
C3 Write-downs			
C4 Transfers to other portfolios			
C5 Other variations	424		424
D Closing balance	46,598		46,598

Section 6 – Loans and advances to banks – Item 60

6.1 Loans and advances to banks: Composition by type

		Total 2008	Total 2007
A	L&As to central banks	92,331	1,389
1	Term deposits		
2	Compulsory reserves	92,331	1,379
3	Repos		
4	Other		10
B	L&As to other banks	3,168,249	2,392,329
1	Current accounts and free deposits	281,540	608,430
2	Term deposits	2,020,080	1,475,878
3	Other	864,416	305,387
3.1	Repos		
3.2	Financial leases		
3.3	Other	864,416	305,387
4	Debt securities		
4.1	Structured		
4.2	Other		
5	Impaired assets	2,213	2,634
6	Assets sold but not derecognized		
	Total book value	3,260,580	2,393,718
	Total fair value	3,260,580	2,393,718

6.2 Loans and advances to banks: Assets subject to microhedging

	Total 2008	Total 2007
1 L&As subject to microhedging of fair value		
a) Interest rate risk		
b) Currency risk		
c) Credit risk		
d) Multiple risks		
2 L&As subject to microhedging of cash flow		
a) Interest rate risk		
b) Currency risk		
c) Other		
Total		

6.3 Financial leases

Section 7 – Loans and advances to customers – Item 70

7.1 Loans and advances to customers: Composition by type

		Total 2008	Total 2007
1	Current accounts	7,383	2,472
2	Repos		
3	Mortgages	5,095	5,467
4	Credit cards, personal loans and loans backed by salaries	615	564
5	Financial leases		
6	Factoring		
7	Other	187,476	130,567
8	Debt securities		
8.1	Structured		
8.2	Other		
9	Impaired assets	90	142
10	Assets sold but not derecognized		
Total book value		200,659	139,212
Total fair value		200,659	139,212

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

	Total 2008	Total 2007
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	203,069	141,570
a) Governments	.	
b) Other public-sector entities	3,682	
c) Others	199,387	141,570
- Non-financial companies *	145,165	127,454
- Financial companies	48,168	7,962
- Insurance companies		
- Others	6,054	6,154
3 Impaired assets:	90	142
a) Governments		
b) Other public-sector entities		
c) Others	90	142
- Non-financial companies	5	59
- Financial companies		
- Insurance companies		
- Others	85	83
4 Assets sold but not derecognized		
a) Governments		
b) Other public-sector entities		
c) Others		
- Non-financial companies		
- Financial companies		
- Insurance companies		
- Others		
Total	203,159	141,712

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

7.3 Loans and advances to customers: Assets subject to microhedging

	Total 2008	Total 2007
1 Loans subject to microhedging of fair value		
a) Interest rate risk		
b) Currency risk		
c) Credit risk		
d) Multiple risks		
2 Loans subject to microhedging of cash flow		
a) Interest rate risk		
b) Currency risk		
c) other		
Total		

7.4 Financial leases

Section 8 – Hedging derivatives - Item 80

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

Type of derivative / Underlying assets	Interest rates	Currency and gold	Equities	Loans	Other	Total
A Listed derivatives 1 Financial derivatives With exchange of principal - Purchased options - Other derivatives Without exchange of principal - Purchased options - Other derivatives 2 Credit derivatives With exchange of principal Without exchange of principal Total (A) B Unlisted derivatives 1 Financial derivatives: With exchange of principal - Purchased options - Other derivatives Without exchange of principal - Purchased options - Other derivatives 2 Credit derivatives With exchange of principal Without exchange of principal Total (B) Total (A+B)						

8.2 Hedging derivatives: Composition by portfolio and type of hedging

	Fair Value						Cash-flow	
	Micro hedge					Macro hedge	Micro hedge	Macro hedge
	Interest rate risk	Currency risk	Credit risk	Price risk	Multiple risks			
1	Financial assets available for sale							
2	Loans							
3	Financial assets held to maturity							
4	Portfolio							
	Total assets							
1	Financial liabilities							
2	Portfolio							
	Total liabilities							

Section 9 - Adjustments to financial assets subject to macrohedging - Item 90

9.1 Adjustments to hedged assets: Composition by portfolio hedged

		Total 2008	Total 2007
1	Positive fair value changes		
1.1	Specific portfolios:		
a)	Loans		
b)	Assets available for sale		
1.2	Overall		
2	Negative fair value changes		
2.1	Specific portfolios:		
a)	Loans		
b)	Assets available for sale		
2.2	Overall		
Total			

9.2 Assets subject to macro interest rate risk hedging: Composition

		Total 2008	Total 2007
1	Loans		
2	Assets available for sale		
3	Portfolio		
Total			

Section 10 – Equity investments – Item 100

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

	Head office	Holding	Voting rights %
A Subsidiaries			
1.			
2.			
B Jointly controlled companies			
1.			
2.			
C Companies subject to significant influence			
1.			
2.			

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

Name	Total assets	Total revenues	Profit (Loss)	Shareholders' equity	Book value	Fair Value
A Subsidiaries						
1.						
2.						
B Jointly controlled companies						
1.						
2.						
C Companies subject to significant influence						
1.						
2.						
Total						

10.3 Partecipazioni: variazioni annue

	Total 2008	Total 2007
A		
Opening balance		
B		
Increases		
B1		
Purchases		
B2		
Write-backs		
B3		
Write-ups		
B4		
Other variations		
C		
Decreases		
C1		
Sales		
C2		
Write-downs		
C3		
Other variations		
D		
Closing balance		
E		
Total write-ups		
F		
Total write-downs		

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

	Total 2008	Total 2007
A Assets held for operational use		
1.1 Owned	26,415	27,451
a) land	8,229	8,326
b) buildings	17,459	18,210
c) movables	424	518
d) electronic systems	80	116
e) other	223	281
1.2 Leased		
a) land		
b) buildings		
c) movables		
d) electronic systems		
e) other		
Total (A)	26,415	27,451
B Assets held for investment		
2.1 Owned		
a) land		
b) buildings		
c) movables		
2.2 Leased		
a) land		
b) buildings		
c) movables		
Total (B)		
Total (A+B)	26,415	27,451

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

	Total 2008	Total 2007
A Assets held for operational use		
1.1 Owned		
a) land		
b) buildings		
c) movables		
d) electronic systems		
e) other		
1.2 Leased		
a) land		
b) buildings		
c) movables		
d) electronic systems		
e) other		
Total (A)		
B Assets held for investment		
2.1 Owned		
a) land		
b) buildings		
c) movables		
2.2 Leased		
a) land		
b) buildings		
c) movables		
Total (B)		
Total (A+B)		

11.3 Tangible fixed assets held for operational use: Yearly variations

	Land	Buildings	Movables	Electronic systems	Other	Total
A Opening gross balance						
A.1 Total net write-downs						
A.2 Opening net balance	8,326	18,210	518	116	281	27,451
B Increases						
B1 Purchases		82	11	6	57	156
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						
C1 Sales				6		6
C2 Depreciation		605	104	36	101	846
C3 Write-downs for impairment booked to:						
a) shareholders' equity						
b) income statement						
C4 Negative changes in fair value booked to:						
a) shareholders' equity						
b) income statement						
C5 Forex losses						
C6 Transfers to:						
a) assets held for investment						
b) assets being divested						
C7 Other decreases	97	228	1		14	340
D Net closing balance	8,229	17,459	424	80	223	26,415
D1 Total net write-downs						
D2 Gross closing balance						
E Valuation at cost	8,229	17,459	424	80	223	26,415
Depreciation rate applied	0%	3%	12%	20%	15-20-25%	

11.4 Tangible fixed assets held for investment: Yearly variations

		Total	
		Land	Buildings
A	Opening balance		
B	Increases		
B1	Purchases		
B2	Improvements capitalized		
B3	Positive changes in fair value		
B4	Write-backs		
B5	Forex gains		
B6	Transfers from assets held for operational use		
B7	Other increases		
C	Decreases		
C1	Sales		
C2	Depreciation		
C3	Negative changes in fair value		
C4	Write-downs for impairment		
C5	Forex losses		
C6	Transfers to other asset portfolios:		
a)	assets held for operational use		
b)	non-current assets being divested		
C7	Other decreases		
D	Closing balance		
E	Designated at fair value		

11.5 Commitments for purchases of tangible fixed assets

Section 12 – Intangible fixed assets – Item 120

12.1 Intangible fixed assets: Composition by type

		Total 2008		Total 2007	
		Limited life	Unlimited life	Limited life	Unlimited life
A1	Goodwill				
A2	Other intangible assets	496		664	
A2.1	Assets valued at cost	496		664	
a)	Intangible assets developed in-house				
b)	Other assets	496		664	
A2.2	Assets designated at fair value				
a)	Intangible assets developed in-house				
b)	Other assets				
Total		496		664	

12.2 Intangible fixed assets: Yearly variations

	Goodwill	Other: generated in-house		Other: generated externally		Total
		Limited	Unlimited	Limited	Unlimited	
A Opening balance				664		
A.1 Total net write-downs						
A2 Net opening balance						
B Increases						
B1 Purchases				168		
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						
C1 Sales						
C2 Write-downs:						
- amortization						
- devaluations						
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				11		
D Net closing balance						
D1 Total net write-downs						
E Gross closing balance						
F Valuation at cost				496		
Total 2008						496
Total 2007						664

12.3 Other information

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

13.1 Pre-paid tax assets: Composition

		31/12/2008	31/12/2007
Total		2,886	934
	<i>Income statement</i>	2,886	934
1	Tax losses		
2	Loan losses	2,552	528
3	Other	334	406
	<i>Shareholders' equity</i>		
4	Valuation reserves		
5	Other		

13.2 Deferred tax liabilities: Composition

Total		121	189
1	Income statement	121	189

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

	Total 2008	Total 2007
1 Opening balance	934	1,294
2 Increases	2,053	29
2.1 Pre-paid tax assets recorded during the year	2,053	29
a) relating to earlier years	-	-
b) due to changes in accounting policies	-	-
c) write-backs	-	-
d) other	2,053	29
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3 Decreases	101	389
3.1 Pre-paid tax assets annulled during the year	101	177
a) reversals	101	177
b) write-downs for intervening non-recoverability	-	-
c) due to changes in accounting policies	-	-
3.2 Reductions in tax rates	-	212
3.3 Other decreases	-	-
4 Closing balance	2,886	934

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

	Total 2008	Total 2007
1 Opening balance	189	336
2 Increases	-	-
2.1 Deferred tax liabilities recorded during the year		
a) relating to earlier years		
b) due to changes in accounting policies		
c) other		
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3 Decreases	68	147
3.1 Deferred tax liabilities annulled during the year	68	35
a) reversals	68	35
b) due to changes in accounting policies		
c) other		
3.2 Reductions in tax rates		112
3.3 Other decreases		
4 Closing balance	121	189

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

	Total 2008	Total 2007
1 Opening balance		
2 Increases		
2.1 Pre-paid tax assets recorded during the year		
a) relating to earlier years		
b) due to changes in accounting policies		
c) other		
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3 Decreases		
3.1 Pre-paid tax assets annulled during the year		
a) reversals		
b) write-downs for intervening non-recoverability		
c) due to changes in accounting policies		
3.2 Reductions in tax rates		
3.3 Other decreases		
4 Closing balance		

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

		Total 2008	Total 2007
1	Opening balance		
2	Increases		
2.1	Deferred tax liabilities recorded during the year		
a)	relating to earlier years		
b)	due to changes in accounting policies		
c)	other		
2.2	New taxes or increases in tax rates		
2.3	Other increases		
3	Decreases		
3.1	Deferred tax liabilities annulled during the year		
a)	reversals		
b)	due to changes in accounting policies		
c)	other		
3.2	Reductions in tax rates		
3.3	Other decreases		
4	Closing balance		

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

	Total 2008	Total 2007
1 Individual assets		
A1 Equity investments		
A2 Tangible fixed assets		
A3 Intangible fixed assets		
A4 Other non-current assets		
Total A		
B Groups of assets (divested)		
B1 Financial assets held for trading		
B2 Financial assets designated at fair value		
B3 Financial assets available for sale		
B4 Financial assets held to maturity		
B5 Loans and advances to banks		
B6 Loans and advances to customers		
B7 Equity investments		
B8 Tangible fixed assets		
B9 Intangible fixed assets		
B10 Other assets		
Total B		
C Liabilities linked to assets being divested		
C1 Accounts payable		
C2 Securities		
C3 Other liabilities		
Total C		
D Liabilities linked to assets being divested		
D1 Accounts payable to banks		
D2 Accounts payable to customers		
D3 Securities outstanding		
D4 Financial liabilities held for trading		
D5 Financial liabilities designated at fair value		
D6 Provisions		
D7 Other liabilities		
Total D		

14.2 Other information

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

Section 15 – Other assets – Item 150

15.1 Other assets: Composition

	Total 2008	Total 2007
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)	1,436	3,111
Total	1,436	3,111

LIABILITIES

Section 1 – Accounts payable to banks - Item 10

1.1 Accounts payable to banks: Composition by type

		Total 2008	Total 2007
1	Accounts payable to central banks	1,663,481	895,675
2	Accounts payable to other banks	1,933,106	1,422,379
2.1	Current accounts and free deposits	783,498	533,253
2.2	Term deposits	1,030,798	824,309
2.3	Loans	118,810	64,817
2.3.1	Financial leases		
2.3.2	Other	118,810	64,817
2.4	Liabilities in respect of commitments to repurchase own equity		
2.5	Liabilities in respect of assets disposed of but not derecognized		
2.5.1	Repurchase agreements		
2.5.2	Other		
2.6	Other accounts payable		
Total		3,596,587	2,318,054
Fair value		3,596,587	2,318,054

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

Accounts payable to banks	
Subordinated liabilities	93,801

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

1.4 Accounts payable to banks: Items subject to microhedging

		Total 2008	Total 2007
1	Items subject to microhedging of fair value		
a)	Interest rate risk		
b)	Currency risk		
c)	Multiple risks		
2	Items subject to microhedging of cash flow		
a)	Interest rate risk		
b)	Currency risk		
c)	Multiple risks		

1.5 Financial-leasing liabilities

Section 2 – Accounts payable to customers - Item 20

2.1 Accounts payable to customers: Composition by type

		Total 2008	Total 2007
1	Current accounts and free deposits	62,679	71,325
2	Term deposits	3,678	53,253
3	Deposits received in administration		
4	Loans		
4.1	Financial leases		
4.2	Other		
5	Liabilities in respect of commitments to repurchase own equity		
6	Liabilities in respect of assets disposed of but not derecognized		
6.1	Repurchase agreements		
6.2	Other		
7	Other accounts payable		
Total		66,357	124,578
Fair value		66,357	124,578

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 microhedging"

2.5 Financial-leasing liabilities

Section 3 – Debt securities outstanding - Item 30

3.1 Debt securities outstanding: Composition by type

	Total 2008		Total 2007	
	Book value	Fair value	Book value	Fair value
A Listed securities				
1 Bonds				
1.1 structured				
1.2 other				
2 Other securities				
2.1 structured				
2.2 other				
B Unlisted securities				
1 Bonds				
1.1 structured				
1.2 other				
2 Other securities				
2.1 structured				
2.2 other				
Total				

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

3.3 Debt securities outstanding: Securities subject to microhedging

	Total 2008	Total 2007
1 Securities subject to microhedging of fair value		
a) Interest rate risk		
b) Currency risk		
c) Multiple risks		
2 Securities subject to microhedging of cash flow		
a) Interest rate risk		
b) Currency risk		
c) Multiple risks		

Section 4 – Financial liabilities held for trading – Item 40

4.1 Financial liabilities held for trading: Composition by type

	Total 2008				Total 2007			
	VN	FV		FV*	VN	FV		FV*
		Listed	Unlisted			Listed	Unlisted	
A Cash liabilities								
1 Accounts payable to banks								
2 Accounts payable to customers								
3 Debt securities								
3.1 Bonds								
3.1.1 Structured								
3.1.2 Other								
3.2 Other securities								
3.2.1 Structured								
3.2.2 Other								
Total A								
B Derivatives								
1 Financial derivatives	837,154		21,151		277,319		2,708	
1.1 - Held for trading	837,154		21,151		277,319		2,708	
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	837,154		21,151		277,319		2,708	
Total (A+B)	837,154		21,151		277,319		2,708	

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

Q = quoted

NQ = not quoted

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 Financial liabilities held for trading: Derivatives

Type of derivative / Underlying assets	Interest rates	Currency	Equities	Loans	Others	Total 2008	Total 2007
A Listed derivatives							
1 Financial derivatives							
With exchange of principal:							
- options issued							
- other derivatives							
Without exchange of principal:							
- options issued							
- other derivatives							
2 Credit derivatives							
With exchange of principal							
Without exchange of principal							
Total (A)							
B Unlisted derivatives							
a) Financial derivatives	3,633	17,518				21,151	2,708
With exchange of principal:		17,518				17,518	1,945
- options issued							
- other derivatives		17,518				17,518	1,945
Without exchange of principal:	3,633					3,633	763
- options issued							
- other derivatives	3,633					3,633	763
b) Credit derivatives							
With exchange of principal							
Without exchange of principal							
Total (B)	3,633	17,518				21,151	2,708
Total (A+B)	3,633	17,518				21,151	2,708

4.5 Cash liabilities (except "technical overdrafts") held for trading: Yearly variations

	Due to banks	Due to customers	Securities outstanding	Total
A Opening balance	2,708			2,708
B Increases	19,295	1,739		21,034
B1 Issues				
B2 Sales	16,806	1,739		18,545
B3 Positive changes in fair value	2,489			2,489
B4 Other increases				
C Decreases	2,591	-		2,591
C1 Purchases				
C2 Redemptions	2,258			2,258
C3 Negative changes in fair value	333			333
C4 Other decreases				
D Closing balance	19,412	1,739		21,151

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

5.1 Financial liabilities designated at fair value: Composition by type

	Total 2008				Total 2007			
	VN	FV		FV*	VN	FV		FV*
		Listed	Unlisted			Listed	Unlisted	
1	Accounts payable to banks							
1.1	Structured							
1.2	Other							
2	Accounts payable to customers							
2.1	Structured							
2.2	Other							
3	Debt securities							
3.1	Structured							
3.2	Other							
Total								

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

Q = quoted

NQ = not quoted

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

5.3 Financial liabilities designated at fair value: Yearly variations

	Due to banks	Due to customers	Securities outstanding	Total
A Opening balance				
B Increases				
B1 Issues				
B2 Sales				
B3 Positive changes in fair value				
B4 Other increases				
C Decreases				
C1 Purchases				
C2 Redemptions				
C3 Negative changes in fair value				
C4 Other decreases				
D Closing balance				

Section 6 – Hedging derivatives - Item 60

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

Type of derivative / Underlying assets	Interest rates	Currency and gold	Equities	Loans	Other	Total
A Listed derivatives						
1 Financial derivatives						
With exchange of principal:						
- options issued						
- other derivatives						
Without exchange of principal:						
- options issued						
- other derivatives						
2 Credit derivatives						
With exchange of principal						
Without exchange of principal						
Total (A)						
B Unlisted derivatives						
1 Financial derivatives						
With exchange of principal:						
- options issued						
- other derivatives						
Without exchange of principal						
2 Credit derivatives						
With exchange of principal						
Without exchange of principal						
Total (B)						
Total (A+B)						

6.2 Hedging derivatives: Composition by portfolio and type of hedging

	Fair Value						Cash-flow	
	Micro hedge					Macro hedge	Micro hedge	Macro hedge
	Interest rate risk	Currency risk	Credit risk	Price risk	Multiple risks			
1	Financial assets available for sale							
2	Loans							
3	Financial assets held to maturity							
4	Portfolio							
	Total assets							
1	Financial liabilities							
2	Portfolio							
	Total liabilities							

Section 7 – Adjustment to financial liabilities subject to macrohedging – Item 70

7.1 Adjustment to hedged liabilities: Composition by portfolio

	Total 2008	Total 2007
1	Positive changes to financial liabilities	
2	Negative changes to financial liabilities	
	Total	

7.2 Liabilities macrohedged 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

	Total 2008	Total 2007
1 Liabilities arising from the impairment of:		
a – Contingent exposures	1,278	834
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)	70,827	81,836
Total	72,105	82,670

Section 11 – Staff severance fund - Item 110

11.1 Staff severance fund: Yearly variations

	Total 2008	Total 2007
A Opening balance	2,662	3,334
B Increases	795	598
B.1 Provisioning for the year	795	598
B.2 Other increases	-	
C Decreases	902	1,270
C.1 Severance payments	358	173
C.2 Other decreases	544	1,097
D Closing balance	2,555	2,662
Total	2,555	2,662

11.2 Rates

Annual technical depreciation rate	4.40%
Annual inflation rate	3.20%
Real annual salary increase rate	n.a.
Overall annual salary increase rate	n.a.
Gross annual SSF increase rate	3.90%

11.3 Reconciliation of actuarial valuations under IAS 19

	Total 2008	Total 2007
Opening balance	2,662	3,334
Realignment		-617
Pension costs	-	70
Financial charges	123	115
Benefits paid	-358	-173
Transfers	0	0
Expected liabilities	2,427	2,729
Actuarial loss	128	-67
Closing balance	2,555	2,662

11.4 Other information

Provisioning for the year	
Pension costs	-
Financial charges	123
Actuarial loss	128
Other	544

Section 12 – Provisions for risks and charges – Item 120

12.1 Provisions for risks and charges: Composition

	Total 2008	Total 2007
1 Company pension plans		
2 Other provisions for risks and charges	267	231
2.1 Litigation		
2.2 Staff charges	267	231
2.3 Other		
Total	267	231

12.2 Provisions for risks and charges: Yearly variations

	Company pension funds	Other provisions	Total
A Opening balance		231	231
B Increases		114	114
B.1 Provisioning for the year		114	114
B.2 Variations due to the passing of time			
B.3 Variations due to changes in discount rate			
B.4 Other increases			
C Decreases		78	78
C1 Amount drawn during the year		78	78
C2 Variations due to changes in discount rate			
C3 Other decreases			
D Closing balance		267	267

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	267
Other	-
Total	267

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 Shareholders' equity: Composition

	Amount 2008	Amount 2007
1 Share capital	143,624	136,320
2 Share premium account	16,702	16,702
3 Reserves	16,945	16,560
4 (Treasury stock)		
5 Valuation reserves		
6 Capital instruments		
7 Profit (Loss) for the year	7,825	7,689
Total	185,096	177,271

14.2 "Share capital" and "treasury stock": Composition

Each of the Bank's 1,305,677 shares has a face value of EUR 110.

14.3 Share capital: Yearly variations in number of shares

		Common	Other
A	Shares at start of year	1,239,269	
	- fully paid up	1,239,269	
	- not fully paid up		
A1	Treasury stock (-)		
A2	Shares outstanding: Opening balance	1,239,269	
B	Increases	66,408	
B1	New share issues		
	rights issues:		
	- combination of companies		
	- conversion of bonds		
	- exercise of warrants		
	- other		
	bonus issues:		
	- for employees		
	- for directors		
	- other	66,408	
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: Closing balance	1,305,677	
D1	Treasury stock(+)		
D2	Shares at end of year		
	- fully paid up	1,305,677	
	- not fully paid up		

14.4 Share capital: Other information

The Bank does not hold any treasury stock.

Shareholders hold 888,004 warrants (2001-2011) entitling them to buy up to 888,004 shares at face value. As of 31.12.2008, warrants had been exercised rights for a total of 111,996 shares.

14.5 Profit reserves: Other information

	Amount	Options for allocation	Available portion	Allocations over past three years
Capital	143,624			
Capital reserves				
Share premium account	16,702	A, B, C	16,702	
Reserves	16,945			
Legal reserve	8,906	B	8,906	
Extraordinary reserve	7,730	A, B, C	7,730	366
FTA/IFRS reserve	-95			
IFRS 2005 retained profit	400			
Profit to be retained	4	A, B, C	4	
Other reserves				
Total	33,647			
Amount not allocatable	9,211			
Amount allocatable	24,436			

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

14.6 Stock: Composition and yearly variations

14.7 Valuation reserves: Composition

		Total 2008	Total 2007
1	Financial assets available for sale		
2	Tangible fixed assets		
3	Intangible fixed assets		
4	Hedging for foreign investments		
5	Cash flow hedges		
6	Forex differentials		
7	Non-current assets being divested		
8	Special revaluation lawse		
Total			

14.8 Valuation reserves: Yearly variations

	Financial assets available for sale	Tangible fixed assets	Intangible fixed assets	Hedging for foreign investments	Cash flow hedges	Forex differentials	Non-current assets being divested	Special revaluation laws
A	Opening balance							
B	Increases							
B1	- in fair value							
B2	- other							
C	Decreases							
C1	- in fair value							
C2	- other							
D	Closing balance							

14.9 Valuation reserves for financial assets available for sale: Composition

	Total 2008		Total 2007	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1 Debt securities				
2 Equities				
3 Holdings in collective investment undertakings				
4 Loans				
Total				

14.10 Valuation reserves for financial assets available for sale: Yearly variations

	Debt securities	Equities	Holdings in collective investment undertakings	Loans
1 Opening balance				
2 Positive variations				
2.1 Increases in fair value				
2.2 Income statement reversal of negative reserves				
- from impairment				
- from disposals				
2.3 Other positive variations				
3 Negative changes				
3.1 Decreases in fair value				
3.2 Income statement reversal of positive reserves				
3.3 Other negative variations				
4 Closing balance				

Other information

1. Guarantees issued and commitments

	Amount 2008	Amount 2007
1) Financial guarantees issued	10,787	768
a) to banks	144	768
b) to customers	10,643	
2) Commercial guarantees issued	1,404,049	721,225
a) to banks	924,556	377,337
b) to customers	479,493	343,888
3) Irrevocable commitments to disburse funds	37,607	41,062
a) to banks	48	19,861
i) - drawdown certain		
ii) - drawdown uncertain	48	19,861
b) to customers	37,559	21,201
i) - drawdown certain		
ii) - drawdown uncertain	37,559	21,201
4) Commitments underlying credit derivatives: hedging sales	2,500	2,500
5) Assets pledged as collateral for third-party liabilities		
6) Other commitments		
Total	1,454,943	765,555

2. Assets pledged as collateral for own liabilities and commitments

Portfolios	Amount 2008	Amount 2007
1) Financial assets held for trading		
2) Financial assets designated at fair value		
3) Financial assets available for sale		
4) Financial assets held to maturity		
5) Loans and advances to banks		
6) Loans and advances to customers		
7) Tangible fixed assets		

3. Information on operational leasing

4. Asset management and brokerage services

Services	Amount
1) Trading in financial instruments on behalf of third parties	
a) Purchases	
1 settled	
2) not yet settled	
b) Sales	
1) settled	
2) not yet settled	
2 Asset management	
a) Individual	
b) Collective	
3 Custody and administration of securities	1,928,065
a) Third-party securities held as part of depositary bank services (asset management excluded)	
1 issued by reporting bank	
2 other	
b) Other third-party securities on deposit (asset management excluded)	1,799,273
1 issued by reporting bank	158,951
2 other	1,640,322
c) Third-party securities deposited with third parties	1,639,302
d) Self-owned securities deposited with third parties	128,792
4 Other transactions	

PART C

INFORMATION ON THE INCOME STATEMENT

Section 1 - Interest - Items 10 and 20

1.1 Interest and similar income: Composition

	Performing assets		Impaired assets	Other assets	Total 2008	Total 2007
	Debt securities	Loans				
1 Financial assets held for trading	4,471				4,471	4,573
2 Financial assets available for sale	464				464	334
3 Financial assets held to maturity	866				866	197
4 L&As to banks		142,334	23		142,357	87,756
5 L&As to customers		7,645	18		7,663	7,341
6 Financial assets designated at fair value						
7 Hedging derivatives						
8 Financial assets disposed of but not derecognized						
9 Other assets						
Total	5,801	149,979	41		155,821	100,201

1.2 Interest and similar income: Hedging differentials

	Total 2008	Total 2007
A Positive differentials arising from:		
A.1 Microhedging of the fair value of assets		
A.2 Microhedging of the fair value of liabilities		
A.3 Macrohedging of interest rate risk		
A.4 Microhedging of asset cash flow		
A.5 Microhedging of liabilities cash flow		
A.6 Macrohedging of cash flow		
Total positive differentials (A)		
B. Negative differentials arising from:		
B1 Microhedging of the fair value of assets		
B2 Microhedging of the fair value of liabilities		
B3 Macrohedging of interest rate risk		
B4 Microhedging of asset cash flow		
B5 Microhedging of liabilities cash flow		
B6 Macrohedging of cash flow		
Total negative differentials (B)		
C Balance (A-B)		

1.3 Interest and similar income

1.3.1 Interest income from financial assets denominated in foreign currency

	Performing assets		Impaired assets	Other assets	Total 2008	Total 2007
	Debt securities	Loans				
1 Financial assets held for trading	258				258	470
2 Financial assets available for sale	167				167	79
3 Financial assets held to maturity	102				102	189
4 L&As to banks		37,516	23		37,539	65,547
5 L&As to customers		2,150			2,150	2,631
6 Financial assets designated at fair value						
7 Hedging derivatives						
8 Financial assets disposed of but not derecognized						
9 Other assets						
Total	527	39,666	23		40,216	68,916

1.3.2 Interest income from leasing transactions

1.3.3 Interest income from loans financed with third-party funds under administration

1.4 Interest charges and similar expenses: Composition

	Accounts payable	Securities	Other liabilities	Total 2008	Total 2007
1 Accounts payable to banks	119,779			119,779	74,508
2 Accounts payable to customers	5,448			5,448	2,635
3 Securities outstanding					
4 Financial liabilities held for trading					
5 Financial liabilities designated at fair value					
6 Financial liabilities relating to assets disposed of but not derecognized					
7 Other liabilities					
8 Hedging derivatives					
Total	125,227			125,227	77,143

1.5 Interest charges and similar expenses: Hedging differentials

	Total 2008	Total 2007
A Positive differentials arising from:		
A.1 Microhedging of the fair value of assets		
A.2 Microhedging of the fair value of liabilities		
A.3 Macrohedging of interest rate risk		
A.4 Microhedging of asset cash flow		
A.5 Microhedging of liabilities cash flow		
A.6 Macrohedging of cash flow		
Total positive differentials (A)		
B. Negative differentials arising from:		
B1 Microhedging of the fair value of assets		
B2 Microhedging of the fair value of liabilities		
B3 Macrohedging of interest rate risk		
B4 Microhedging of asset cash flow		
B5 Microhedging of liabilities cash flow		
B6 Macrohedging of cash flow		
Total negative differentials (B)		
C. Balance (A-B)		

1.6 Interest charges and similar expenses: Other information

1.6.1 Interest charges on liabilities denominated in foreign currency

	Accounts payable	Securities	Other liabilities	Total 2008	Total 2007
1 Accounts payable to banks	27,518			27,518	51,796
2 Accounts payable to customers	3,318			3,318	1,052
3 Securities outstanding					
4 Financial liabilities held for trading					
5 Financial liabilities designated at fair value					
6 Financial liabilities relating to assets disposed of but not derecognized					
7 Other liabilities					
8 Hedging derivatives					
Total	30,836			30,836	52,848

1.6.2 Interest charges on leasing transactions

1.6.3 Interest charges on third-party funds under administration

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

2.1 Commission income: Composition

	Total 2008	Total 2007
a) Guarantees issued	23,490	16,153
b) Credit derivatives		
c) Management, brokerage and advisory services	398	501
1 Trading in financial instruments	67	53
2 Forex	331	448
3 Asset management		
3.1 - individual		
3.2 - collective		
4 Custody and administration of securities		
5 Depository bank services		
6 Placement of securities		
7 Collection of orders		
8 Advisory services		
9 Distribution of third-party services		
9.1 - asset management:		
9.1.1 individual		
9.1.2 collective		
9.2 - insurance products		
9.3 - other products		
d) Collection and payment services		
e) Securitization servicing	1	1
f) Factoring services		
g) Tax and debt collection services		
h) Other services	203	306
Total	24,092	16,961

2.2 Commission income: Distribution channels for products and services

	Total 2008	Total 2007
a) On premises		
1. asset management		
2. placement of securities		
3. third-party products and services		
b) Off premises		
1. asset management		
2. placement of securities		
3. third-party products and services		
c) Other distribution channels:		
1. asset management		
2. placement of securities		
3. third-party products and services		

2.3 Commission expense: Composition

	Total 2008	Total 2007
a) Guarantees received	2,766	1,764
b) Credit derivatives		
c) Management and brokerage services	259	27
1 Trading in financial instruments	250	27
2 forex	9	
3 asset management		
3.1 - own portfolio		
3.2 - third-party portfolios		
4 custody and administration of securities		
5 placement of securities		
6 off-premises distribution of securities, products and services		
d) Collection and payment services		
e) Other services	169	216
Total	3,194	2,007

Section 3 – Dividends and similar income – Item 70

3.1 Dividends and similar income: Composition

		Total 2008		Total 2007	
		Dividends	Income from investment funds	Dividends	Income from investment funds
A	Financial assets held for trading			7	
B	Financial assets available for sale			1	
C	Financial assets designated at fair value				
D	Equity investments				
Total				8	

Section 4 – Net trading income – Item 80

4.1 Net trading income: Composition

	Capital gains (A)	Trading gains (B)	Capital losses (C)	Trading losses (D)	Net income [(A+B)-(C+D)]
1 Financial assets held for trading	1,311	3,385	5,325	362	-991
1.1 Debt securities	1,309	377	5,084	51	-3,449
1.2 Equities	3	270	241	311	-280
1.3 Holdings in collective investment undertakings					
1.4 Loans					
1.5 Other		2,738			2,738
2 Financial liabilities held for trading					
2.1 Debt securities					
2.2 Other					
3 Other financial liabilities: forex differentials	292				292
4 Derivatives	18,035	6,967	20,421	8,899	-4,318
4.1 Financial derivatives:	18,035	6,967	20,421	8,899	-4,318
- on debt securities and interest rates	114	4,776	2,903	6,531	-4,544
- on equities and equity indices		246		130	116
- on foreign currencies and gold	17,921	1,945	17,518	2,238	110
- other					
4.2 Credit derivatives					
Total	19,638	10,352	25,746	9,261	-5,017

Section 5 – Net income from hedging activities – Item 90

5.1 Net income from hedging activities: Composition

	Total 2008	Total 2007
A Income from:		
A.1 Fair value hedges		
A.2 Hedged financial assets (fair value)		
A.3 Hedged financial liabilities (fair value)		
A.4 Cash flow hedges		
A.5 Assets and liabilities in foreign currencies		
Total income from hedging activities (A)		
B. Charges from:		
B1 Fair value hedges		
B2 Hedged financial assets (fair value)		
B.3 Hedged financial liabilities (fair value)		
B.4 Cash flow hedges		
B.5 Assets and liabilities in foreign currencies		
Total charges from hedging activities (B)		
C. Net income from hedging activities (A-B)		

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

6.1 Net income from disposals and repurchases: Composition

	Total 2008			Total 2007		
	Gains	Losses	Net income	Gains	Losses	Net income
Financial assets						
1 L&As to banks						
2 L&As to customers						
3 Financial assets available for sale						
3.1 Debt securities						
3.2 Equities						
3.3 Holdings in collective investment undertakings						
3.4 Loans						
4 Financial assets held to maturity						
Total assets						
Financial liabilities						
1 Accounts payable to banks						
2 Accounts payable to customers						
3 Securities outstanding						
Total liabilities						

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

	Unrealized gains (A)	Realized gains (B)	Unrealized losses (C)	Realized losses (D)	Net result [(A+B)-(C+D)]
1 Financial assets					
1.1 Debt securities					
1.2 Equities					
1.3 Holdings in collective investment undertakings					
1.4 Loans					
2 Financial liabilities					
2.1 Debt securities					
2.2 Accounts payable to banks					
2.3 Accounts payable to customers					
3 Financial assets and liabilities in foreign currency: Forex differentials					
4 Derivatives					
4.1 Financial derivatives:					
- on debt securities and interest rates					
- on equities and share indices					
- on currency and gold					
- other					
4.2 Credit derivatives					
Total derivatives					
Total					

Section 8 – Net impairment adjustments – Item 130

8.1 Net impairment adjustments to loans and advances: Composition

	Write-downs (1)			Write-backs (2)				Total 2008	Total 2007
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Other		A	B	A	B		
A	L&As to banks		6,866					-6,866	1,677
B	L&As to customers	46	169	340	47			-508	-4,081
C	Total	46	169	7,206	47			-7,374	-2,404

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

	Write-downs (1)		Write-backs (2)		Total 2008	Total 2007
	Specific		Specific			
	Write-offs	Other	A	B		
A Debt securities	1.200	14			-1,214	-800
B Equities						
C Holdings in collective investment undertakings						
D L&As to banks						
E L&As to customers						
F Total	1.200	14			-1,214	-800

A = from interest

B = other write-backs

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

	Write-downs (1)			Write-backs (2)				Total 2008	Total 2007
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Other		A	B	A	B		
A Debt securities			364					-364	-
B L&As to banks									
C L&As to customers									
D Total			364					-364	

8.4 Net impairment adjustments to other financial instruments: Composition

	Write-downs (1)			Write-backs (2)				Total 2008	Total 2007
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Other		A	B	A	B		
A Guarantees issued		252	192					-444	1,362
B Credit derivatives									
C Commitments to disburse funds									
D Other instruments									
E Total		252	192					-444	1,362

A = from interest

B = other write-backs

Section 9 – Administration expenses – Item 150

9.1 Personnel expenses: Composition

		Total 2008	Total 2007
1	Staff	13,730	12,235
a)	Wages and salaries	7,944	7,750
b)	Social security contributions	2,444	2,331
c)	Severance payments		
d)	Pension payments		
e)	Allocations to the staff severance fund	726	598
f)	Allocations to the provision for pensions and similar liabilities		
	- defined contribution	69	
	- 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	2,547	1,556
2	Other personnel	171	205
3	Directors	977	927
Total		14,878	13,367

9.2 Average number of staff: Breakdown by category

a)	Senior managers	3
b)	Executive cadres	66
	- of which levels 3 and 4	44
c)	Other staff	85

9.3 Company defined-benefit pension funds: Total cost

9.4 Other staff benefits

	Total 2008	Total 2007
Early retirement payments	1,289	335
Other payments	1,258	1,221
Total	2,547	1,556

9.5 Other administration expenses: Composition

	Total 2008	Total 2007
IT expenses	1,113	1,255
Expenses for movable/immovable property		
- rentals and other fees	117	106
- other	936	718
Expenses for the purchase of goods and non-professional services	2,588	2,384
Expenses for professional services	2,737	1,662
Insurance premiums	66	66
Advertising	376	236
Indirect duties and taxes	264	284
Other	244	274
Total	8,441	6,985

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

10.1 Net provisioning for risks and charges: Composition

	Total 2008	Total 2007
Litigation		
Other risks and charges	114	102
Total	114	102

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)
1 Owned	846			846
- used in operations	846			846
- held for investment				
2 Leased				
- used in operations				
- held for investment				
Total	846			846

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

12.1 Net adjustments to intangible fixed assets: Composition

		Amortization (a)	Impairment write-downs (b)	Write-backs (c)	Net result (a+b-c)
1	Owned	325			325
	- developed in-house				
	- other	325			325
2	Leased				
Total		325			325

Section 13 – Other operating income / charges – Item 190

13.1. Other operating charges: Composition

	Total 2008	Total 2007
Other operating charges	311	527

13.2. Other operating income: Composition

	Total 2008	Total 2007
Duties and taxes recouped	28	27
Rentals and fees	108	101
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	1,238	525
- other	800	485
Other income	628	1,350
Total	2,802	2,488

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

14.1 Profit (loss) from equity investments: Composition

	Total 2008	Total 2007
A Income		
1 Write-ups		
2 Gains from disposals		
3 Write-backs		
4 Other income		
B Charges		
1 Write-downs		
2 Impairment losses		
3 Losses from disposals		
4 Other charges		
Net result		

**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

	Write-ups (a)	Write-downs (b)	Forex differentials		Net result (a-b+c-d)
			Gains (c)	Losses (d)	
A Tangible assets					
A1 Owned:					
- used in operations					
- held for investment					
A2 Leased:					
- used in operations					
- held for investment					
B Intangible assets					
B1 Owned:					
B1.1 - developed in-house					
B1.2 - other					
B2 Leased					
Total					

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

	Total 2008	Total 2007
A Land and buildings:		
- gains		
- losses		
B Other assets:		
1 - gains		
2 - losses		
Net gain (loss)		

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

18.1 Income tax for the year on continuing operations: Composition

	Total 2008	Total 2007
1 Current tax	(9,277)	(6,497)
2 Variations in current tax for prior years		
3 Current tax rebate for the year		
4 Variation in pre-paid taxes	1,952	(361)
5 Variation in deferred taxes	68	147
Income tax for the year	(7,257)	(6,711)

18.2 Reconciliation of theoretical tax liability and actual book liability

	Total 2008	Total 2007
Profit before tax	15,082	14,400
Theoretical IRES and IRAP due (38.25%)	4,874	5,508
IRAP adjustments for administration expenses	752	636
IRAP adjustments for write-offs	453	55
Tax on non-deductible costs	1,178	512
Total	7,257	6,711

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

	Total 2008	Total 2007
1 Revenues		
2 Charges		
3 Net valuation of groups of assets and associated liabilities		
4 Gains (losses) from disposal		
5 Taxes and duties		
Net profit (loss)		

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

	Amount 2008	Amount 2007
1 Current tax		
2 Variation in pre-paid taxes		
3 Variation in deferred taxes		
Income tax for the year		

Section 20 – Other information

Section 21 – Profit per share

21.1 Average number of diluted common shares

	Amount 2008	Amount 2007
Net profit	7,825	7,689
Number of shares	1,305,677	1,239,269
Profit per share	5,99	6,20

21.2 Other information

PART D

SEGMENT REPORTING

A. Primary framework

A.1 Distribution by business segment: Earnings

A.2 Distribution by business segment: Assets and liabilities

B. Secondary framework

B.1 Distribution by geographical area: Earnings

B.2 Distribution by geographical area: Assets and liabilities

PART E

RISK AND THEIR COVERAGE

Section 1 – Credit risk

QUALITATIVE INFORMATION

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 Risk Management & Compliance Department.

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

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

The extension of purely financial credit lines to parties other than target-country banks is subject to qualitative and quantitative constraints. Each year, in particular, the Board of Directors sets individual risk-weighted exposure limits for specific countries and types of

credit facility on the basis of detailed scenario analyses and in conformity with sound and prudent management principles.

To ensure alignment with the new supervisory capital framework introduced by Banca d'Italia in directive 263 of 27.12.2006, UBAE has initiated a project covering every aspect of the task of quantifying exposure to credit risk. Under the directive, methods for calculating capital requirements against market, credit and operational risks (Pillar I) will vary in accordance with a bank's size and complexity, as well as with the supervisory authorities' own assessment.

UBAE has adopted the "standardized" method for calculating the capital requirement against credit risk and must follow the Basic Indicator Approach for calculating the requirement against operational risks. The requirement against market risks in the trading book will continue to be calculated by the current method.

Assisted by software supplier Eds and IT outsourcer SEC, the Bank filed supervisory data reports based on the new risk matrix over the course of 2008 without registering delays or any other problems.

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

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

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

Banca d'Italia has divided banks and assimilated financial institutions into three groups for the purposes of compliance with Pillar II. UBAE belongs to Group 3, representing banks that adopted the standardized method under Pillar I and whose gross assets are less than EUR 3.5 bn. Group 3 banks will adopt simplified methods for evaluating the various other risks addressed by Pillar II. Among these, credit concentration risk (as

linked to individual borrowers or groups of related borrowers) and interest rate risk in the banking book will be calculated by a method that translates into a capital requirement over and beyond that contemplated by Pillar I¹.

First-time application of the supervisory review process similarly involves deadlines, if deferred relative to those established for compliance with Pillar I. In the instance, Group 3 banks sent Banca d'Italia a simplified ICAAP report (on 2008 mid-year data) in October and must file a complete ICAAP report (on year-end data) by 30 April 2009.

As regards the public disclosure of information on exposure to specified risk categories (Pillar III), the Bank is on course to meet the deadline, ie, 30 days from approval of the financial statements for the year to 31 December 2008.

Policies for Managing Credit Risk

a) Organizational aspects

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

¹ Instead of an additional capital requirement, the other "quantifiable" risk, ie, 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 General Manager will proceed each year to assign the Capital Markets 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 Capital Markets Division, the General Manager will specify:

- a list of clients and/or groups of clients, their respective risk groups and risk ceilings;
- the Finance Division's VaR as a percentage of the Bank's VaR;
- a breakdown by technical format, expressed in percentage terms, of the Finance Division's VaR.

The Risk Management Department will verify that risk limits are not exceeded.

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 Capital Markets Division with a client or group of connected clients, even though they fell within the previously established risk limits.

Facilities granted to any one client or group of connected clients will not, in any case, exceed the limit established by existing regulations on large exposures, as calibrated to the Bank's eligible net worth.

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

b) Measuring, managing and monitoring credit risk

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

The score is arrived at through a dedicated software product enabling a comparison between the financials of the proposed borrower and those contained in various databases for similar banking and non-banking, domestic and foreign counterparties.

Though based on peer analysis, the final score may take into account the analyst's own evaluation of the borrower from an organizational or other qualitative standpoint. The weighting of each factor contributing to the final score is the result of a tried and tested methodology which the Bank has refined over the years.

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

For the purposes of monitoring loan performance, the credit control function within the Credit Processing Dept. draws on assistance from the competent business departments and the Milan Branch to keep a list of the Bank's problem loans, ie, 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 avallment/overrun rates, reports from the competent business departments on particular countries and/or business sectors, events of default on payments due, legal steps taken by the Bank to collect amounts due).

The heads of the competent business departments and the manager of the Milan Branch provide monthly updates to the credit control function on the reasons underlying any anomalies detected in such positions and on any action that was undertaken to mitigate credit risk.

The heads of the competent business departments and the Milan Branch are required to forward any information deemed useful for keeping the list of problem loans up-to-date to the credit control function without delay.

The credit control function submits regular updates to the General Manager as well as a quarterly update to the Board of Directors on the progress of all problem loans.

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

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

Risk Management is responsible for monitoring the capital requirement against credit risk (Basel 2, Pillar I) on the basis of its quarterly risk matrix report to Banca d'Italia. It also collects quarterly data on large exposures and the Bank's individual lending limit (25% of eligible capital).

In particular, the Risk Management Department updates and forwards the list of External Credit Assessment Institutions (ECAIs) selected for independent ratings.

Finally, it is up to Risk Management to determine the simplified indicator for credit concentration risk and the additional capital requirement called for by Pillar II in relation thereto.

c) Credit risk mitigation techniques

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

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

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

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

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

- cash sums deposited with the Bank;
- cash sums deposited with banks that have been accorded credit lines by UBAE or are otherwise acceptable to it; in the latter case, acceptance of any real guarantees is

- subject to approval by the competent loan-granting official or body;
- bonds deposited with the Bank, provided they are issued by institutions whose rating is investment-grade or better;
 - bonds issued by entities whose rating is investment-grade or better and which are deposited with international clearing bodies or with banks that have been accorded credit lines by UBAE or are otherwise acceptable to it; in the latter case, acceptance of collateral is subject to approval by the competent loan-granting official or body;
 - matured trade receivables;
 - as-yet unmatured trade receivables;
 - residential and commercial property.

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

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

A revision of contract templates for guarantees received has been completed to ensure that all such instruments meet the eligibility requirements established by Basel 2.

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

d) Impaired financial assets

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

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

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

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

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

A1 IMPAIRED AND PERFORMING POSITIONS: STOCKS, WRITEDOWNS, DISTRIBUTION BY SECTOR AND GEOGRAPHICAL AREA

A1.1 Distribution of financial assets by portfolio and credit quality (book value)

Portfolio / quality	Bad debts	Substandard loans	Restructured positions	Past-due positions	Country risk	Other assets	Total
1. Financial assets held for trading					1,202	91,076	92,278
2. Financial assets available-for-sale					1,828	881	2,709
3. Financial assets held to maturity					1,183	45,415	46,598
4. Loans to banks			2,213		161,569	3,096,798	3,260,580
5. Loans to customers	85	5		-	3,071	197,498	200,659
6. Financial assets designated at fair value							
7. Financial assets being divested							
8. Derivati di copertura							
Total 2008	85	5	2,213		168,853	3,431,668	3,602,824
Total 2007	138		2,634	4	136,802	2,526,150	2,665,729

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

Portfolio / quality	Impaired assets				Other assets			Total (net exposure)
	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
1 Financial assets held for trading					92,278		92,278	92,278
2 Financial assets available-for-sale					3,923	1,214	2,709	2,709
3 Financial assets held to maturity					46,961	363	46,598	46,598
4 Loans to banks	2,230		17	2,213	3,265,215	6,848	3,258,367	3,260,580
5 Loans to customers	10,723	10,633		90	202,157	1,588	200,569	200,659
6 Financial assets designated at fair value								
7 Financial assets being divested								
8 Hedging derivatives								
Total 31 December 2008	12,953	10,633	17	2,303	3,610,534	10,013	3,600,521	3,602,824
Total 31 December 2007	13,241	10,464	1	2,776	2,665,000	2,047	2,662,953	2,665,729

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

Types / Underlyings	Gross exposure	Specific writedowns	Portfolio adjustments	Net exposure
A CASH EXPOSURE				
a) Bad debts				
b) Substandard loans				
c) Restructured positions	2,230		17	2,213
d) Past due positions	-	-	-	-
e) Country risk	162,214		645	161,569
f) Other assets	3,096,798		6,203	3,096,798
Total A	3,267,445		6,865	3,260,580
B OFF-BALANCE-SHEET EXPOSURES				
a) Impaired				
b) Other	942,357		366	941,991
Total B	942,357		366	941,991

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

Causal / categories	Bad debts	Substandard loans	Ristructured positions	Past due positions	Country risk
A Opening gross exposure of which: exposures assigned but not derecognized			2,634		130,328
B Increase changes			128		106,504
B1 from performing positions					
B2 transfers from other categories of impaired positions					
B3 other increase changes			128		106,504
C Decrease changes			532		74,618
C1 to performing positions					
C2 writeoffs					
C3 collections			520		74,618
C4 assignments					
C5 transfers from other categories of impaired positions					
C6 other decrease changes			12		
D Closing gross exposure of which: exposures assigned but not derecognized			2,230		162,214

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

Causal / categories	Bad debts	Substandard loans	Ristructured positions	Past due positions	Country risk
A Total opening adjustmetns of which: exposures assigned but not derecognized			-		
B Increase changes			17		645
B1 writedowns			17		645
B2 transfers from other categories of impaired positions					
B3 other increase changes					
C Decrease changes					-
C1 writebacks from valuation					
C2 writebacks from collections					
C3 writeoffs					
C4 transfers from other categories of impaired positions					
C5 other decrease change					
D Total closing adjustments of which: exposures assigned but not derecognized			17		645

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

Exposure type / values	Gross exposure	Specific writedowns	Portfolio writedowns	Net exposure
A CASH EXPOSURE				
a) Bad debts	10,717	10,632		85
b) Substandard loans	6	1		5
c) Restructured positions	-			
d) Past due positions	-			
e) Country risk	3,095		24	3,071
f) Other assets	199,062		1,564	197,498
Total A	212,880	10,633	1,588	200,659
B OFF-BALANCE-SHEET EXPOSURES				
a) Impaired	5,938	720		5,218
b) Other	526,061	-	192	525,869
Total B	531,999	720	192	531,087

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

Causal / categories	Bad debts	Substandard loans	Ristructured positions	Past due positions	Country risk
A Opening gross exposure of which: exposures assigned but not derecognized	10,602	-	-	5	6,506
B Increase changes	161	6		2	2,394
B1 from performing positions	-	2		2	
B2 transfers from other categories of impaired positions		3			
B3 other increase changes	161	1			2,394
C Decrease changes to performing positions	46			6	5,805
C1 writeoffs				1	
C2 collections	45			1	
C3 assignments	1			1	2,828
C4 transfers from other categories of impaired positions				3	
C6 other decrease changes					2,977
D Closing gross exposure of which: exposures assigned but not derecognized	10,717	6		1	3,095

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

Causal / categories	Bad debts	Substandard loans	Ristructured positions	Past due positions	Country risk
A Total opening adjustments of which: exposures assigned but not derecognized	10,464	-		1	33
B Increase changes	214	1		-	18
B1 writedowns	214				
B2 transfers from other categories of impaired positions		1			
B3 other increase changes					18
C Decrease changes	46	-		1	27
C1 writebacks from valuation					
C2 writebacks from collections	1				
C3 writeoffs	45				
C4 transfers from other categories of impaired positions				1	
C5 other decrease changes					27
D Total closing adjustments of which: exposures assigned but not derecognized	10,632	1		-	24

A.2 CLASSIFICATION OF POSITIONS BY EXTERNAL AND INTERNAL RATING

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

Exposures	External rating groups						Without rating	Total
	AAA/ AA-	A+/ A-	BBB+/ BBB-	BB+/ BB-	B+/ B-	In B-		
A Cash Exposures:	586,573	1,854,312	433,809	91,447	56,562	-	561,985	3,584,688
B Derivatives	1,294	13,091	4,039	-	-	2,211	-	20,635
B1 Financial derivatives	1,294	13,091	1,539	-	-	2,211	-	18,135
B2 Credit derivatives	-	-	2,500	-	-	-	-	2,500
C Guarantees given	214,656	126,640	16,212	30,804	43,139		983,385	1,414,836
D Commitments to disburse funds							37,607	37,607
Total	802,523	1,994,043	454,060	122,251	99,701	2,211	1,582,977	5,057,766

A.2.2 Distribution of off-balance and cash exposures through internal rating groups

Exposures	Internal rating groups						Total
	
A Cash exposures:							
B Derivatives							
B1 Financial derivatives							
B2 Credit derivatives							
C Guarantees given							
D Commitments to disburse funds							
Total							

A.3 DISTRIBUTION OF GUARANTEED EXPOSURES BY TYPE OF GUARANTEE

A.3.1 Cash exposures to guaranteed banks and customers

		Exposure value	Real estate			Personal security								Total
			Property	Securities	other goods	Credit derivatives				Signature loan				
						States	Other public entities	Banks	Others	States	Other public entities	Banks	Altri soggetti	
1	Exposures to guaranteed Banks	6,539		5,220						1,003	7,355			13,578
1.1	Fully guaranteed			2,878					492	7,185				10,555
1.2	Not fully guaranteed			2,342					511	170				3,023
2	Exposures to guaranteed customers	59,093	10,967								1,595	71,002		83,574
2.1	Fully guaranteed		10,883									34,433		45,316
2.2	Not fully guaranteed		84								1,595	36,579		38,258

A.3.2 Off-balance-sheet exposures to guaranteed banks and customers

	Exposure value	Real estate(1)			Personal security(2)								Total (1) + (2)	
		Property	Securities	other oods	Credit derivatives				Signature loan					
					States	Other public entities	Banks	Others	States	Other public entities	Banks	Others		
1	Exposures to guaranteed banks	15,524		15,510							14			15,524
1.1	fully guaranteed													
1.2	not fully guaranteed			15,510							14			15,524
2	Exposures to guaranteed customers			6,715				12,014		9,855	73,418			102,002
2.1	fully guaranteed			2,670								13,871		16,541
2.2	not fully guaranteed			4,045				12,014		9,855	59,547			85,461

A.3.3 Impaired cash exposures to guaranteed banks and customers

	Exposures value	Guaranteed amount	Real estate		
			Properties	Securities	Other goods
1 Exposures to guaranteed banks					
1.1 over 150%					
1.2 between 100% and 150%					
1.3 between 50% and 100%					
1.4 within 50%					
2 Exposures to guaranteed customers	85	85	542		
2.1 over 150%	84	84	542		
2.2 between 100% and 150%					
2.3 between 50% and 100%	1	1			
2.4 within 50%					

Guarantees (fair value)													Total	Surplus fair value, guarantee	
Personal guarantees															
Credit derivatives						Signature loan									
Gov. and central banks	Other public entities	Banks	Financial companies	Insurance companies	Non Financial undertakings	Others	Gov. and central banks	Other public entities	Banks	Financial Companies	Insurance companies	Non financial undertakings			Others
												12,220	1,000	13,762	13,677
												12,220	1,000	13,762	13,677

A.3.4 Impaired off-balance-sheet exposures to guaranteed banks and customers

	Exposure value	Guaranteed amount	Real estate		
			Properties	Securities	Other goods
1 Exposure to banks guaranteed					
1.1 over 150%					
1.2 between 100% and 50%					
1.3 between 50% and 100%					
1.4 less than 50%					
2 Exposure to Customers guaranteed:	475	475			
2.1 over 150%	475	475			
2.2 between 100% and 150%					
2.3 between 50% and 100%					
2.4 less than 50%					

Guarantees (fair value)													Total	Surplus fair value, guarantee	
Personal guarantees															
Credit derivatives						Signature loan									
Governments and central banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other subject	Governments and central	Other public entities	Banks	Financial companies	Insurance companies	Non-financial companies			Other subject
													10,091	10,091	9,616
													10,091	10,091	9,616

B Distribution and concentration of lending

B.1 CASH AND OFF-BALANCE-SHEET EXPOSURES TO CUSTOMERS BY SECTOR

Exposures / Counter-parties	Governments and central banks				Other public entities				Financial companies			
	Gross exposure	Value adjustments	Value adjustments	Net exposure	Gross exposure	Value adjustments	Value adjustments	Net exposure	Gross exposure	Value adjustments	Value adjustments	Net exposure
A Cash exposure												
A1 Bad debts									12	12		
A2 Substandard loans												
A3 Restructured exposures												
A4 Past due positions												
A5 Other exposures	708		9	708	6,741		53	6,688	79,428	1,200	428	77,800
Total A	708		9	708	6,741		53	6,688	79,440	1,212	428	77,800
B Off-balance-sheet exposures												
B1 Bad debts												
B2 Substandard loans												
B3 Other impaired assets												
B4 Other exposures									1,400			1,400
Total B									1,400			1,400
Total 2008	708		9	708	6,741		53	6,688	80,840	1,212	428	79,200
Total 2007	206			206	2,828			2,828	38,009	812	71	37,126

Non financial companies exposures include the amount of Eur 2,5 million related to credit link notes

Insurance undertakings				Non financial undertakings				Others			
Gross exposure	Value adjustments	Value adjustments	Net exposure	Gross exposure	Value adjustments	Value adjustments	Net exposure	Gross exposure	Value adjustments	Value adjustments	Net exposure
				10,558	10,558			147	62		85
				6	1		5				
				176,601		1,130	175,471	6,101		47	6,054
				187,165	10,559	1,130	175,476	6,248	62	47	6,139
				3,422	468		2,954				
				2,516	252		2,264				
				522,390		192	522,198	2,271			
				528,328	720	192	527,416	2,271			
				715,493	11,279	1,322	702,892	8,519	62	47	6,139
356			356	549,110	10,858	1,297	536,955	6,378	117		

B.3 CASH AND OFF-BALANCE-SHEET EXPOSURES TO CUSTOMERS BY GEOGRAPHICAL AREA

Exposures / Geographic areas	ITALY		OTHER EUROPEAN COUNTRIES	
	Gross exposure	Net exposure	Gross exposure	Net exposure
A CASH EXPOSURE				
A1 Bad debts	10,705	85		
A2 Substandard loans	3	3	2	1
A3 Restructured positions				
A4 Past due positions				
A5 Other exposures	71,811	70,187	124,319	123,540
Total (A)	82,519	70,275	124,321	123,541
B Off-balance-sheet exposures				
B1 Bad debts	3,422	2,954		
B2 Substandard loans	2,516	2,264		
B3 Other impaired assets				
B4 Other exposures	437,441	437,270	67,710	67,696
Total (B)	443,379	442,488	67,710	67,696
Total 2008	525,898	512,763	192,031	191,237
Total 2007	371,125	358,735	180,563	179,912

AMERICA		ASIA		REST OF THE WORLD	
Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
12		1	1		
12,888	12,888	53,280	52,862	4,782	4,744
12,900	12,888	53,281	52,863	4,782	4,744
		18,660	18,653	2,250	2,250
		18,660	18,653	2,250	2,250
12,900	12,888	71,941	71,516	7,032	6,994
16,384	16,372	7,077	7,048	19,238	19,165

B.4 CASH AND OFF-BALANCE-SHEET EXPOSURES TO BANKS BY GEOGRAPHICAL AREA

Exposures / Geographic areas	ITALY		OTHER EUROPEAN COUNTRIES	
	Gross exposure	Net exposure	Gross exposure	Net exposure
A CASH EXPOSURE				
A1 Bad debts				
A2 Substandard loans				
A3 Restructured positions				
A4 Past due positions				
A5 Other exposures	1,352,893	1,349,486	1,576,285	1,574,723
Total (A)	1,352,893	1,349,486	1,576,285	1,574,723
B Off-balance-sheet exposures				
B1 Bad debts				
B2 Substandard loans				
B3 Other impaired assets	297,614	297,497	168,802	168,740
B4 Other exposures				
Total (B)	297,614	297,497	168,802	168,740
Total 2008	1,650,507	1,646,983	1,745,087	1,743,463
Total 2007	1,489,091	1,489,076	745,585	745,556

Large exposures

Amount	518,842
Number	12

AMERICA		ASIA		REST OF THE WORLD	
Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
				2,230	2,213
11,500	11,500	276,296	274,309	108,346	108,146
11,500	11,500	276,296	274,309	110,576	110,359
51,376	51,356	95,679	95,641	328,886	328,757
51,376	51,356	95,679	95,641	328,886	328,757
62,876	62,856	371,975	369,950	439,462	439,116
14,348	14,348	289,696	289,675	311,567	311,439

C. Securitizations and assignments of assets

C1 Securitizations

QUANTITATIVE INFORMATION

Banca UBAE securitized most of the bad debts in its loan portfolio in 1999. Outstanding positions are monitored by the Legal unit, which makes periodic assessments of their collectability, estimates the value of related securities, and recommends write-downs where and as appropriate. The unit's findings are submitted to the Board of Directors on a half-yearly basis.

QUANTITATIVE INFORMATION

C.1.1 Exposures in respect of securitizations by quality of underlying assets

Quality of underlying assets/Exposures	Cash exposures					
	Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A With own underlying assets						
a) Impaired	2,022	822				
b) Other						
B With third-party underlying assets						
a) Impaired						
b) Other						

Guarantees given						Credit line					
Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure

C.1.2 Exposures in respect of main in-house securitization by type of securitized assets and type of exposure

Type of securitized assets / Exposures	Cash exposures					
	Senior		Mezzanine		Junior	
	Book value	Writedowns/writebacks	Book value	Writedowns/writebacks	Book value	Writedowns/writebacks
A Totally derecognized						
A1						
B Partially derecognized						
B1						
C Non-derecognized						
C1 Eurofinance	822	1,200				

Guarantees given						Credit line					
Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
Net exposure	Writedowns/writebacks	Net exposure	Writedowns/writebacks	Net exposure	Writedowns/writebacks	Net exposure	Writedowns/writebacks	Net exposure	Writedowns/writebacks	Net exposure	Writedowns/writebacks

C.1.3 Exposures in respect of main third-party securitization by type of securitized assets and type of exposure

Type of securitized assets / Exposures	Cash exposures					
	Senior		Mezzanine		Junior	
	Book value	Writedowns/writebacks	Book value	Writedowns/writebacks	Book value	Writedowns/writebacks
A1 - Type of asset						
A2 - Type of asset						
A3 - Type of asset						

Guarantees given						Credit line					
Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
Net exposure	Writedowns/writebacks	Net exposure	Writedowns/writebacks	Net exposure	Writedowns/writebacks	Net exposure	Writedowns/writebacks	Net exposure	Writedowns/writebacks	Net exposure	Writedowns/writebacks

C.1.4 Exposures in respect of securitizations by portfolio of financial assets and type

Exposure / portfolio	Trading	Designated at fair value	Available-for-sale	Held to maturity	Total 2008	Total 2007
1 Cash exposure - Senior - Mezzanine - Junior			822			
2 Off-balance-sheet exposure - Senior - Mezzanine - Junior						

C.1.5 Amount of securitized assets underlying junior securities or other forms of credit support

Assets / Values	Traditional	Synthetic
A Own underlying assets		
A1 Totally derecognized		
1 Bad debts	16,528	
2 Substandard loans		
3 Ristructured positions		
4 Past due positions		
5 Other exposures		
A2 Partially derecognized		
1 Bad debts		
2 Substandard loans		
3 Ristructured positions		
4 Past due positions		
5 Other exposures		
A3 Non-derecognized		
1 Bad debts		
2 Substandard loans		
3 Ristructured positions		
4 Past due positions		
5 Other exposures		
B Third-party underlying assets		
B1 Bad debts		
B2 Substandard loans		
B3 Ristructured positions		
B4 Past due positions		
B5 Other exposures		

C.1.6 Stakes in special purpose vehicles

Name	Headquarters	Stake %

C.1.7 Servicer activities – Collections of securitized loans and redemptions of securities issued by the special purpose vehicle

Companies Vehicle	Securitized assets (year end figure)		Loans collected during the year		Percentage of securities redeemed (year end figure)					
	Impaired	Performing	Impaired	Performing	Senior		Mezzanine		Junior	
					Impaired assets	Performing assets	Impaired assets	Performing assets	Impaired assets	Performing assets
Eurofinance 2000	22,614		475		51%		0%		0%	

C.2 SALES TRANSACTION

C 2.1 Financial assets assigned but not derecognized

Type /portfolio	Trading			Designated at fair value			Available-for-sale			Held to maturity			Loans to banks			Loans to customers			Total	
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	2008	2007
A Cash assets																				
1 Debt securities																				
2 Equity securities																				
3 UCIS																				
4 Loans																				
5 Impaired assets																				
B Derivatives																				
Total																				

Legend

- A = financial assets sold and accounted for in full (book value)
- B = financial assets sold and accounted for in part (book value)
- C = financial assets sold and accounted for in part (full value)

C.2.2 Financial liabilities relating to financial assets assigned but not derecognized

Liabilities / Asset Portfolios	Trading	Designated at fair value	Available-for-sale	Held to maturity	Loans to banks	Loans to customers	Total
<p>1 Due to customers</p> <p>a) relating to fully recognized</p> <p>b) assets relating to partially recognized assets</p> <p>2 Due to banks</p> <p>a) relating to fully recognized assets</p> <p>b) relating to partially recognized assets</p> <p>Total</p>							

D. Models for measuring credit risk

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

The Risk Management Dept. is in the process of mapping all the Bank's risk categories with a view to using the ECAIs' transition tables to link each internal category to the corresponding PD value reported by the ECAI itself. Risk Management will use the PD values obtained for each debtor in this way to quantify the Bank's expected and unexpected losses. These in turn will be entered into an equation for pricing credit facilities that will highlight the required premium on risk and the cost of regulatory capital (a.k.a. risk-adjusted performance measurement).

Section 2 – Market risk

2.1 – Interest rate risk – Supervisory trading portfolio

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 designated tasks, the Risk Management Dept. helps to implement the strategy set out by the Bank's governing bodies and sees that risks in each category are properly monitored and reported in the light of established limits.

The risk management process is meant to ensure that the actual risk profile remains

within the overall accepted risk level and within the limits set for each risk category, and that the risk profile is attained in a transparent manner.

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

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

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

MF handles the following financial instruments:

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

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

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

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

- position risk on the trading portfolio is expressed in terms of VaR, with a 99% confidence interval and a 10-day holding period
- option risk is monitored 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).

In 2005, Banca UBAE approved a new Finance Directive which redefined risk-taking policies and established roles and responsibilities with regard to policy-making, operational aspects and controls. The Directive embodies two key principles:

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

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

The Directive sets guidelines for the distribution of powers in the financial sphere, defines internal communication flows for managing exceptional events, and describes the limits, the typical risks, and the mission assigned to each department in the Capital Markets Division.

The entire system of 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 Directive) with respect to financial positions, risks and any breaches of operating limits. Reports are delivered to the Management, the head of the Division and the Risk Committee.

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 Money Market Dept. or the Financial Markets 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 Dept.

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 periodic backtesting.

QUALITATIVE INFORMATION

1.Trading portfolio: distribution of residual maturity (repricement date) of cash financial assets/liabilities and derivatives
EURO - ECU

Type/Residual maturity	On sight	Up to 3 months	Over 3 months Up to 6 months	Over 6 months Up to 1 year	Over 1 year Up to 5 years	Over 5 years Up to 10 years	Over 10 years	Indefinite duration
1 Cash asset		23,501	7,335		5,293	28,743		
1.1 Debt security		23,501	7,335		5,293	28,743		
- with redemption deferred								
- other		23,501	7,335		5,293	28,743		
1.2 Other assests								
2 Cash liability								
2.1 P.C.T. liability								
2.2 Other liabilities								
3 Financial derivatives		83,612	37,595	544	5,000	35,019		
3.1 with underlying security								
- Options								
+ Long of stock								
+ Short of stock								
- other derivatives								
+ Long of stock								
+ Short of stock								
3.2 Without underlying security		83,612	37,595	544	5,000	35,019		
- Options								
+ Long of stock								
+ Short of stock								
- other derivatives		83,612	37,595	544	5,000	35,019		
+ Long of stock		680,886	91,984	27,191		5,000		
+ Short of stock		597,274	54,389	26,647	5,000	40,019		

2. Trading portfolio: distribution of residual maturity (repricement date) of cash financial assets/liabilities and derivatives
US DOLLAR - USD

Type/Residual maturity	On sight	Up to 3 months	Over 3 months Up to 6 months	Over 6 months Up to 1 year	Over 1 year Up to 5 years	Over 5 years Up to 10 years	Over 10 years	Indefinite duration
1 Cash asset		5,557						
1.1 Debt security		5,557						
- with redemption deferred								
- other		5,557						
1.2 Other assests								
2 Cash liability								
2.1 P.C.T. liability								
2.2 Other liabilities								
3 Financial derivatives		71,567		867				
3.1 with underlying security								
- Options								
+ Long of stock								
+ Short of stock								
- other derivatives								
+ Long of stock								
+ Short of stock								
3.2 Without underlying security		71,567		867				
- Options								
+ Long of stock								
+ Short of stock								
- other derivatives		71,567		867				
+ Long of stock		613,849	18,067	34,131				
+ Short of stock		685,416	18,067	33,264				

3. Trading portfolio: distribution of residual maturity (repricement date) of cash financial assets/liabilities and derivatives
YEN JAPAN - JPY

Type/Residual maturity	On sight	Up to 3 months	Over 3 months Up to 6 months	Over 6 months Up to 1 year	Over 1 year Up to 5 years	Over 5 years Up to 10 years	Over 10 years	Indefinite duration
1 Cash asset								
1.1 Debt security								
- with redemption deferred								
- other								
1.2 Other assests								
2 Cash liability								
2.1 P.C.T. liability								
2.2 Other liabilities								
3 Financial derivatives		3,835	2,658	843				
3.1 with underlying security								
- Options								
+ Long of stock								
+ Short of stock								
- other derivatives								
+ Long of stock								
+ Short of stock								
3.2 Without underlying security		3,835	2,658	843				
- Options								
+ Long of stock								
+ Short of stock								
- other derivatives		3,835	2,658	843				
+ Long of stock								
+ Short of stock		3,835	2,658	843				

4. Trading portfolio: distribution of residual maturity (repricement date) of cash financial assets/liabilities and derivatives
DIHRAN UNITED ARAB EMIRATES - AED

Type/Residual maturity	On sight	Up to 3 months	Over 3 months Up to 6 months	Over 6 months Up to 1 year	Over 1 year Up to 5 years	Over 5 years Up to 10 years	Over 10 years	Indefinite duration
1 Cash asset								
1.1 Debt security								
- with redemption deferred								
- other								
1.2 Other assests								
2 Cash liability								
2.1 P.C.T. liability								
2.2 Other liabilities								
3 Financial derivatives		2,043						
3.1 with underlying security								
- Options								
+ Long of stock								
+ Short of stock								
- other derivatives								
+ Long of stock								
+ Short of stock								
3.2 Without underlying security		2,043						
- Options								
+ Long of stock								
+ Short of stock								
- other derivatives		2,043						
+ Long of stock		9,311						
+ Short of stock		11,354						

5 Trading portfolio: distribution of residual maturity (repricement date) of cash financial assets/liabilities and derivatives
ZLOTY POLAND - PLN

Type/Residual maturity	On sight	Up to 3 months	Over 3 months Up to 6 months	Over 6 months Up to 1 year	Over 1 year Up to 5 years	Over 5 years Up to 10 years	Over 10 years	Indefinite duration
1 Cash asset								
1.1 Debt security								
- with redemption deferred								
- other								
1.2 Other assests								
2 Cash liability								
2.1 P.C.T. liability								
2.2 Other liabilities								
3 Financial derivatives		1,153						
3.1 with underlying security								
- Options								
+ Long of stock								
+ Short of stock								
- other derivatives								
+ Long of stock								
+ Short of stock								
3.2 Without underlying security		1,153						
- Options								
+ Long of stock								
+ Short of stock								
- other derivatives		1,153						
+ Long of stock		181						
+ Short of stock		1,334						

4. Eligible trading book: internal models and other sensitivity-analysis methods

2.2 – Interest rate risk. Banking book

QUALITATIVE INFORMATION

General aspects, risk management processes and measuring methods

Pillar II of the Basel 2 framework foresees an additional capital requirement against interest rate risk and requires banks to check such risk regularly by calculating a (simplified) “risk indicator” corresponding to a shock producing a 200 bp 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.

Risk Management is preparing tools to monitor the simplified risk indicator on a continuing basis. The Finance Directive already contains operating limits for the transformation of maturities in the banking book, based on the sensitivity analysis that is performed by Master Finance automatically

Fair value hedges

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

Cash flow hedges

Banca UBAE does not hold derivatives to hedge cash flow according to IAS 39.

Banca UBAE’s 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 the negotiation of derivatives are tasks for the Money Market Dept. within the Capital Markets Division.

The Division may hold IRSs hedging interest rate risk associated with bonds carried in the HTM portfolio.

QUANTITATIVE INFORMATION

1. Banking book: distribution of residual maturity (repricement date) of cash financial assets/liabilities and derivatives. Value: Euro - Eur

Type/Residual maturity	On sight	Up to 3 months	Over 3 months Up to 6 months	Over 6 months Up to 1 year	Over 1 year Up to 5 years	Over 5 years Up to 10 years	Over 10 years	Indefinite duration
1 Cash assets	560,663	1,400,589	182,609	7,200	3,247	1		92,420
1.1 Debt securities		46,032	205					
- with redemption deferred								
- other		46,032	205					
1.2 Loans to banks	512,264	1,279,630	174,619	4,395	2,621			92,331
1.3 Loans to customers	48,399	74,693	7,785	2,805	626	1		89
- Current account	885							4
- Other loans	47,514	74,693	7,785	2,805	626	1		85
- with redemption deferred	13,254	9,708	3	6	43	1		
- other	34,260	64,985	7,782	2,799	583			85
2 Cash liabilities	584,055	1,889,363	3,239	27,361				
2.1 Loans to customers	55,630	2,891	152					
- Current account	55,630							
- Other loans		2,891	152					
- with redemption deferred								
- other		2,891	152					
2.2 Loans to banks	528,425	1,886,473	3,087	27,361				
- Current account	465,209							
- Other loans	63,216	1,886,473	3,087	27,361				
2.3 Debt securities								
- with redemption deferred								
- other								
2.4 Other liabilities								
- with redemption deferred								
- other								

3 Derivatives

3.1 with underlying security

- Options
- + Long of stock
- + Short of stock
- other derivatives
- + Long of stock
- + Short of stock

3.2 Without underlying security

- Options
- + Long of stock
- + Short of stock
- other derivatives
- + Long of stock
- + Short of stock

2. Banking book: distribution of residual maturity (repricement date) of cash financial assets/liabilities and derivatives
Value: US Dollar - USD

Type/Residual maturity	On sight	Up to 3 months	Over 3 months Up to 6 months	Over 6 months Up to 1 year	Over 1 year Up to 5 years	Over 5 years Up to 10 years	Over 10 years	Indefinite duration
1 Cash assets	453,520	696,869	20,954	72,254	2,008			
1.1 Debt securities		3,006						
- with redemption deferred								
- other		3,006						
Loans to banks	430,268	652,424	20,954	72,254	2,008			
1.2 Loans to customers	23,252	41,439						
1.3 - Current account	6,499							
- Other loans	16,753	41,439						
- with redemption deferred								
- other	16,753	41,439						
2 Cash liabilities	319,718	830,124	2,161					
2.1 Loans to customers	6,480	482						
- Current account	6,480							
- Other loans								
- with redemption deferred		482						
- other		482						
Loans to banks	313,238	829,641	2,161					
2.2 - Current account	302,320							
- Other loans	10,918	829,641	2,161					
Debt securities								
2.3 - with redemption deferred								
- other								
Other liabilities								
- with redemption deferred								
2.4 - other								

3	Derivatives	
3.1	with underlying security	
	- Options	
	+ Long of stock	
	+ Short of stock	
	- other derivatives	
	+ Long of stock	
	+ Short of stock	
3.2	Without underlying security	
	- Options	
	+ Long of stock	
	+ Short of stock	
	- other derivatives	
	+ Long of stock	76,275
	+ Short of stock	76,275

3. Banking book: distribution of residual maturity (repricement date) of cash financial assets/liabilities and derivatives. Value: Pound Sterlin-GBP

Type/Residual maturity	On sight	Up to 3 months	Over 3 months Up to 6 months	Over 6 months Up to 1 year	Over 1 year Up to 5 years	Over 5 years Up to 10 years	Over 10 years	Indefinite duration
1 Cash assets	236	836						
1.1 Debt securities								
- with redemption deferred								
- other								
1.2 Loans to banks	235	1,230						
1.3 Loans to customers	2	394						
- Current account	1							
- Other loans	3	394						
- with redemption deferred								
- other	3							
2 Cash liabilities	513	1,383						
2.1 Loans to customers	31	153						
- Current account	31							
- Other loans		153						
- with redemption deferred								
- other		153						
2.2 Loans to banks	482	1,231						
- Current account	480							
- Other loans	2	1,231						
2.3 Debt securities								
- with redemption deferred								
- other								
2.4 Other liabilities								
- with redemption deferred								
- other								

3 Derivatives

3.1 with underlying security

- Options
- + Long of stock
- + Short of stock
- other derivatives
- + Long of stock

3.2 + Short of stock
Without underlying security

- Options
- + Long of stock
- + Short of stock
- other derivatives
- + Long of stock
- + Short of stock

4. Banking book: distribution of residual maturity (repricement date) of cash financial assets/liabilities and derivatives

Value: SWISS FRANC - CHF

Type/Residual maturity	On sight	Up to 3 months	Over 3 months Up to 6 months	Over 6 months Up to 1 year	Over 1 year Up to 5 years	Over 5 years Up to 10 years	Over 10 years	Indefinite duration
1 Cash assets	1,171	3,368						
1.1 Debt securities								
- with redemption deferred								
- other								
Loans to banks								
1.2 Loans to customers	1,171	3,368						
1.3 - Current account								
- Other loans								
- with redemption deferred								
- other								
2 Cash liabilities	4,466							
2.1 Loans to customers	538							
- Current account	538							
- Other loans								
- with redemption deferred								
- other								
2.2 Loans to banks	3,928							
- Current account	3,928							
- Other loans								
2.3 Debt securities								
- with redemption deferred								
- other								
2.4 Other liabilities								
- with redemption deferred								
- other								

3 Derivatives

3.1 with underlying security

- Options

- + Long of stock

- + Short of stock

- other derivatives

- + Long of stock

- + Short of stock

3.2 Without underlying security

- Options

- + Long of stock

- + Short of stock

- other derivatives

- + Long of stock

- + Short of stock

5. Banking book: distribution of residual maturity (repricement date) of cash financial assets/liabilities and derivatives. Value: YEN JAPAN - JPY

Type/Residual maturity	On sight	Up to 3 months	Over 3 months Up to 6 months	Over 6 months Up to 1 year	Over 1 year Up to 5 years	Over 5 years Up to 10 years	Over 10 years	Indefinite duration
1 Cash assets	201	4,127	2,748	1,134				
1.1 Debt securities - with redemption deferred - other								
1.2 Loans to banks	201	4,127	2,748	1,134				
1.3 Loans to customers - Current account - Other loans - with redemption deferred - other								
2 Cash liabilities	281							
2.1 Loans to customers - Current account - Other loans - with redemption deferred - other								
2.2 Loans to banks - Current account - Other loans	281							
2.3 Debt securities - with redemption deferred - other	281							
2.4 Other liabilities - with redemption deferred - other								

3 Derivatives

3.1 with underlying security

- Options
- + Long of stock
- + Short of stock
- other derivatives
- + Long of stock
- + Short of stock

3.2 Without underlying security

- Options
- + Long of stock
- + Short of stock
- other derivatives
- + Long of stock
- + Short of stock

6. Banking book: distribution of residual maturity (repricement date) of cash financial assets/liabilities and derivatives. Value: ZLOTY POLAND - PLN

Type/Residual maturity	On sight	Up to 3 months	Over 3 months Up to 6 months	Over 6 months Up to 1 year	Over 1 year Up to 5 years	Over 5 years Up to 10 years	Over 10 years	Indefinite duration
1 Cash assets	4	1,174						
1.1 Debt securities - with redemption deferred - other								
1.2 Loans to banks	4	1,174						
1.3 Loans to customers - Current account - Other loans - with redemption deferred - other			1,174					
			1,174					
2 Cash liabilities								
2.1 Loans to customers - Current account - Other loans - with redemption deferred - other								
2.2 Loans to banks - Current account - Other loans								
2.3 Debt securities - with redemption deferred - other								
2.4 Other liabilities - with redemption deferred - other								

3 Derivatives

3.1 with underlying security

- Options
- + Long of stock
- + Short of stock
- other derivatives
- + Long of stock
- + Short of stock

3.2 Without underlying security

- Options
- + Long of stock
- + Short of stock
- other derivatives
- + Long of stock
- + Short of stock

6.1 Banking book: distribution of residual maturity (repricement date) of cash financial assets/liabilities and derivatives
Value: OTHER CURRENCIES

Type/Residual maturity	On sight	Up to 3 months	Over 3 months Up to 6 months	Over 6 months Up to 1 year	Over 1 year Up to 5 years	Over 5 years Up to 10 years	Over 10 years	Indefinite duration
1 Cash assets	524	2,076						
1.1 Debt securities								
- with redemption deferred								
- other								
1.2 Loans to banks	518	2,076						
1.3 Loans to customers	6							
- Current account								
- Other loans	6							
- with redemption deferred								
- other								
2 Cash liabilities	279							
2.1 Loans to customers								
- Current account								
- Other loans								
- with redemption deferred								
- other								
2.2 Loans to banks	279							
- Current account								
- Other loans								
2.3 Debt securities	279							
- with redemption deferred								
- other								
2.4 Other liabilities								
- with redemption deferred								
- other								

3 Derivatives

3.1 with underlying security

- Options
 - + Long of stock
 - + Short of stock
- other derivatives
 - + Long of stock
 - + Short of stock

3.2 Without underlying security

- Options
 - + Long of stock
 - + Short of stock
- other derivatives
 - + Long of stock
 - + Short of stock

7. Banking book: internal models and other sensitivity-analysis methods

2.3 – Price risk – Supervisory trading portfolio

QUALITATIVE INFORMATION

A. General aspects

B. Management procedure and measuring methods of price risk

QUANTITATIVE INFORMATION

1. Trading portfolio: cash exposures in equity securities and units collective investment undertakings

Type of transaction / Values	Book value	
	Listed	Unlisted
A Equity securities	2,544	
A1 Shares	2,544	
A2 Innovative equity instruments		
A3 Other equity securities		
B Units collective investment undertakings		
B1 Of Italian law		
- Harmonized open		
- non-harmonized open		
- closed		
- restricted		
- speculatives		
B2 Of other European Countries		
- Harmonized		
- Harmonized open		
- non-harmonized open		
B3 Of non-European Countries		
- open		
- closed		
Total	2,544	

2. Supervisory trading portfolio: exposures distribution in equity securities and share index for main countries of stock market

Type of transactions/Share index	Listed			Unlisted
	Italy	Paese 2	Country . . .	
A Equity securities	2,544			
+ Long of stock	2,544			
+ Short of stock				
B Equity security tradings not settled yet				
+ Long of stock				
+ Short of stock				
C Other derivatives on equity securities				
+ Long of stock				
+ Short of stock				
D Derivatives on share index				
+ Long of stock				
+ Short of stock				

3. Eligible trading book: internal models and other sensitivity-analysis methods

2.4 Price risk- Banking portfolio

QUALITATIVE INFORMATION

A. General aspects, Management procedure and measuring methods of currency risk

B. Hedges of price risks

QUANTITATIVE INFORMATION

1. Banking portfolio: cash exposures in equity securities and units collective investment undertakings

Type of transaction / Values	Book value	
	Listed	Unlisted
A Equity securities		64
A1 Shares		64
A2 Innovative equity instruments		
A3 Other equity securities		
B Units collective investment undertakings		
B1 Of Italian law		
- Harmonized open		
- non-harmonized open		
- closed		
- restricted		
- speculatives		
B2 Of other European Countries		
- Harmonized		
- Harmonized open		
- non-harmonized open		
B3 Of non-European Countries		
- open		
- closed		
Total		64

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

2.5 – Currency risk

QUALITATIVE INFORMATION

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.

Risk Management makes periodic measurements of the Bank's global exposure to exchange rate risk and reports the outcome to the Capital Markets Division and the Risk Committee.

Intraday and overnight limits for global exposure to exchange rate risk are approved by the Board, administered by the Risk Committee and monitored daily by Risk Management.

If a limit is approached, the situation is promptly analyzed and steps to reduce the exposure taken if and as necessary.

Hedging for currency risk

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

The Capital Markets 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 for denomination currency of assets/liabilities and derivatives

Items	Currencies					
	USA Dollar	Pounds	Yen	Canadian Dollar	Swiss Franc	Other currencies
A Financial assets	1,251,200	1,860	8,210	1,178	4,539	2,605
A1 Debt securities	8,597					
A2 Equity securities	4					5
A3 Loans to banks	1,177,908	1,465	8,210	4	4,539	2,594
A4 Loans to customers	64,691	390		1,174		6
A5 Other financial assets						
B Other assets						
C Financial liabilities	1,152,003	1,897	281		4,466	279
C1 Due to banks	1,145,041	1,713	281		3,928	279
C2 Due to customers	6,962	184			538	
C3 Debt securities						
D Other liabilities	28,569					
E Financial derivatives	70,700		7,336	1,153		2,043
- Options						
+ Long of stock						
+ Short of stock						
- other derivatives	70,700		7,336	1,153		2,043
+ Long of stock	742,322			181		9,311
+ Short of stock	736,747		7,336	1,334		11,354
Total of assets	1,993,552	1,860	8,210	1,359	4,539	11,916
Total of liabilities	1,917,319	1,897	7,617	1,334	4,466	11,633
Profit (+/-)	76,203	-37	593	25	73	283

2. Internal models and other sensitivity-analysis methods

2.6 Financial derivative instruments

A. Financial derivatives

A.1 SUPERVISORY TRADING PORTFOLIO: AVERAGE NOTIONAL VALUES (AT THE END OF THE PERIOD)

Type of transactions / Underlyings	Debt securities and interest rates		Equity securities and share index	
	Listed	Unsettled	Listed	Unsettled
1 Forward rate agreement				
2 Interest rate swap		257,547		
3 Domestic currency swap				
4 Currency interest rate swap				
5 Basis swap				
6 Share index exchanges				
7 Real index exchanges				
8 Futures				
9 Options cap				
- Acquirments				
- Issued				
10 Options floor				
- Acquirments				
- Issued				
11 Other options				
- Acquirements				
- Plain Vanilla				
- Exotics				
Issued				
- Plain Vanilla				
- Exotics				
12 Future Contracts				
- Acquirements				
- Sales				
- Currencies against currencies				
13 Other derivative contracts				
Total		257,547		
Average values	1,673	282,677	6,805	

A.2 BANKING PORTFOLIO: AVERAGE NOTIONAL VALUES (AT THE END OF THE PERIOD)

A.2.1 Hedging

Type of transactions / Underlyings	Debt securities and interest rates		Equity securities and share index	
	Listed	Unsettled	Listed	Unsettled
1 Forward rate agreement				
2 Interest rate swap				
3 Domestic currency swap				
4 Currency interest rate swap				
5 Basis swap				
6 Share index exchanges				
7 Real index exchanges				
8 Futures				
9 Options cap				
- Acquirments				
- Issued				
10 Options floor				
- Acquirments				
- Issued				
11 Other options				
- Acquirements				
- Plain Vanilla				
- Exotics				
Issued				
- Plain Vanilla				
- Exotics				
12 Future Contracts				
- Acquirements				
- Sales				
- Currencies against currencies				
13 Other derivative contracts				
Total				
Average values				

Currency rates and gold		Other values		Total 2008		Total 2007	
Listed	Unsettled	Listed	Unsettled	Listed	Unsettled	Listed	Unsettled

A.2.2 Other derivatives

Type of derivatives / Underlyings	Debt securities and interest rates		Equity securities and share index		Currency rates and gold		Other values		Total 2008		Total 2007	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1 Forward rate agreement												
2 Interest rate swap												
3 Domestic currency swap												
4 Currency interest rate swap												
5 Basis swap												
6 Share index exchanges												
7 Real index exchanges												
8 Futures												
9 Options cap												
- Acquirments												
- Issued												
10 Options floor												
- Acquirments												
- Issued												
11 Other options												
- Acquirements												
- Plain Vanilla												
- Exotics												
Issued												
- Plain Vanilla												
- Exotics												
12 Future Contracts												
- Acquirements												
- Sales												
- Currencies against currencies												
13 Other derivative contracts												
Total												
Average values												

A.3 FINANCIAL DERIVATIVES: PURCHASE AND SALE OF UNDERLYINGS

Type of derivatives / Underlyings	Debt securities and interest rates		Equity securities and share index		Currency rates and gold		Other values		Total 2008		Total 2007	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
A Supervisory trading portfolio		257,547				1,232,933				1,490,480	715	603,986
1 Transactions with equity exchange						1,232,933				1,232,933	715	225,282
- Purchases						574,861				574,861		
- Sales						656,123				656,123	715	103,979
- Currencies against currencies						1,949				1,949		121,303
2 Transactions without equity exchange		257,547								257,547		378,704
- Purchases		5,000								5,000		58,397
- Sales		252,547								252,547		320,307
- Currencies against currencie												
B Banking portfolio:												
B1 Hedging												
1 Transactions with equity exchange												
- Purchases												
- Sales												
- Currencies against currencies												

2 Transactions without equity exchange
- Purchases
- Sales
- Currencies against currencies

B2 Other derivatives

1 Transactions with equity exchange
- Purchases
- Sales
- Currencies against currencies

2 Transactions without equity exchange
- Purchases
- Sales
- Currencies against currencies

A.4 Financial derivatives“over the counter” : positive fair value – Counterparty risk

Counterparties / Underlyings	Debt securities and interest rates			Equity securities and share index			Currency rates and gold			Other values			Different underlyings	
	Gross not netted	Gross netted	Future exposure	Gross not netted	Gross netted	Future exposure	Gross not netted	Gross netted	Future exposure	Gross not netted	Gross netted	Future exposure	Netted	Future exposure
A Supervisory trading portfolio														
A1 Governments and central banks														
A2 Public entities														
A3 Banks	214		700				16,728		5,219					
A4 Financial companies														
A5 Insurance undertakings														
A6 Non financial companies							892		295					
A7 Other														
Total 2008	214		700				17,620		5,514					
Total 2007	1,419		457				2,238		950					
B Banking portfolio:														
B1 Governments and central banks														
B2 Public entities														
B3 Banks														
B4 Financial companies														
B5 Insurance undertakings														
B6 Non financial companies														
B7 Other														
Total (B)														

A.5 Financial derivatives“over the counter” : negative fair value – financial risk

Counterparties / Underlyings	Debt securities and interest rates			Equity securities and share index			Currency rates and gold			Other values			Different underlyings	
	Gross not netted	Gross netted	Future exposure	Gross not netted	Gross netted	Future exposure	Gross not netted	Gross netted	Future exposure	Gross not netted	Gross netted	Future exposure	Compensato	Esposizione futura
A Supervisory trading portfolio														
A1 Governments and central banks														
A2 Public entities														
A3 Banks	3,633		550				15,779		2,771					
A4 Financial companies														
A5 Insurance undertakings														
A6 Non financial companies							1,739		847					
A7 Other														
Total 2008	3,633		550				17,518		3,618					
Total 2007	763		255				1,946		844					
B Banking portfolio:														
B1 Governments and central banks														
B2 Public entities														
B3 Banks														
B4 Financial companies														
B5 Insurance undertakings														
B6 Non financial companies														
B7 Other														
Total (B)														

A.6 Residual maturity of financial derivatives “over the counter”: notionals values

Underlyings / Residual maturity	Up to 1 year	over 1 year and up to 5	Over 5 Years	Total
A Supervisory trading portfolio	1,440,460	5,000	45,019	1,490,479
A1 Financial derivatives on debt securities and interest rates	207,528	5,000	45,019	257,547
A2 Financial derivatives on equity securities and equity indices				
A3 Financial derivatives on exchange rates and gold	1,232,932			1,232,932
A4 Financial derivatives on other assets				
B Banking portfolio				
B1 Financial derivatives on debt securities and interest rates				
B2 Financial derivatives on equity securities and equity indices				
B3 Financial derivatives on exchange rates and gold				
B4 Financial derivatives on other assets				
Total	1,440,460	5,000	45,019	1,490,479

B. Credit Derivatives

B.1 CREDIT DERIVATIVES: NOTIONAL AND BOOK VALUES

Categories of transactions	Supervisory trading portfolio		Other transactions	
	Individual party	More than one party (basket)	Individual party	more than one party (basket)
1 Purchases of protection				
1.1 With equity exchange (with specific indication of the contract forms)				
1.2 Without equity exchange (with specific indication of the contract forms)				
Total				
Average values				
2 Sales of protection				
2.1 With equity exchange (with specific indication of the contract forms)			2,500	
2.2 Without equity exchange (with specific indication of the contract forms)				
Total 2008			2,500	
Total 2007			2,500	
Average values			2,500	

B.2 CREDIT DERIVATIVES: POSITIVE FAIR VALUE – COUNTERPARTY RISK

Type of transactions / Values	Notional values	Positive Fair value	Future exposure
A	SUPERVISORY TRADING PORTFOLIO		
A.1	Purchases of protection with counterparty		
1	Governments and central banks		
2	Public entities		
3	Banks		
4	Financial companies		
5	Insurance undertakings		
6	Non financial companies		
7	Other		
A.2	Sales of protection with counterparty		
1	Governments and central banks		
2	Public entities		
3	Banks		
4	Financial companies		
5	Insurance undertakings		
6	Non financial companies		
7	Other		
B	BANKING PORTFOLIO		
B.1	Purchases of protection with counterparty		
1	Governments and central banks		
2	Public entities		
3	Banks		
4	Financial companies		
5	Insurance undertakings		
6	Non financial companies		
7	Other		
B.2	Sales of protection with counterparty		
1	Governments and central banks		
2	Public entities		
3	Banks		
4	Financial companies		
5	Insurance undertakings		
6	Non financial companies		
7	Other		
Total			

B.3 CREDIT DERIVATIVES: NEGATIVE FAIR VALUE – FINANCIAL RISK

Type of transactions / Values	Notional values	Negative Fair value
Supervisory trading portfolio		
1 Purchases of protection with counterparty		
1.1 Governments and central banks		
1.2 Public entities		
1.3 Banks		
1.4 Financial companies		
1.5 Insurance undertakings		
1.6 Non financial companies		
1.7 Other		
Total		

B.4 RESIDUAL MATURITY OF DRIVATIVE CONTRACTS: NOTIONAL VALUES

Underlyings / Residual maturity	Up to 1 year	over 1 year and up to 5	Over 5 Years	Total
A Supervisory trading portfolio				
A1 Credit derivatives with "reference obbligation" "qualified"				
A2 Credit derivatives with "reference obbligation" "not qualified"				
B BANKING PORTFOLIO				
B1 Credit derivatives with "reference obbligation" "qualified"	2,500			2,500
B2 Credit derivatives with "reference obbligation" "not qualified"	2,500			2,500
Total 2008	2,500			2,500
Total 2007		2,500		2,500

Section 3 –Liquidity Risk

QUALITATIVE INFORMATION

A. General aspects

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

Banca UBAE relies on Master Finance to monitor liquidity (ie, mismatchings between incoming and outgoing cash flows for any given maturity). For ICAAP purposes, it is acting as a pilot bank in a SEC-sponsored project geared to implementing ERMAS, a product supplied by Prometeia which enables both the construction of daily and monthly ladders and the performance of stress tests to evaluate exposure to liquidity risk.

B. Risk management processes and measuring methods

Banca UBAE invests primarily on the interbank money market. Risk Management and the Capital Markets Division are constantly evaluating the possibility of securing special credit lines to deal with potential liquidity crises. Besides, the Middle Office periodically verifies the existence of an "active market" for the financial instruments in the HFT portfolio so that any risk that an asset might not be amenable to liquidation is duly monitored.

Again for ICAAP purposes, Risk Management has begun to monitor cash flow by temporal brackets and is in the process of designing specific policies and contingency planning with respect to liquidity risk.

QUANTITATIVE INFORMATION

1. Temporal distribution for contract residual duration of financial assets/liabilities – denomination value: EURO - ECU

Items/ Temporal bracket	On sight	over 1 up to 7 days	Over 7 up to 15 days	Over 15 days up to 1 month	Over 1 up to 3 months	Over 3 up to 6 months	Over 6 months up to 1 year	Over 1 up to 5 years	Over 5 Years	indefinite
A Cash assets	3,446	244,401	191,846	131,968	785,013	194,784	208,709	388,271	71,645	92,420
A1 Government securities								205	504	
A2 Listed debt securities						2,611		40,838	67,265	
A3 Other debt securities								822		
A4 Units collective investment undertakings										
A5 Loans	3,446	244,401	191,846	131,968	785,013	192,172	208,709	346,406	3,876	92,420
- Banks	2,510	211,517	189,538	121,404	749,532	182,993	202,201	313,834		
- Customers	936	32,884	2,308	10,564	35,481	9,180	6,508	32,572	3,876	92,331
B Cash liabilities	559,046	272,672	441,285	301,268	804,129	3,239	11,761	40,609	70,010	89
Deposits	559,046	272,672	441,285	301,268	804,129	3,239	11,761	40,609	70,010	
B1 - Banks	503,416	271,073	440,528	301,024	803,838	3,087	11,761			
- Customers	55,630	1,599	757	244	291	152				
B2 Debt securities										
B3 Other liabilities										
C "Off-balance" transactions	2,250	478,080	91,593	430,501	122,386	39,354	56,088			
C1 Financial derivatives with equity exchange		478,080	91,593	430,501	117,386	39,354	53,838			
+ Long of stock		365,742	46,593	183,865	1,886	20,965	27,191			
+ Short of stock		112,338	45,000	246,636	115,500	18,389	26,647			
C2 Financial deposits to receive										
+ Long of stock										
+ Short of stock										
C3 Irrevocables commitment to disburse funds	2,250				5,000		2,250			
+ Long of stock					2,500		2,250			
+ Short of stock	2,250				2,500					

2. Temporal distribution for contract residual duration of financial assets/liabilities –
denomination value: US Dollar - USD

Items/ Temporal bracket	On sight	over 1 up to 7 days	Over 7 up to 15 days	Over 15 days up to 1 month	Over 1 up to 3 months	Over 3 up to 6 months	Over 6 months up to 1 year	Over 1 up to 5 years	Over 5 Years	indefinite
A Cash assets	283,401	53,164	135,836	520,008	89,013	27,145	92,944	42,795	6,933	
A1 Government securities										
A2 Listed debt securities								2,764	5,833	
A3 Other debt securities										
A4 Units collective investment undertakings										
A5 Loans	283,401	53,121	135,836	520,008	89,013	27,145	92,944	40,031	1,100	
- Banks	276,902	18,171	135,836	519,008	68,202	27,145	92,944	38,600	1,100	
- Customers	6,499	34,950		1,000	20,811			1,431		
B Cash liabilities	319,718	86,442	69,730	537,213	136,738	2,161				
B1 Deposits	319,718	86,442	69,730	537,213	136,738	2,161				
- Banks	313,238	86,429	69,703	536,775	136,734	2,161				
- Customers	6,480	13	27	438	4					
B2 Debt securities										
B3 Other liabilities										
C "Off-balance" transactions		554,985	93,093	421,952	196,112	36,134	55,611			
C1 Financial derivatives with equity exchange		478,710	91,038	421,952	121,892	36,134	55,611			
+ Long of stock		110,287	45,520	243,313	121,892	18,067	28,239			
+ Short of stock		368,423	45,518	178,639		18,067	27,372			
C2 Financial deposits to receive		76,275	2,055		74,220					
+ Long of stock		76,275								
+ Short of stock			2,055		74,220					
C3 Irrevocables commitment to disburse funds										
+ Long of stock										
+ Short of stock										

3. Temporal distribution for contract residual duration of financial assets/liabilities –
denomination value: Pound Sterling - GBP

Items/ Temporal bracket	On sight	over 1 up to 7 days	Over 7 up to 15 days	Over 15 days up to 1 month	Over 1 up to 3 months	Over 3 up to 6 months	Over 6 months up to 1 year	Over 1 up to 5 years	Over 5 Years	indefinite
A Cash assets	235	169		577	873				1	
A1 Government securities										
A2 Listed debt securities										
A3 Other debt securities										
A4 Units collective investment undertakings										
A5 Loans	235	169		577	873				1	
- Banks	235			577	653					
- Customers		169			220				1	
B Cash liabilities	513			599	785					
B1 Deposits	513			599	785					
- Banks	482			578	653					
- Customers	31			21	132					
B2 Debt securities										
B3 Other liabilities										
C "Off-balance" transactions										
C1 Financial derivatives with equity exchange + Long of stock + Short of stock										
C2 Financial deposits to receive + Long of stock + Short of stock										
C3 Irrevocables commitment to disburse funds + Long of stock + Short of stock										

4. Temporal distribution for contract residual duration of financial assets/liabilities – denomination value: Suisse Franc - CHF

Items/ Temporal bracket	On sight	over 1 up to 7 days	Over 7 up to 15 days	Over 15 days up to 1 month	Over 1 up to 3 months	Over 3 up to 6 months	Over 6 months up to 1 year	Over 1 up to 5 years	Over 5 Years	indefinite
A Cash assets	1,171		3,368							
A1 Government securities										
A2 Listed debt securities										
A3 Other debt securities										
A4 Units collective investment undertakings										
A5 Loans	1,171		3,368							
- Banks	1,171		3,368							
- Customers										
B Cash liabilities	4,466									
B1 Deposits	4,466									
- Banks	3,928									
- Customers	538									
B2 Debt securities										
B3 Other liabilities										
C “Off-balance” transactions										
C1 Financial derivatives with equity exchange										
+ Long of stock										
+ Short of stock										
C2 Financial deposits to receive										
+ Long of stock										
+ Short of stock										
C3 Irrevocables commitment to disburse funds										
+ Long of stock										
+ Short of stock										

5. Temporal distribution For contract residual duration of financial assets/liabilities –
denomination: Yen Japan - JPY

Items/ Temporal bracket	On sight	over 1 up to 7 days	Over 7 up to 15 days	Over 15 days up to 1 month	Over 1 up to 3 months	Over 3 up to 6 months	Over 6 months up to 1 year	Over 1 up to 5 years	Over 5 Years	indefinite
A Cash assets	201	416	911	546	2,254	2,748	1,134			
A1 Government securities										
A2 Listed debt securities										
A3 Other debt securities										
A4 Units collective investment undertakings										
A5 Loans	201	416	911	546	2,254	2,748	1,134			
- Banks	201	416	911	546	2,254	2,748	1,134			
- Customers										
B Cash liabilities	281									
B1 Deposits	281									
- Banks	281									
- Customers										
B2 Debt securities										
B3 Other liabilities										
C "Off-balance" transactions		556	1,943	159	1,177	2,658	843			
C1 Financial derivatives with equity exchange + Long of stock + Short of stock		556	1,943	159	1,177	2,658	843			
C2 Financial deposits to receive + Long of stock + Short of stock Irrevocables		556	1,943	159	1,177	2,658	843			
C3 commitment to disburse funds + Long of stock + Short of stock										

6. Temporal distribution For contract residual duration of financial assets/liabilities – denomination: Zloty Poland - PLN

Items/ Temporal bracket	On sight	over 1 up to 7 days	Over 7 up to 15 days	Over 15 days up to 1 month	Over 1 up to 3 months	Over 3 up to 6 months	Over 6 months up to 1 year	Over 1 up to 5 years	Over 5 Years	indefinite
A Cash assets	4	218			956					
A1 Government securities										
A2 Listed debt securities										
A3 Other debt securities										
A4 Units collective investment undertakings										
A5 Loans	4	218			956					
- Banks	4									
- Customers		218			956					
B Cash liabilities										
Deposits										
B1 - Banks										
- Customers										
B2 Debt securities										
B3 Other liabilities										
C “Off-balance” transactions		542			973					
C1 Financial derivatives with equity exchange		542								
+ Long of stock		181								
+ Short of stock		361			973					
Financial deposits to receive										
C2 + Long of stock										
+ Short of stock										
Irrevocables										
commitment to disburse funds										
C3 + Long of stock										
+ Short of stock										

7. Temporal distribution For contract residual duration of financial assets/liabilities – denomination value: other currencies

Items/ Temporal bracket	On sight	over 1 up to 7 days	Over 7 up to 15 days	Over 15 days up to 1 month	Over 1 up to 3 months	Over 3 up to 6 months	Over 6 months up to 1 year	Over 1 up to 5 years	indefinite
A Cash assets	518		6	2,076					
A1 Government securities									
A2 Listed debt									
A3 Securities									
A4 Other debt securities									
A5 Units collective investment undertakings									
A6 Loans	518		6	2,076					
- Banks	518								
- Customers			6	2,076					
B Cash liabilities	279								
B1 Deposits	279								
- Banks	279								
- Customers									
B2 Debt securities									
B3 Other liabilities									
C "Off-balance" transactions				20,665					
C1 Financial derivatives with equity exchange				20,665					
+ Long of stock				9,311					
+ Short of stock				11,354					
C2 Financial deposits to receive									
+ Long of stock									
+ Short of stock									
C3 Irrevocables commitment to disburse funds									
+ Long of stock									
+ Short of stock									

8. Distribution of financial liabilities

Exposures/ Counterparty	Gov. and central banks	Public entities	Financial companies	Insurance undertakings	Non financial companies	Other
1 Due to customers		9,651	3,740	13	44,000	8,953
2 Securities in issue						
3 Financial liabilities held for trading					1,739	
4 Financial liabilities at fair value						
Total 2008		9,651	3,740	13	45,739	8,953
Total 2007		5,487	12,068	8,570	89,804	8,649

9. Sectorial distribution of financial liabilities

Exposures/ Counterparty	Italy	Other european countries	America	Asia	Rest of the world
1 Due to customers	33,140	4,854	951	2,996	24,416
2 Due to banks	5,957	316,852		1,738,777	1,535,001
3 Securities in issue					
4 Financial liabilities held for trading	1,631	11,955		33	7,532
5 Financial liabilities at fair value					
Total 2008	40,728	333,661	951	1,741,806	1,566,949
Total 2007	22,194	102,949	9,127	1,116,841	1,194,229

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 smoothness of all processes, the Regulatory Development Department conducts yearly self risk assessment sessions with backing from the Risk Management Department. The sessions involve the heads of the Bank's main business and supporting units and are meant i) to identify the areas where operational risk is a potential problem, ii) to devise the appropriate remedies.

Before any new products or services are introduced, a thorough assessment of the risks associated with the new activity is drawn up by the Capital Markets Division jointly with the Organization & IT Division, Risk Management and the Internal Auditing Department, and is then submitted to the Management.

QUANTITATIVE INFORMATION

Section 5 – Other Risk – Counterparty And Settlement Risk

QUALITATIVE INFORMATION

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

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

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

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

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

Approach of a pre-established percentage (90%) of any given limit triggers a warning signal so that the situation can be duly analyzed and appropriate action taken including, possibly, a freeze on dealings with the counterparty concerned.

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

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

QUANTITATIVE INFORMATION

PART F

INFORMATION ON SHAREHOLDERS' EQUITY

Section 1 – Shareholders' equity of the Company

A QUALITATIVE INFORMATION

B QUANTITATIVE INFORMATION

Section 2 – Regulatory capital and capital ratios

2.1 Regulatory capital

A. QUALITATIVE INFORMATION

1. Tier 1 capital

2. Tier 2 capital

3. Tier 3 capital

B. QUANTITATIVE INFORMATION

2.1 Regulatory capital

	Total 2008	Total 2007
A Tier 1 capital before prudential filters	184,599	176,607
B. Tier 1 capital prudential filters		0
B.1 - positive IAS/IFRS prudential filters		0
B.2 - negative IAS/IFRS prudential filters		0
C. Tier 1 capital before deductible items (A+B)	184,599	176,607
D. Tier 1 deductible items		0
E Total capital (TIER1)(C-D)	184,599	176,607
F TIER 2 capital before prudential filters	92,300	39,200
G. Tier 2 capital prudential filters		0
G.1 - positive IAS/IFRS prudential filters		0
G.2 - negative IAS/IFRS prudential filters		0
H Tier 2 capital before deductible item (F+G)	92,300	39,200
J Item to be deducted from Tier 2 capital		0
L Total Tier 2 capital (h-j)	92,300	39,200
M Items to be deducted from Tier 1 and Tier 2 combined tota		
N Eligible capital (E+L-M)	276,899	215,807
O Tier 3 capital (TIER 3)	1,100	0
P Eligible capital inclusive of TIER 3 capital (N+O)	277,999	215,807

2.2 Capital adequacy

A. QUALITATIVE INFORMATION

B. QUANTITATIVE INFORMATION

Categories/Values		Non-Weighted amount		Weighted amount	
		Total 2008	Total 2007	Total 2008	Total 2007
A	RISK ASSETS				
A1	Credit and counterparty risk				
1	Standard methodology	10,902,269	5,589,066	1,579,327	907,282
2	Methodology based on Internal ratings				
2.1	based				
2.2	advanced				
3	Securitized assets	2,222	0	27,779	0
B	CAPITAL REQUIREMENTS				
B1	Credit and counterparty risk			128,568	72,583
B2	Market risk			2,407	4,320
1	Standard Methodology			2,407	4,320
2	Internal Models				
3	Credit concentration Risk				
B.3	OPERATIONAL RISK			6,450	0
1	Basic indicator approach			6,450	0
2	Standardized approach				
3	advanced method				
B4	Other capital requirements			0	1,085
B5	TOTAL CAPITAL REQUIREMENTS			137,425	77,988
C	RISK ASSETS AND CAPITAL RATIOS				
C1	Risk weighted assets			1,717,818	974,842
C2	Tier 1 capital ratio (Tier 1 capital/risk weighted assets)			10,75	18,12
C3	Total capital ratio (Eligible capital/risk weighted assets)			16,18	22,14

PART G

AGGREGATE TRANSACTIONS RELATED TO UNDERTAKINGS OR SECTOR UNDERTAKINGS

Section 1 Transactions realized during the period

1.1 AGGREGATE TRANSACTIONS

1.2 OTHER INFORMATION ON AGGREGATE TRANSACTIONS

1.2.1 Goodwill yearly changes

1.2.2 other

Section 2 Transactions realized after the period

2.1 AGGREGATE TRANSACTIONS

PART H

TRANSACTIONS WITH RELATED PARTY

1. Information on the compensation of directors and management

The table below shows outlays in favour of the Board of Directors, Board of Auditors, and Management.

Description		2008
(1) Short-term benefits		1,901
- Directors	806	
- Auditors	113	
- Management	982	
(2) Post-severance benefits		51
(3) Other benefits		228

(1) fixed and variable amounts payable to Directors and Auditors plus Management salaries and social charges

(2) Bank's contribution to severance-payment allocations

(3) any other benefits sanctioned by the law and the Internal Regulations including Directors' travel expenses

2. Information on transactions with related parties

2.1 Dealings with the lead shareholder

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

Description	31/12/2008
Financial assets	76,070
Financial liabilities	1,201,170
Guarantees outstanding	78,065

PART I

PAYMENT AGREEMENTS BASED ON OWN CAPITAL INSTRUMENTS

A. QUALITATIVE INFORMATION

1. Description of payment agreements based on own capital instruments

B. QUANTITATIVE INFORMATION

1. Yearly changes

Items / Number of options and period prices	Total 2008			Total 2007		
	Number of options	Average period prices	average maturity	Number of options	Average period prices	average maturity
A Opening balance						
B Increases						
B1 New issues						
B2 Other changes						
C Decreases						
C1 Cancelled						
C2 Exercised						
C3 Lapsed						
C4 Other changes						
D Closing balance						
E Options exercitables at the end of the period						

RESOLUTIONS PASSED BY THE ANNUAL GENERAL MEETING OF SHAREHOLDERS

Rome, 30 April 2009

AGENDA

1. Review and approval of the accounts for the financial year ended 31 December 2008 and of the Annual Report on operations
2. Statutory Auditors' report
3. Independent Auditors' report
4. Proposal for the allocation of net profit and resolutions pertaining thereto
5. Grant of a remuneration to Directors in relation to 2008 profit results
6. Appointment of the Board of Directors for the period 2009-2011 and determination of their yearly emoluments in accordance with articles 15 and 21 of the Articles of Association
7. Appointment of the Board of Auditors for the period 2009-2011 and determination of their yearly emoluments in accordance with art. 28 of the Articles of Association
8. Appointment of independent auditors for the period 2009-2011 and determination of their remuneration

Having taken cognizance of the Directors' Annual Report, the Statutory Auditors' report and the Independent Auditors' report accompanying the accounts for the year ended 31 December 2008, the AGM unanimously:

- **approved** the Annual Report and Financial Statements for the year to 31 December 2008 and discharged the Board of Directors of any liability in relation thereto;

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

- Net profit	Eur 7,824,653.00
- 5 % to Legal Reserve (art. 30, para. a) of the Articles of Association)	<u>Eur 391,500.00</u>
- Residual gain	Eur 7,433,153.00
- Retained profit	<u>Eur 3,251.23</u>
	Eur 7,436,404.23
- Appropriation to Extraordinary Reserve (art. 30, para. b) of the Articles)	<u>Eur 7,436,330.00</u>
- Profit to be retained	Eur 74.23

Following such allocation, reserves will total EUR 41,471,479.90. Shareholders' equity (comprising share capital, reserves and the share premium account) will add up to EUR 185,095,949.90.

The AGM moreover:

- **unanimously approved** the following appointments to the Board of Directors for the period 2009-2011: Mr. Abdullatif El Kib as Chairman of the Board alongside Messrs. Yousef A. Abdelmaula, Ahmed S. Abusnina, Selim K. Ihmouda and Saleh A. Keshlaf representing Libyan Foreign Bank; Mr. Abdellatif Jouahri representing Bank Al Maghrib and Banque Marocaine du Commerce Extérieur; Mr. Alberto Rossetti representing UniCredit; Mr. Ernesto Formichella representing SOFID-Società Finanziamenti Idrocarburi; Mr. Luca Bonechi representing Sansedoni, Telecom Italia and Intesa Sanpaolo.
The AGM acknowledged, furthermore, that National Société Générale Bank had chosen, for the time being at least, not to designate any directors for Banca UBAE's Board. That did not rule out the possibility that the Egyptian Shareholder might do so in future, subject to the relevant provisions of the law;
- **appointed** the following Auditors for the period 2009-2011: Mr. Marco Leotta as Chairman of the Board of Auditors, Messrs. Cosimo Vella and Fernando Carpentieri as Statutory Auditors, Messrs. Fabio Gallassi and Giorgio Cattan as Alternate Auditors;
- **resolved** that BDO Sala Scelsi Farina SpA should be engaged to provide an independent audit of the Bank's financial statements for financial years 2009, 2010 and 2011.

The AGM thanked the entire Board of Directors for its stewardship and commitment to the Bank's continued growth. In particular, the AGM expressed its gratitude to outgoing Directors Hadi Coobar, Mohamed Madboly, Paolo Fagorzi and Vito U. Vavalli for their competent and assiduous contribution to the conduct of the Bank's affairs, as well as to Mr. Michele Bianco for the constant support he had offered the Bank and its governing bodies during his tenure as Auditor. Lastly, the AGM commended the Management and all staff members, whose work underpinned the Bank's year-end result.

RESOLUTIONS PASSED BY THE EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS Rome, 30 April 2009

AGENDA

- A) Proposal to increase share capital from EUR 143,624,470.00 to EUR 151,060,800.00 by issuing 67,603 new free common shares of EUR 110.00 each to the Bank's Shareholders in proportion to their respective current holdings
- B) Amendment to art. 6 of the Articles of Association

By a unanimous vote expressed as stipulated by the law, the EGM

RESOLVED

1. to increase the Bank's capital, on a bonus basis, from EUR 143,624,470.00 to EUR 151,060,800.00 by drawing on the Extraordinary Reserve, whose residual amount would thus be EUR 7,730,120.00; for this purpose, to issue 67,603 free common shares of EUR 110.00 each to the Bank's existing Shareholders in proportion to their current stakes, that is:

- 33,754 shares to Libyan Foreign Bank
- 11,912 shares to National Société Générale Bank
- 7,294 shares to UniCredit SpA
- 3,644 shares to SOFID SpA
- 3,150 shares to Bank Al Maghrib
- 2,934 shares to Banque Marocaine du Commerce Extérieur
- 2,481 shares to Sansedoni SpA
- 1,217 shares to Intesa Sanpaolo SpA
- 1,217 shares to Telecom Italia SpA

2. consequently to amend art. 6 of the Articles of Association so that it should read as follows:

"Article 6

Company capital

The share capital of the Bank is 151,060,800 (one hundred and fifty-one million sixty thousand eight hundred) euros divided into 1,373,280 (one million three hundred and seventy-three thousand two hundred and eighty) registered shares of 110 (one hundred and ten) euros each.

In accordance with the resolution passed by the extraordinary general meeting of shareholders on 27 April 2001, share capital increased to a maximum of 248,741,240 euros solely in connection with and for the purposes of exercising the right to subscribe common shares for a maximum total of 1,000,000 common shares, which shall be reserved for the holders of "Warrants for Banca UBAE SpA Common Shares 2001/2011" as referred to in the aforesaid resolution, on the terms stipulated therein, it being understood that such capital increase shall be deemed irrevocable throughout the subscription period and up to the established final expiry date, and shall be restricted to the amount of shares resulting from the exercise of the aforesaid subscription rights.

Unquote



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