BANCA UBAE

مصرف اليوباي

Since 1972

2014 Annual Report & Financial Statements
Forty-Second Financial Year

Mission

Identify the best banking solutions
globally and locally,
for our customers
international oriented.

Vision

Be the best bank in Italy
specialising in the support
of businesses active in Middle East,
North Africa and especially Libya.

Strategy

Pursue sustainable growth
in the long run, creating value
for our customers, shareholders
and employees.

Share Capital (fully paid up)	Eur 151,060,800
Reserves (as at 31 December 2014)	Eur 57,423,116

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

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New branch premises in via XX Settembre, Rome

HEAD OFFICE

Addresses	Via Quintino Sella, 2 00187 Rome, Italy
P.O. Box	290
Telephone	+39 06 423771
Cable	UBAE ROMA
Fax	+39 06 42046415
Swift	UBAI IT RR
Web	www.bancaubae.it

MILAN BRANCH

Addresses	Piazza A. Diaz, 7 20123 Milan, Italy
Telephone	+39 02 7252191
Cable	UBAE MILANO
Fax	+39 06 4204641
Swift	UBAI IT RR MIL

TRIPOLI (Libya) REPRESENTATIVE OFFICE

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

BOARD OF DIRECTORS 2012-2014

Chairman Abdullatif El Kib *
Vice Chairman Alberto Rossetti *

Directors

Omran M. Abosrewil *	Omran M. Elshaibi
Radaedin M. Banuga (1)	Ernesto Formichella *
Mohamed Benchaaboun	Abdusslam A. Gehawe
Luigi Borri	Elamari M.A.Mansur (2)
Abdelrazak M. Elhoush *	Ahmed A. Omar Ragib * (1)
Abdulhakim M.Eljabou (2)	

** Member of the Executive Committee*

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

BOARD OF AUDITORS **

Chairman	Statutory Auditors	Alternate Auditors
Fabio Gallassi (3)	Francesco Rocchi (2)	Carlo Mazzetti (2)
	Cosimo Vella	Daniele Terenzi

*** Members of the Supervisory Body, legislative decree no. 231/2001*
The shareholders' meeting on 16 May 2014 ratified the appointment of members of the Auditing Board as members of the Supervisory Body, legislative decree no. 231/2001 (deliberated by the 192nd Board of Directors on 3 May 2013).

(1) Handed in resignation on 27 March 2014
(2) Appointed by shareholders' meeting on 16 May 2014
(3) Appointed by shareholders' meeting on 16 May 2014 replacing Mr. Cosimo Vella

GENERAL MANAGEMENT

General Manager	Mario Sabato
Deputy General Manager	Ezzedden Amer
Assistant General Manager/Operations Area	Adel Aboushwesha

Area Managers

Chief Commercial Officer	Massimo Castellucci
Chief Administrative Officer	Fabio Fatuzzo
Credit & Risk Area Chief Officer	Giovanni Gargasole
Human Resources	Barbara Camilli
Internal Audit	Mirella Biasco
Compliance & Money-Laundering Prevention	Annabella Colesanti
Risk Management	Alessia Monterosso
Representative Tripoli Office	Mahmud Ali Elesawi

KEY COMPANY DATA AND FINANCIAL/ECONOMIC RATIOS

Board of Directors

EUR /000

Financial data	1 MAR 2012 31 DEC 2012	31 DEC 2013	31 DEC 2014
FINANCIAL ASSETS	494,247,213	368,294,291	495,783,442
BANKS FINANCING	219,153,986	200,706,221	322,949,190
DEPOSITS TO BANKS	1,107,986,117	736,417,903	1,905,077,140
CUSTOMER FINANCING	502,804,813	385,396,142	446,164,551
EARNING ASSETS	2,324,192,129	1,690,814,557	3,169,974,323
TOTAL ASSETS	2,377,071,704	1,741,190,063	3,392,055,257
DEPOSITS FROM BANKS	1,077,961,227	1,004,825,000	2,673,179,411
FREE DEPOSITS AND A/C WITH BANKS	503,354,583	285,400,065	323,470,649
SUBORDINATED LOANS	100,120,771	100,110,386	100,000,000
CUSTOMER FUNDING	442,710,367	111,673,358	149,384,820
TOTAL FUNDING	2,124,146,948	1,502,008,809	3,246,034,880
RESERVES	43,677,511	47,270,594	57,253,002
SHARE CAPITAL	151,060,800	151,060,800	151,060,800
NET PROFIT	15,983,577	10,152,522	9,552,846
GROSS WORTH	210,721,888	208,483,916	217,866,648
NET INTEREST INCOME	24,759,729	26,308,875	22,745,387
NET COMMISSIONS	15,564,578	12,800,450	18,321,609
NET FINANCIAL INCOME	2,087,338	-132,540	1,851,150
NET TRADING INCOME	42,411,645	38,976,785	42,918,146
OPERATING CHARGES	-22,377,904	-27,047,743	-28,790,865
NET OPERATING PROFIT	20,033,741	11,929,042	14,127,281
NET PROFIT	15,983,577	10,152,522	9,552,846
TURNOVER LETTERS OF CREDIT OIL	804,068,000	1,499,080,000	993,710,000
TURNOVER LETTERS OF CREDIT NO OIL	496,031,000	1,037,670,000	1,607,970,000
TURNOVER GUARANTEES	128,223,911	166,356,350	281,374,620
OUTSTANDING GUARANTEES	342,560,880	337,625,650	424,990,450
GROSS WORTH/TOTAL ASSETS	9.00%	11.97%	6.42%
LOANS/DEPOSITS RATIO	45.66%	45.43%	25.67%
INTERBANK RATIO	83.93%	72.63%	74.35%
IMPAIRED LOANS/EARNING ASSETS	0.22%	0.13%	0.55%
ROE NET PROFIT/PAID CAPITAL	11.43%	6.05%	5.69%
ROA NET PROFIT/TOTAL ASSETS	0.81%	0.58%	0.28% (*)
OPERATING CHARGES /NET TRADING INCOME	52.76%	69.39%	67.08%
NET PROFIT/NUMBER OF EMPLOYEES	115,544	60,074	70,762
NUMBER OF EMPLOYEES	166	169	180
TOTAL CAPITAL RATIO	17.54%	24.27%	18.03%
TIER I CAPITAL RATIO	11.68%	16.36%	13.04%
ELIGIBLE NET WORTH	294,832,554	306,996,148	289,377,942

(*) as per art. 90-CRD IV (Capital Requirements Directives)

ANNUAL REPORT 2014

Mr. Abdullatif El Kib

CHAIRMAN'S STATEMENT

To all shareholders

Despite some positive signs, the recovery of the global economy is still accompanied by marked uncertainty. During the last quarter of 2014, while the US economy benefited from speeding up beyond expectations, growth in other countries remained sluggish not only due to the persistent weakness of the Eurozone and Japan, but also to the slowdown in China and the sharp downturn in Russia.
In the Eurozone, manufacturing activity is still struggling to regain a satisfactory pace while unemployment remains high. The gross domestic product (GDP) remains low, influenced by the poor performance of countries directly affected by the sovereign debt crisis. The reported GDP change in 2014 was 0.8% approx with a forecast of slight growth in 2015 (+1.1% approx) and in 2016 (+1.5% approx).
The main risks for the Eurozone remain the economic fragility, the sovereign debt crisis and the vulnerability of banks.
Italy is among the countries struggling to start a recovery. The GDP, which has been weakening for more than three years, declined even further in 2014 (- 0.4%). However, reliable authorities predict growth in 2015 (+0.4%) and in 2016 (+1.2%).

Against this background of uncertainty, the European Central Bank (ECB) announced an exceptional plan in January 2015 to purchase government bonds issued by public agencies in the Eurozone. Following this decision, taking into account the drop in crude oil prices and the devaluation of the euro, Italy's GDP could benefit from further upward pressure by achieving 0.8% in 2015 and 1.2% in 2016.

In addition, it is estimated that the ECB's expansionary measures will contribute significantly to the revival of the real economy, with immediate effect on corporate profitability with lower interest rates, leading to improvement in creditworthiness.
An important role for the revival of the Italian economy will be played by the banks to recover domestic demand for loans while maintaining tight control over risks and strengthening the capital base in order to avoid losses that might endanger the first signs of economic recovery. In 2014, as a result of the continuing crisis and its effects, the loan sector risk in Italy increased still further and the ratio of gross non-performing loans stood at around 9%.
Regarding North-African and Middle-Eastern countries – the Bank's traditional markets – their economies may be affected by a weaker recovery than the estimates
made at the time. This is due to the marked reduction in the price of crude oil which will produce negative effects on investments and consequently on imports.

Many of the oil-producing countries – for which oil revenues are generally a substantial proportion of the tax revenue – will have to review their public finances despite the benefits generated by the devaluation of the euro. In some of these countries, difficulties of a purely economic nature are accompanied by political and social problems that will hopefully find an appropriate solution in the course of 2015.
According to forecasts made by the International Monetary Fund, the GDP in the oil-producing area is expected to grow in 2014 (+3.3% approx) compared to 2013 (+2.2%) then reaching 5% approx in 2015.

For these countries, the main challenges in the medium term remain economic diversification and growth of the private sector in order to increase employment.
While Europe continued to suffer from the economic crisis in 2014 as noted above, the banking systems have begun to benefit from the broader responsibilities entrusted to the ECB. In addition to operating as an authority in the field of monetary policy aimed at protecting the stability of the euro and interest rates, the ECB was entrusted with the direct supervision of banking systems in the second half of 2014, thereby assisting financial stability.

Faced with the economic picture of 2014 – certainly not encouraging – the real unknown for 2015 remains the expectation of a robust economic recovery that needs to be accompanied by strict policies for containing public debt and boosting employment.
In this recessionary situation, there are still positive signs such as an improvement in external accounts, a slight upswing in employment for December 2014, and a minimal recovery of inflation.

As shareholders, you will be aware that 2014 was a year in which most economies – global, regional and local – experienced periods of strong economic and political tension. In the short term, they will now have to face exceptional challenges, some of which will be unpopular, in order to achieve growth.
In this context, the Banca UBAE has achieved more than satisfactory financial results given the economic situation described above. In a scenario characterized by many variables, both political and economic, it is difficult to make reliable forecasts. Nevertheless, we are confident that the Bank in 2015 will be able to rely on the strong objectives and strategic guidelines put forward by the governing bodies, together with the support provided by its shareholders. In this sense, the Bank will consolidate its role as an internationally-oriented financial institution with a respected position in the Italian banking community, supporting international- oriented customers and continuing to produce added value.

Mr. Mario Sabato

GENERAL MANAGER'S STATEMENT

Although the persistent economic and financial recession, the Bank achieved positive results from the point of view of income and assets in the year ended 31 December 2014.
During this period, significant organizational changes affected the Bank's structure with the aim of improving efficiency and ensuring consistency with the many regulatory changes and new business strategies put forward by the competent bodies.

At the same time, a number of projects of crucial importance for the future were brought to the attention of the Board of Directors, not only to strengthen business profitability but also to seek a balance between technical and organizational development, internal control structures and launching new business strategies.

The main projects include:

• Completing the transfer of the IT system to the new outsourcer which took place at the end of the first semester 2014 and whose full effects and benefits will be felt during the year 2015;

• Reviewing the corporate organization as well as the Internal Regulations in order to improve the internal control system making it more efficient, and strengthening the commercial structures especially those responsible for building relations with foreign banks, through the creation of specific units staffed by highly qualified personnel;

• Opening new international markets in Asia and Africa, and improving existing and new trade relations with countries such as Albania, Angola, Croatia, Slovenia and Tunisia;

• Joining the circuit of payment cards, with credit cards (American Express) and debit cards (ATM);

• Taking part in the important "Oscar del bilancio" prize event by entering our annual report with the aim of improving external communications and implementing social and industrial relations on the domestic market;

• Signing cooperation agreements with several Italian regional banks in order to maximize the operational capacity of our bank in the international field, especially by issuing international guarantees and confirming letters of credit, for the benefit of exporting companies in the geographical areas of interest;

• Actuating specific development activities towards the many banking institutions subsidiaries of shareholders abroad with the aim of maximizing synergies and business opportunities, especially in Euroland and in Euro currency, thereby creating added value.

Also in 2014, work began on physically relocating the Rome branch (desks and offices) to new premises owned by the Bank on the ground floor along Via XX Settembre in the city centre; the aim is to open the facility in April 2015. This renovated unit will attract the attention of particular customer segments in addition to the corporate clients working with foreign countries, UBAE's traditional core business; potential customers include the numerous members of the diplomatic corps in Rome, accredited either to the Italian State, or to the Vatican and the United Nations FAO.

Another important initiative for 2015 is the start up of factoring activities. The organizational and commercial strategies have already been examined and approved by the Board of Directors. The project will hopefully be finalized by the end of 2015 and, once fully implemented, should help to improve the Bank's profitability.
In the second half of 2014, steps were also taken to complete the quantitative and qualitative analysis of the structures responsible for checks and controls (second and third levels) which led to expansion through the hiring of new qualified staff and the support of external consultants; this expanded unit will enable the Bank to handle the new requirements called for in the regulations issued by the Supervisory Authority.

Referring to the management report for a more detailed analysis of the Bank's accounts, I must emphasize the good results achieved in 2014, all the more satisfactory given the overall context of recession in Italy and Europe.
The allocation of profits, as proposed by the Board of Directors, has boosted the Bank's equity and will help to improve the total capital ratio and "Tier 1" which stand respectively at 18.03% and 13.04% approximately.

Besides, the important role played by our shareholders should be remembered, in particular the Libyan Foreign Bank which offered steady and significant financial support to the Bank during the year under review, in line with the spirit of collaboration and determination to develop the international inter-group work which the Libyan Foreign Bank promotes.

Support provided by the Libyan Foreign Bank also stands out in the extension of the subordinated loan maturing in 2023 and the two security agreements to guarantee new transactions with the Libyan Foreign Bank itself and the companies related to it. The latter will ensure good levels of business for Banca UBAE in full compliance with stringent supervisory regulations which require safeguards not only for capital but also for credit transactions with parties related to the Bank.

Finally, I would like to confirm my appreciation and thanks to all those who have contributed to achieving these positive results, and I reiterate our maximum commitment towards customers, partners, shareholders and all employees.

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

EUR /000

COUNTRIES	2014		2013		2012	
	IMPORTS	EXPORTS	IMPORTS	EXPORTS	IMPORTS	EXPORTS
1) TURKEY	5,705	9,755	5,507	10,084	5,257	10,618
2) UAE	628	5,316	1,299	5,511	651	5,511
3) SAUDI ARABIA	4,191	4,824	5,502	4,503	7,483	4,042
4) ALGERIA	3,833	4,316	6,275	4,268	8,972	3,767
5) SOUTH KOREA	2,343	4,161	2,359	3,805	2,804	3,465
6) TUNISIA	2,205	3,282	2,299	3,220	2,251	3,170
7) INDIA	4,159	3,041	3,976	2,975	3,751	3,349
8) LIBYA	2,396	2,784	1,872	2,835	2,296	2,863
9) EGYPT	4,543	2,209	8,094	2,849	12,874	2,404
10) MALTA	210	1,510	212	1,549	249	1,690
11) MOROCCO	704	1,415	657	1,530	587	1,367
12) LEBANON	30	1,207	43	1,294	34	1,243
13) IRAQ	441	1,156	137	1,055	2,240	1,407
14) QATAR	1,166	1,040	1,704	1,076	2,329	1,026
15) IRAN	3,228	973	2,950	1,270	3,512	634
16) KUWAIT	187	743	142	796	99	835
17) JORDAN	51	530	42	711	54	667
18) OMAN	61	432	54	419	112	560
19) PAKISTAN	557	422	477	430	430	611
20) CYPRUS	39	421	141	435	94	465
21) BANGLADESH	1,057	317	865	273	770	235
22) SRI LANKA	74	225	147	159	161	196
23) BAHRAIN	396	219	318	206	352	206
24) YEMEN	17	178	27	125	61	244
25) SUDAN	18	139	16	136	15	160
26) SYRIA	0	131	2	26	0	26
27) MAURITANIA	9	92	11	146	34	79
28) BURKINA FASO	150	89	193	55	179	58
29) CHAD	15	37	4	38	3	39
TOTAL	38,411	50,964	45,324	51,782	57,654	50.937
UBAE'S SHARE	405	1,676	774	1,500	1,042	2.022
%	1.05	3.29	1.71	2.90	1.81	3.97

SUMMARY OF OPERATIONS

YEAR 2014

MILAN BRANCH

HEAD OFFICE PREMISES

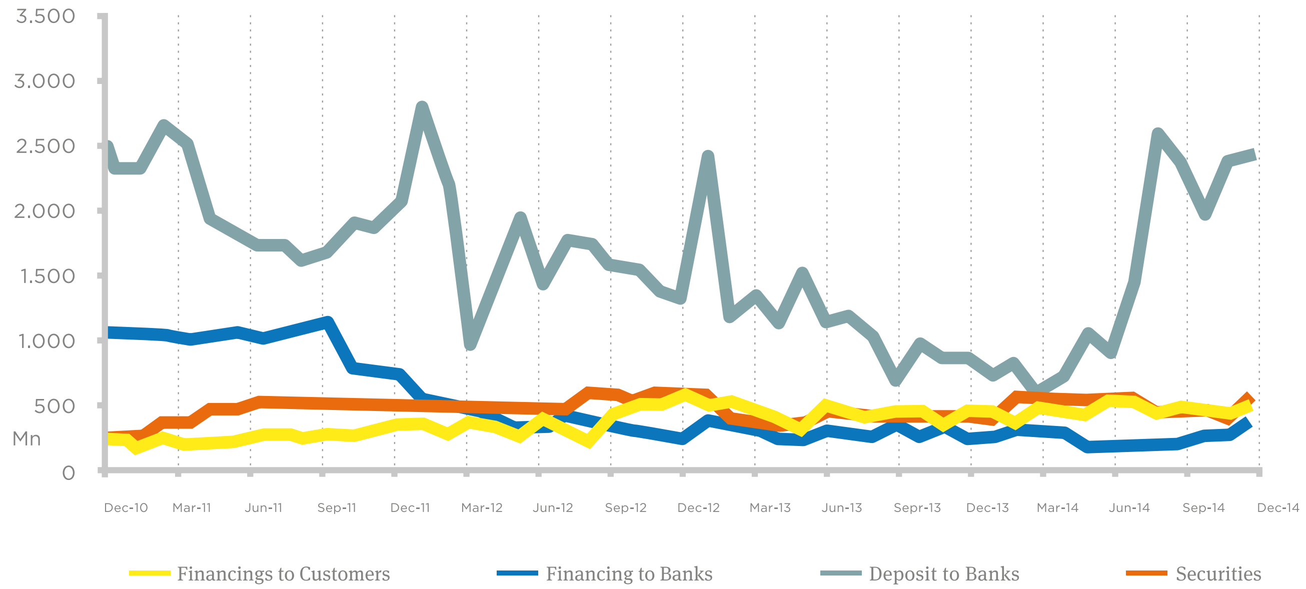
BANKING OPERATIONS

Loans and Advances

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

During the period under consideration, in spite of the protracted financial and economic crisis in world markets, there has been a constant increase in activities which started towards the end of the previous year towards banking counterparts, though not supported by a significant increase in deposits.

This increase has enabled the Bank to expand its commitments in order to rebalance structural aspects:



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

Commercial Operations on Foreign Markets

Again during the past year commercial activity with selected countries was the mainstay of UBAE's banking operations and a significant source of revenue that enabled the Bank to cope with the adverse conditions in financial markets. The international scene in 2014 proved especially complex, on the one hand, because political unrest continued in several North African and Middle Eastern countries, with a worsening situation in some areas (Libya and Yemen), on the other, the uncertain financial situation that hit Europe and Italy in particular.
Despite this economic scenario of recession, the Bank managed to react promptly and effectively, thanks to the market position gained in past years, by focusing its efforts on business development, identifying new customer targets and broadening the range of services offered to existing commercial counterparties. This policy has made it possible to limit the negative impact of recessive situations in markets where the Bank operates.
Revenues coming from commercial activities amounted to Euro 26 million approx (formerly Euro 26.8 million) of which 51% derived from commissions on letters of credit and guarantees, and 49% from financing operations and trade discounting. With reference to the geographical origin of the above revenues, worth noting is that they were generated 67% from abroad and 33% from Italy.
Also operations developed by the Bank in the purchase of receivables without recourse saw a further increase in 2014 and produced significant returns. At the same time, the Bank has continued to analyze and monitor customers very carefully so as to be in a position to deal with any credit, market and operational risks effectively.
In 2014 the Bank continued to pursue its core activities while effectively facing a period marked by reorganization of various economic sectors in countries of interest, together with the marked reduction of oil product exports and the sharp downturn in the price of crude oil; the combination of these factors has had a direct impact on the imports and investments of the countries in question.

During the year the Bank supported internationally-oriented customers with increasingly tailor-made products and services, always in line with commercial requirements; in particular the Bank:

a) provided specialist consultancy through its existing worldwide network of consultants, Rome headquarters, the Milan branch and the representation office in Tripoli (Libya), making available international products and services, also in collaboration with domestic and foreign credit insurance companies;

b) chose the right domestic and international partners (Chambers of Commerce, Confindustria, regional banks, foreign banks) with whom to pursue business opportunities and set up partnership agreements;

c) organized meetings with exporters (multinationals, large Italian and foreign groups in the corporate sector) active in areas of interest to the Bank, in order to satisfy mutual requirements through customized business solutions;

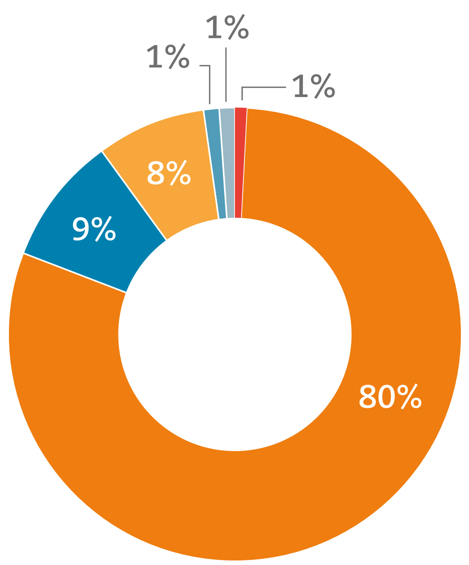
d) continued to provide its knowledge and experience of international reference markets, signalling foreign business opportunities to customers in their fields.

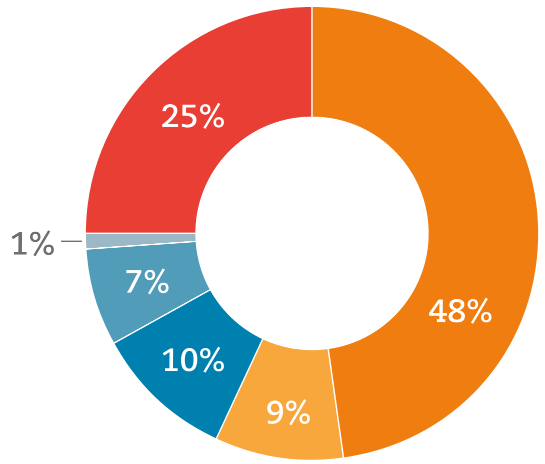
2014 was marked by a substantial boost to business based on vigorous and altogether successful marketing campaigns aimed at consolidating existing market shares being threatened by international competition, and at opening up fertile markets in Asia and Africa. For instance, strong commercial action was undertaken to open up new markets in the Far East (i.e. Malaysia, Indonesia, Philippines) which should lead to significant results in 2015.

Despite the above-mentioned decrease in oil flows because of lower Libyan crude oil exports to Italy, the Bank kept a very careful eye on any positive signs in this sector, which in fact were seen in the latter part of the year, in order to lay the foundations for more profitable action in the future.
Furthermore, the Bank continued to establish significant operations during the year with leading Italian companies, large banks and important public-sector operators. These agreements are an indication of the high standing achieved by the Bank in the business field over the years, especially considering the depressed current economic situation.

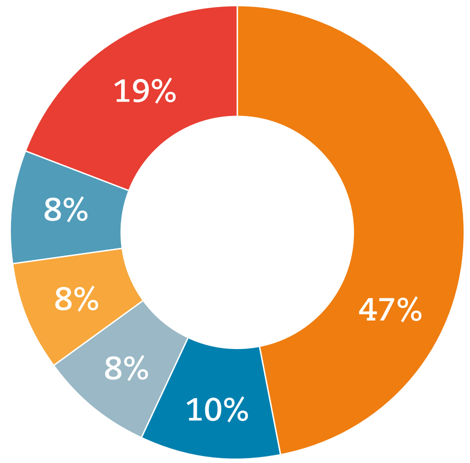
The main operations include some financial support for the working capital of the FIAT group, and some pool transactions carried out in the interest of leading Italian companies to support their foreign market business.
The credit risk associated with these operations is covered by insurance policies set up through SACE and other ECAs. The business area for letters-of-credit received and mediated can be summarized as follows, by country of origin.

OIL L/Cs - Turnover 2014





NON OIL L/Cs - Turnover 2014



L/Cs - Commissions

Analysis of annual data shows the following trend:

EUR /000

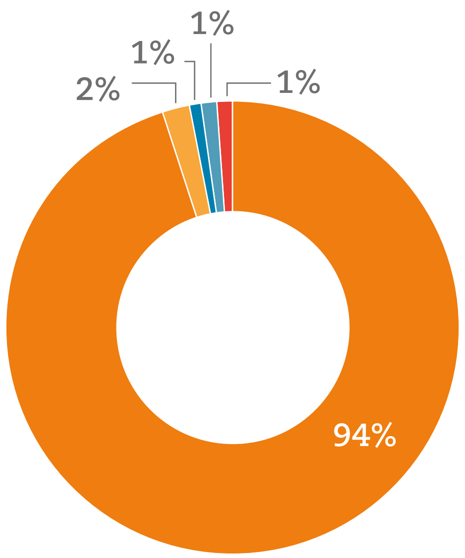
	2014		2013		2012	
	Value / no.	+/- %	Value / no.	+/- %	Value / no.	+/- %
LETTERS OF CREDIT: NUMBER	3,760	-7.91	4,083	-14.15	4,756	41.30
NON OIL LETTERS OF CREDIT: TURN-OVER	1,607,970	54.96	1,037,670	-32.06	1,527,230	28.50
OIL LETTERS OF CREDIT: TURNOVER	993,710	-33.71	1,499,080	-32.11	2,208,180	151.43
% OF TOTAL EXPORTS		3.29		2.90		3.97
% OF TOTAL IMPORTS		1.05		1.71		1.81
COMMISSIONS ACCRUED	9,315	-0.37	9,350	-38.54	15,213	59.52

Guarantees were mostly issued on behalf of leading Italian export firms and/or companies performing contract works in the Bank's target countries; turnover in these countries increased significantly (+69.14%) despite ongoing political turmoil in some areas. The higher volume had a positive impact on revenue which increased substantially (+21.11%) against the previous year.

Analysis of annual data shows the following trend:

EUR /000

	2014		2013		2012	
	Value	+/- %	Value	+/- %	Value	+/- %
GUARANTEES ISSUED IN YEAR	281,375	69.14	166,356	46.83	113,295	-24.53
GUARANTEES: OUTSTANDING AT EoY	424,990	25.88	337,626	-1.84	343,970	-10.19
COMMISSIONS RECEIVED	3,849	21.11	3,178	-1.79	3,236	8.16

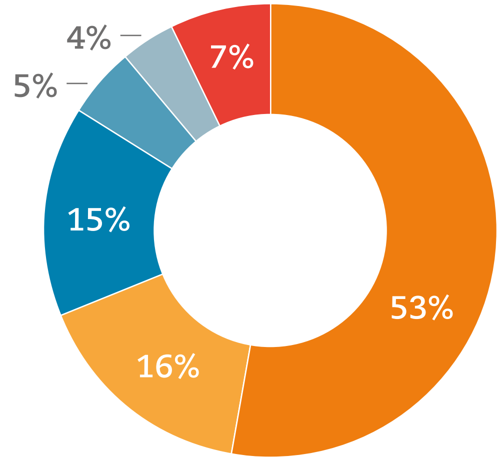


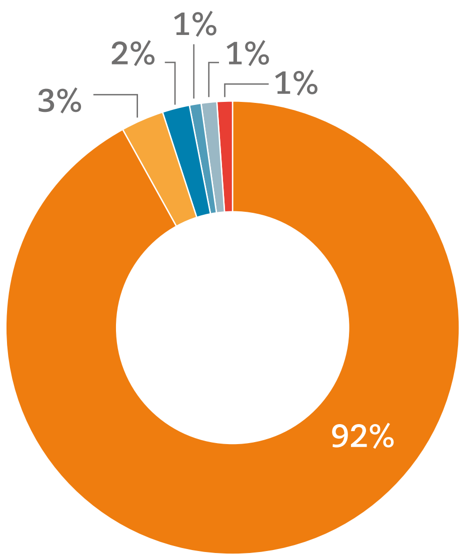
L/Gs - Applicant

Italy	Spain
Turkey	Russia
Netherlands	others

L/Gs - Beneficiary

Libya	Qatar
Algeria	Netherlands
Italy	others





L/Gs - Commissions

Italy	Syria
Turkey	Saudi Arabia
Netherlands	others

Financial Market Operations

Throughout 2014 the Bank endeavoured to find the most profitable ways to employ the increased available funds resulting from deposits by institutional and corporate counterparties.
The amount of deposits handled during the year rose by 20%.
Although deposits increased during the year 2014, the trend was atypical: the first half of the year saw a reduction affected by Libya's need to allocate financial resources to the country's recovery, while in the second part of the year there was a sharp increase in volumes reaching a highly satisfactory level; these developments show that the majority shareholder (Libyan Foreign Bank) has confidence in UBAE's ability to pursue objectives of acceptable risks and returns based on sound and prudent fund management.
Despite the context of political and economic crisis, UBAE continued to allocate funds to forms of commercial support, facilitated by the Libyan Foreign Bank which has renewed two security agreements with UBAE for an overall amount USD 515 million aimed at stabilizing the Bank's deposits, among other things, and enabling an expansion of intra-group transactions.

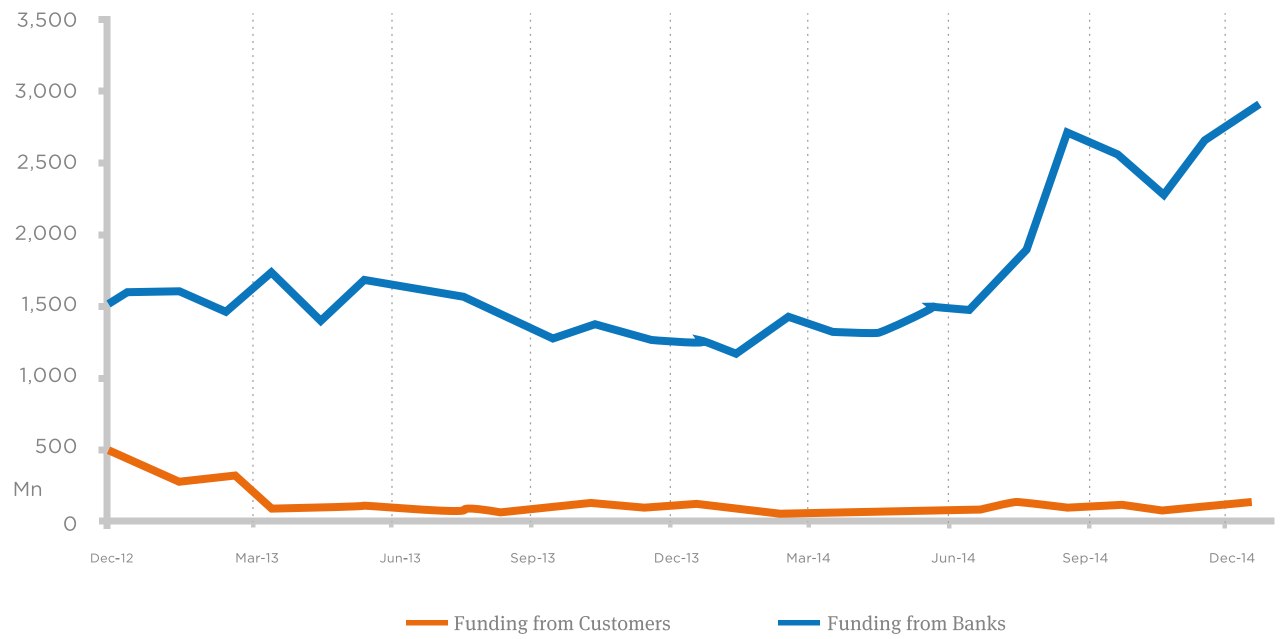
Total funding (i.e. liabilities to banks and customers) is reported in the table below, which shows the average for each quarter and the relevant variation.

FUNDING 2014

EUR /000

FIRST QUARTER		SECOND QUARTER		THIRD QUARTER		FOURTH QUARTER	
Value	+/- %	Value	+/- %	Value	+/- %	Value	+/- %
1,502,472	-1.90	1,622,375	7.98	2,620,221	61.51	2,824,925	7.81

A monthly breakdown is provided in the following chart:



Managing Financial Assets

Transaction volumes for the various classes of financial instrument reached satisfactory levels during the year. The Bank always managed to ensure yields in line with those for other earning assets.
The overall trend for the sector combined with enduring liquidity shortages and financial crises in some countries prompted the Bank to screen counterparties and assess margins carefully, yet also encouraged trading activity taking advantage of the most profitable opportunities offered by the market.

Turnover in the various portfolios showed a marked increase.

The Bank continued to lend to other credit institutions, including private placements of debt issues discountable with the ECB.
The breakdown of the portfolio at year's end showed investments mainly in bonds, issued by recognized counterparties, and government securities, with an average residual life of 1.60 years for the trading portfolio and 2.28 years for the investment portfolio. Use of derivatives to mitigate management of interest rate risk resulted in average durations of 6.4 months for the trading portfolio and 15.53 months for the investment portfolio. In essence, the Bank maintained very low credit and interest rate risk profiles for both portfolios.

Moreover, the Bank's policy was to limit operations in the equity market, with very close monitoring of current and future risks. New investments were made in variable or fixed interest-rate bonds, the latter linked to derivatives purchased to limit risks due to uncertainty of interest-rate trends.
The positive results show how the Bank managed to achieve acceptable yields for trading activities (securities, derivatives and Forex) despite a market affected by financial crisis, widespread political instability and the downgrading of numerous banks, business enterprises and sovereign states by credit-rating agencies.

Agreed guidelines for the purchase of securities can be summarized as follows:

- for the 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 rate issues classifiable as short-term by virtue of the hedging instruments implied by asset swap strategies;
  - fixed and floating rate issues subscribed with Italian credit institutions (private placements) in order to contain liquidity risk by increasing the Bank's liquidity buffer;
- for the trading portfolio,
  - fixed or floating rate issues chosen for their ability to yield short-term capital gains;
  - shares in top-tier, highly capitalized domestic and international companies, as well as futures and options on share indexes (FTSE, MIB Futures and MIBO Options).

Generally speaking, Banca UBAE's securities portfolios performed well relative to the average market trend. Given the situation of financial markets (and indications from its own customers), however, the Bank opted to defer the use of new formulas and novel instruments, such as harmonized financial products and OICRs, for proprietary trading purposes.

Interbank Transactions

Problems that emerged in financial markets worldwide, especially in Europe, and difficulties seen in the banking sector in addition to steps taken by the BCE to discourage currency speculation, definitely affected interest rates of the main currencies, which remained low throughout 2014.

Rates were also affected by Europe's failure to emerge from recession and by the ECB's repeated efforts to avert, by recourse to exceptional measures, possible liquidity crises and deflation levels that would not be supported by the economic system. The ECB continued to finance the European banking system and so created a monetary policy aimed at maintaining accommodating conditions for obtaining loans. In addition, during the first half of 2014, the Bank was faced with deposit volumes that were below the estimated amounts, which were achieved however only during the second half of the year.

The treasury management strategy adopted by Banca UBAE in the above scenario proved successful in limiting the negative impact and in fact earnings for the year were quite satisfactory, given the deposit situation and the interest rates that characterized 2014.
Short-term lending in the interbank market and short and medium-term loans to foreign banks increased to good levels.

The overall amount managed by the treasury remained at a countervalue of around EUR 2.1 bn (the countervalue in the previous year was EUR 1.9 bn).
Given the uncertain market situation and in order to support current and prospective medium-term lending, the Bank has launched an action to consolidate funding by obtaining an extension of the duration of deposits made by certain counterparties.

Furthermore, with the aim of diversifying sources of funding to support new business and financial activities, throughout 2014 the Bank continued to carry out transactions on the open market for average amounts of about EUR 100 mn guaranteed by securities held by the BCE with three-month maturity.

Year-End Results

Net profit for 2014 was EUR 9.5 mn, showing a reduction compared to the previous accounting period (-5.91%). However, this result confirms UBAE's ability to generate a more than reasonable level of profitability without prejudicing its customary prudent approach adopted in former years. It also highlights a unique flexibility in the way the Bank dealt with the difficulties that emerged in the European and international political and economic environment.

The Bank's gross operating result was EUR 22.7 mn (-13.54% compared to 31 December 2013). The downturn was influenced by a drop in interest rates compared to the previous year, and by the deposit situation.

There was an increase in net commissions (+3.69%), an indication of the Bank's efficient commercial policies, and an upturn in trading activities showing the Bank's ability to take advantage of market tensions.

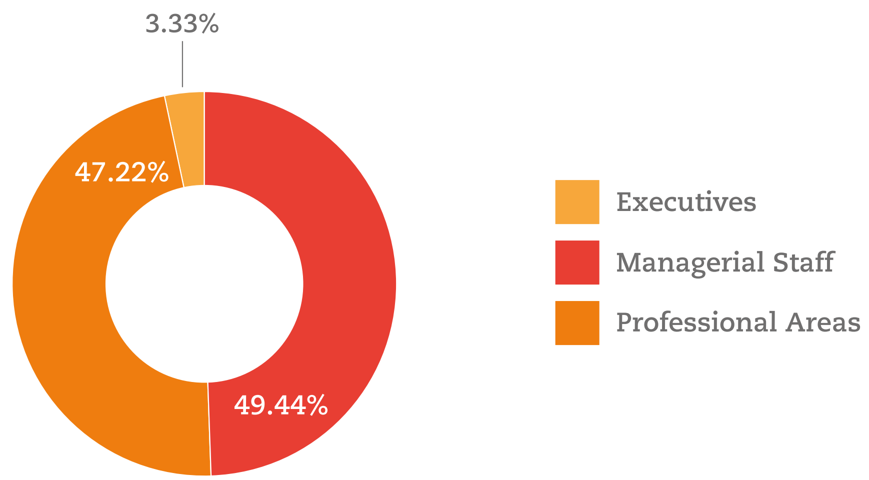
Value adjustments and provisioning reflect the BD's prudential approach in the valuation of the Bank's assets. In line with the criteria adopted in the past and following a review of the methods used, the amount allocated as coverage for credit risk was deemed adequate.
As a result of this valuation and taking into account the lower exposure to risk for some customers, net value recorded an upswing of EUR 5.7 million as of 31 December 2014.

Net income tax totalled EUR 5.3 mn, 6.39% less than for the previous year. As shown in the Notes (see "Information on the Income Statement", Section 18, page 152), the difference reflects a pre-tax result at 31 December 2014 that was 6.08% short of the figure recorded at 31 December 2013, and generated EUR 3.8 mn of gross tax liabilities (against EUR 4.2 mn previously).
Regarding tax liabilities, prepaid and deferred taxes for the year of around EUR 1.5 mn were another negative factor, in line with the values recorded in the previous year.

ORGANIZATION AND PERSONNEL

1. Personnel

During 2014, the Bank continued its efforts to build an organization based on people (and for people), their abilities and professional qualifications, their availability and immediate cooperation to satisfy customers and achieve positive economic objectives in the short and medium to long term.
This approach fuels the strategic drivers that make the Banca UBAE an organization that is constantly oriented and committed every day to the enhancement of its human capital.
So the chosen path sees the Bank engaged in a continuous process of change based on the close interdependence between environment, strategy and structure through the activation of all the levers required for the care and development of its employees. During the year, the Bank focused on strengthening the core business and organizational processes as well as the handover to a coming generation.



Accordingly, these activities have led to the hiring of 21 people (2 managers and 19 professional area employees) and the exit of 10 people (4 managers and 6 professional area employees), making a total workforce of 180 people. In relation to the main groupings, the personnel is distributed as follows:

- 3.33% executives
- 49.44% managerial staff
- 47.22% professional areas

The table shows the changes in the composition of the workforce by qualifications, for 2013 and 2014.

	12/31/2014		12/31/2013	
	N°	%	N°	%
EXECUTIVES	6	3.33%	4	2.41%
MANAGERIAL STAFF	89	49.44%	80	48.19%
PROFESSIONAL AREAS	85	47.22%	82	49.40%
	180		166	

Furthermore, action continued during the year to convert fixed-term work contracts into their open-ended equivalents in order to improve stability of the Bank's workforce.

In addition, the following activities were undertaken during the year:

1. maintaining and updating the performance management system, aimed at a better understanding and evaluation of professional activities; attention was therefore to guide the management's action towards objectives and behaviour that directly affect UBAE's business (identifying the critical factors for the Bank's success and translating them into management goals and behaviour patterns);

2. consolidating a policy of professional growth, also supported by actions of internal mobility and career paths; in this sense, the promotion system (economic and career) has been enhanced by elements linked to the development of the Bank's human capital;

3. consolidation of a rewards ystem linked to performance and results;

4. promotion of safety in the workplace through training and information; in addition to activities governed by legislative decree no. 81/2009 (i.e. annual meetings, risk assessment, etc), the Banca UBAE intends to continue with the project "talk to your medical advisor"; this facility provides an interview with the company doctor not tied to mandatory surveys, as well as an opportunity for the company to take care of its employees through a reference point for their welfare;

5. maintaining an integrated training system. Since 2008, UBAE has begun the definition and implementation of training sessions aimed at the growth of its internal personnel through access to joint national inter-professional funds for continuous training in the areas of credit and insurance. These activities have been activated in order to provide the knowledge and skills necessary to effectively develop a bank-enterprise in relation to the Bank's core processes (i.e. foreign activities, credit operations together with the accounting and budget areas) as well as the recent regulatory innovations. Specifically, we have introduced training activities on specialized topics, in addition to mandatory sessions (regarding the need to update regulations on the management of personal data, safety in the workplace, and anti-money laundering).

Of particular importance was the initiative launched in 2014 on generational exchange; the nature and impact of the project is mainly social, involving the expected turnover between parents and their offspring.

THE BANK FOR YOUR INTERNATIONAL ACTIVITIES.

2. Internal Organization

The Organization and IT Systems Area is responsible for improving business functions, organizational structures, regulations and processes.
During the year 2014, UBAE continued its path of growth and renewal begun in recent years through the planning and implementation of numerous articulated projects.
The main objective of 2014 was the involvement in preparation for the transfer to the new outsourcer Cedacri in the month of May.
In line with the Board of Directors' decision in 2013, the Bank chose a new IT provider in order to acquire a computer system that best suits its operational needs. This decision led to the Bank's adopting new work processes and optimizing current ones.
The main objective, in fact, was to exploit the opportunities offered by the new technology outsourcer to increase the quality and efficiency of business processes, improving information flows within the Bank, as well as expanding and improving the products and services offered to its customers.
It was considered that the combination of all these factors would make the Bank more dynamic, more efficient, modern and closer to customer needs.
Consequently, the whole organizational structure of the Bank was closely involved and was mostly dedicated to checking and verifying new IT applications and multiple implementations introduced by the new system.
Although this has caused a great deal of extra work, the organization has continued to efficiently handle the changes of procedures, as required by the new internal operational needs, and by the new provisions of external regulations.
This commitment has meant that UBAE pursued its activities, even when tranferring to a new outsourcer, without any risk of failure or malfunction of the IT system.
The main projects that have been drawn up during the year involved a number of internal units according to the various projects to be implemented.

In particular, during 2014:

- the policy for outsourcing services was prepared and submitted to the Board of Directors;
- specific software was chosen for the management of data governance in order to establish, first and foremost, policies and procedures for dealing with the critical aspects raised by the evaluations;
- a review was completed of the documentation pertaining to business continuity and business impact analysis; the results were submitted to the Board of Directors;
- "disaster recovery" testing was carried out with positive results;
- particular attention was paid to aspects of physical and logical security, and regarding the adoption of systems to safeguard corporate assets, an adjustment was made to the regulations in order to protect the Bank from any liability to third parties;
- the application and procedures were established with regard to the obligations arising from the EMIR regulations for reporting derivative financial instruments;
- activities involved in the FATCA regulations were defined, with particular reference to the implementation of the procedural requirements for carrying out due diligence required by law both for past customers and for new ones. Moreover UBAE took steps to register with the US authorities as a FATCA- listed institution thus acquiring the status of Registered Deemed-Compliant Financial Institution, appointing Fabio Fatuzzo as the Bank's FATCA representative. Fi-

nally, it should be noted that for FATCA, the Banca UBAE is part of the Expanded Affiliate Group led by the Bank's majority shareholder, the Libyan Foreign Bank;
- studies began on management procedures and IT systems to be implemented for the introduction of a new "impairment" model prior to the adoption of new accounting rules, once they come into force in 2018.

During 2014, the Bank launched a project to establish the ICT strategic plan and technological guidelines, aimed at assessing and defining IT risk management, by defining not only the process of governance and risk management, but also the methodology by which the Bank intends to conduct evaluation in accordance with regulations.

Activities also continued regarding the 15th update of Banca d'Italia circular no. 263/2006 which will lead to the fulfilment of obligations in the first half of 2015.

Particular attention was paid by the Regulatory Department to adjusting the Bank's internal regulations to operational requirements introduced by the new IT system and to newly introduced legal provisions. The Department also worked with the relevant offices to update the internal regulations, the corporate organizational chart and the new anti-money-laundering manual.

In terms of risk management and compliance with regulations, the Bank focused attention on defining the following aspects:

- the regulations for Risk Management, Compliance and Anti-Money Laundering;
- the Risk Appetite Framework (RAF) according to the new provisions issued by Banca d'Italia;
- high-profile operations of significant importance;
- the governance and management processes for the main risks facing the Bank, especially credit risk, concentration risk, interest-rate and liquidity risks.

3. Marketing

External and Institutional Relations

The Development and Institutional Relations Department was formally established in February 2014, taking charge of the activities and projects of Marketing and Product Development and acquiring a new focus on activities related to the development, promotion and consolidation of institutional and external relations. The main objective of this new segment is the planning and activation of domestic and international relations with institutional counterparties such as ministries, embassies and multinational development banks, as well as other marketing initiatives.

This change in activity has enabled the Department to focus even more on innovative projects and value added services that can strengthen relations and promote cooperation agreements with institutional counterparties aimed at improving the quality of products offered. The customer, whether correspondent bank or company, is always the main recipient of the projects in place.

The driving forces that guided activities for the entire year focused on four main areas:

a) Strategic analysis

Preparation of reports and analyses to provide a clear and concise summary for the General Management and the Commercial Department on issues of interest to support strategic decisions. The main activities are:

- analysis of openings in new foreign countries;
- strategic analyses on the performance of letters of credit and guarantees received from foreign banks following training sessions at UBAE;
- creation of presentations for the General Management at round tables and workshops, etc.

b) External Relations and institutional development

Projects related to this sector of activity play an important role within the Development and Institutional Relations Department. Proper management of communications and external relations keeps the reputation of UBAE intact.
Furthermore, the development of synergies with institutional and external bodies, through cooperation agreements, ensures increased visibility for UBAE and supports business initiatives. In the course of 2014, several important cooperation agreements were finalized, including the main ones with: Sace, Simest, Confindustria Florence, Arezzo, Grosseto; Arab-Italian Chamber of Commerce; Italian Chamber of Commerce in Singapore; and several Italian banks. The common goal of the partnership agreements is to offer tangible support to the Italian entrepreneurial system in its process of international development in the growing markets where UBAE operates.

c) Business Development

Activities took place in conjunction with the Commercial Department and the Finance Department to develop and enhance UBAE's strategic opportunities and to strengthen relations with leading Italian and foreign customers. The initiatives implemented in 2014 were focused mainly on the organization of round tables and seminars aimed at training our Italian and foreign customers. The main activities for the benefit of Italian companies were:

- Round Table at Confindustria Siena in collaboration with the business community for Tuscany and Confindustria Arezzo, Grosseto and Siena. More than 100 entrepreneurs interested in developing the international side of their business in the Mediterranean, took part in discussions on the main opportunity sectors and the risks of working with foreign countries.
- Sponsorship of the Annual Meeting CredimpexItaly, Palazzo Altieri, Rome. Speakers and participants in the session, members of the Association, addressed issues relating to operations and opportunities offered by internationalization.
- Seminar at Confindustria Tuscany, Florence, following the signing of a cooperation agreement between Banca UBAE and Confindustria Toscana; the meeting was aimed at local businesses operating abroad.
- Workshop with advisors from UBAE's international network, professionals in the corporate and banking world from North Africa and Sub-Saharan Africa, Middle East, Indian sub-continent, Balkan countries, held at Confindustria Rome. Organized in collaboration with Assafrica & Mediterranean, the meeting involved the participation of delegates from over 60 companies interested in business prospects in the countries of interest to Banca UBAE.

The following activities were organized for foreign banks:

- Finance Seminar, Tripoli-Libya. The four-day seminar, which was attended by managers and staff from the currency units of major Libyan banks, focused on Islamic finance products and activities of UBAE's Finance Department. During the seminar, a new platform was presented for Forex activities, intended for foreign institutes, not only Italian banks.
- Trade Banking Seminar. Training seminar organized on a global business model addressed to our foreign correspondents and structured at the specific requests of the participating banks. The 2014 edition saw the participation of 15 Sector Managers for Documentary Credits and Guarantees from the following countries: Algeria, Angola, Bangladesh, Egypt, Jordan, Lebanon, Mozambique, Yemen.
- On-the-job training. Theoretical and practical training courses which provide the coaching of trainees coming from our main customers and foreign banks, conducted by experienced UBAE staff.

The fourth edition of the annual meeting with foreign consultants of Banca UBAE was held at our Rome headquarters on 21-22 October 2014. The meeting, which was coordinated by the General Directorate, created a valuable opportunity for discussion on the business opportunities in their countries and the possibility of putting in place development actions aimed at mutual cooperation with foreign institutes.

d) Corporate identity and external communications

An integral part of the department's activities is the management of corporate identity and its coordinated image, together with external communications. Consistent communications makes it possible to consolidate and enhance UBAE's brand awareness towards marketplaces, customers and competitors. The most significant projects that refer to this type of activity are: the press office which handles relations with the media and international and Italian news agencies, preparing press releases and articles; the creation and production of brochures and sales materials; handling content and graphics for the corporate website.

4. Risk Management

UBAE continues to apply the procedures and methods for calculating overall internal capital as described in the relevant ICAAP reports. The Bank also acted in compliance with national and international regulations, maintaining close monitoring of exposure to business risks, especially strengthening the process of managing liquidity risk and integrating the analysis in terms of capital adequacy by measuring country risk and the geo-sectorial concentration risk, and by assessing the transfer risk and the risk of excessive financial leverage.

From an organizational standpoint the supervisory review process is based on the ICAAP Operating Manual which not only defines the roles and duties assigned to the various units involved in the process but also provides guidance for managing each type of risk (measurable or otherwise) and, for quantifiable risks, defines the internal capital requirement, the correct stress-testing methods and forward-looking analysis techniques.

It should be emphasized that for the purposes of applying supervisory rules and in particular Pillar II risk measurement methods, UBAE is considered a Class 3 bank, which means it may adopt simplified methods for quantifiable risks and policies and procedures for mitigating non-quantifiable risks.

For the purpose of analysis, capital adequacy has been further safeguarded by the introduction of two additional supervisory assessment requirements concerning country risk and geo-sectorial concentration risk. These requirements are not prescribed by regulations but have been included in internal assessments of capital adequacy in order to take into account all significant risks involved in the Bank's activities. In particular, country risk estimated in accordance with an internal calculation method takes into account the Bank's exposure associated with its characteristic operations in specified countries. It should also be pointed out that the new regulatory framework for the internal control system, which came into force on 1 July 2014, includes the introduction of country risk (and transfer risk) among the risks to be analyzed for ICAAP purposes.

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

- increasing the governing bodies' awareness of issues related to risk and capital planning;
- improving the Bank's understanding of the exposure to various types of risk which its business operations entail;
- quantifying even more types of risks (such as credit concentration risk, interest- rate risk in the banking book, as well as country risk and geo-sectorial concentration risk) and bolstering organizational safeguards concerning other risks (liquidity, transfer, excessive leverage, as well as reputational and strategic risks);
- stressing the need to acquire ever-more efficient and effective risk measurement and risk monitoring tools;
- expanding the time frame for internal (forward-looking) analyses and stress testing;
- improving the strategic planning process by introducing capitalization policies that are strictly linked to the Bank's risk profile, i.e. to results emerging from the ICAAP .

As regards the introduction of the new supervisory directives based on national and European regulatory sources, the Bank has launched studies, impact analyses and internal development projects that may also involve specialist external support.

In particular:

- 15th update to Banca d'Italia circular no. 263/2006 of 2 July 2013 – during the first half 2014, the Bank was engaged in developing and implementing activities relating to the various points identified during the gap analysis. In particular, during the first semester 2014, the following items were defined and submitted to the Board of Directors: the internal regulations of each corporate control unit (Internal Auditing, Compliance and Anti-Money Laundering and Risk Management), the document for coordination of functions and control bodies, the general document relating to the Risk Appetite Framework (RAF), the internal policy for identifying and dealing with important transactions (OMR), the policy on the risk of excessive leverage and the policy for country risk and transfer risk. During the second semester 2014, the policies on liquidity risk and reputational risk were revised, and the policy on market risks and the policy on interest rate risk on the banking book were defined. Also initiated was the software selection process for the two macro projects regarding operational risk and credit risk, for which the Bank intends to adopt specific tools, integrated at the organizational level.
  Regarding IT risks, the following documents were prepared: the strategy for governing information security, the outsourcing policy, risk analysis for IT methodology, information security policy, security policy for dealing with third parties. The following projects are planned for 2015: selection and implementation of a "data quality" solution and the definition of processes and possible use of tools for planning the work of IT personnel and for the economic evaluation of ICT projects.
- EU regulation no. 575/2013, EU Directive no. 2013/36 (known as CRD IV), Banca d'Italia circular no. 285 of 17 December 2013 – the EU-level supervisory directives have been changed significantly with the issue of a new regulatory framework (known as Basel 3). In December 2013, in addition to introducing CRD IV, Banca d'Italia gave indications of the operating procedure for national discretionary measures and de facto provided a complete, systematic regulatory framework containing the EU instructions. In 2013 the Bank launched studies and impact analyses (drawing up the Quantitative Impact Study QIS requested by Banca d'Italia). The internal projects launched in 2013 provided the first results in time for the ICAAP report drawn up last year, also including a comparison between the old and new supervisory regime. Also in 2014, the internal policies were defined regarding the new risks introduced by the regulations, and new flow charts were prepared in the field of liquidity.

The ICAAP report relating to the situation at 31 December 2014 will be forwarded to Banca d'Italia no later than April 2015. The Bank will meet public disclosure requirements by posting the qualitative and quantitative information called for in Basel 2, Pillar III on its website under the heading "Financials" within the same time frame applying to the publication of its annual Financial Statements.

Credit and counterparty risk

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

- the systematic assignment of a credit access score for banking and corporate borrowers;
- regular monitoring of loan performance and recording of any breach of internal limits (overruns) or external anomalies (Interbank Risk Service);
- periodic stress testing actions.

Aside from observance of approved borrowing limits, which is monitored by a dedicated unit within the Credit & L/Gs Reporting Division, exposure to credit risk is tracked by the Risk Management Department in terms of the deterioration of portfolio quality and thus capital absorption.
In particular, the Risk Management Department produces a monthly report for the Risk Committee, the Internal Control Committee and the Board of Directors concerning exposures in countries of interest to the Bank and on compliance with country credit ceilings established internally.
The measurement of internal capital against credit risks is carried out by applying the standardized method set out in the current supervisory regulations.
For ICAAP purposes, furthermore, the Risk Management Department also monitors credit concentration risk in terms of geo-sectorial and country risks as well as transfer risk, and prepares for stress testing by performing scenario analyses simulating the impact of shocks such as sovereign defaults, industry-specific crises or economic downturns on the capital requirement concerned.
As for counterparty risk, which is primarily associated with exposures to sellers of OTC derivatives for the HFT portfolio, the Risk Management Department cooperates with the Finance Division to monitor positions daily on a mark-to-market basis.
The measurement of internal capital against counterparty risk is carried out by applying the current value method as required by current supervisory regulations. In compliance with the new regulatory

framework (Basel 3), a new capital requirement has been introduced regarding risk adjustment of creditworthiness assessment for the counterparty, called Credit Valuation Adjustment (CVA).

Market risk

Business conducted by the Finance Division and compliance with the operational limits set out in the Internal Regulations are monitored constantly by the units charged with first, second and third-level controls, which rely extensively on the front-office platform ObjFin.
Reports produced daily are posted on the Bank's intranet and are traceable to the desks that generated them. They are concerned with portfolio breakdown, daily, monthly and yearly performance, and with trends for risk and sensitivity indicators (VaR, Stop Loss).

Observance of internal operating limits is monitored on a daily basis and any breaches are reported to the units concerned without delay to allow for prompt remedial action and/or the start of the relevant approval process in accordance with the Bank's Internal Regulations.
The Risk Management Department prepares a quarterly report on monitoring activities performed, problems found and trend analyses made, which is submitted to the Risk Committee and management bodies.

The measurement of internal capital against market risks is carried out by applying the standard methods set out in the supervisory regulations.
The Bank does not intend to apply for the recognition of any internal models for calculating its capital requirement against market risks.

Operational risks

Though UBAE chose the Basic Indicator Approach for determining its capital requirement against operational risks under the current supervisory regulations, the Bank intends to implement a dedicated operational risk management system to evaluate and monitor exposure to operational risks and the losses that may be entailed.

In 2014, the Bank started an internal project aimed at implementing a wide-ranging across-the-board tool containing a common mapping of processes and standards, to be used as an integral part of activities for risk assessment and loss data collection. During 2015, once the design phase is over, the internal policy will be defined for the process of operational risk management.

Handling other risks

◆ *Liquidity Risk*

Exposure to liquidity risk is constantly monitored by the Treasury desk, while the Risk Management Department is responsible for weekly checks on compliance with internal operating limits, as well as for weekly reports to Banca d'Italia.
The management process for this risk is governed by an internal policy that also includes a contingency funding plan. The system of internal operating limits includes a risk tolerance threshold, gap operating limits, survival limits and an eligibility limit for financial instruments. Stress testing is performed quarterly based on three different scenarios (funding, loans and liquidity buffer). In addition, trend monitoring is carried out concerning early warning indicators and concentration funding ratios. In 2014 the internal policy was revised to include the monitoring of new liquidity ratios (Liquidity Coverage Ratio and Net Stable Funding Ratio) and the monitoring tools required by the international regulatory framework (Basel 3).
Regarding instruments, the Bank uses the JCompass tool as well as an ALM program (ERMAS) that is fed directly from the accounting system and is used to generate the Bank's maturity ladder as well as supplying a database for stress testing actions.

◆ *Credit concentration risk*

The Pillar II supervisory regulation calls for a specific capital requirement that takes into account concentration by counterparty or group of linked counterparties (by corporate portfolio). As regards quantification of internal capital (according to the simplified method prescribed in the regulations) the Bank uses a calculation tool fed by data from supervisory reports. For stress testing purposes, the Risk Management Department carries out internal simulations to gauge the impact of any shifts in strategy or operational approach.
Regarding "single-name" concentration risk for bank counterparties, UBAE has a system of internal operating limits monitored on a quarterly basis with reporting in order to limit its exposure to this risk. As regards concentration risk by business sector and geographical area, current regulations do not require any quantification; so the Bank has adopted a qualitative assessment of the overall credit portfolio and application of the quantification method recommended by ABI for Italian corporate customers (geo-sectorial concentration risk).

◆ *Interest rate risk in the banking book*

Using the integrated treasury program JCompass, each month the Risk Management Department monitors compliance with the relevant internal operating limit, set below the regulatory threshold as a precautionary measure. For ICAAP purposes, the Bank's accounting system provides direct inputs for ERMAS (the ALM application), which generates a maturity ladder and provides a basis for quantifying the Bank's exposure to interest rate risk (by the simplified method approved by Banca d'Italia and by the full evaluation method).

The same tool is used for stress testing against hypothetical parallel and non-parallel shifts in the interest- rate curve.

◆ *Country risk and transfer risk*

In light of the prevailing international operations, the political risk associated with some countries where business is focused, has led the Bank to devote more and more attention to political aspects.
From a management perspective, a credit limit is established for each country, under the responsibility of the Board of Directors and the Executive Committee, which regulates the credit facilities to countries that have a rating below BBB, or that are unrated.
From the perspective of quantifying risk exposure, in 2012 the Risk Management Department introduced an internal estimation system to determine an additional capital requisite for country risk, thereby completing the internal analysis in terms of capital adequacy. The rationale for this additional requirement is due mainly to the Bank's special operations in certain geographical areas. This capital requirement, although not required by law, is calculated according to an internal methodology based on estimated exposure data for regulatory reporting and the likelihood of banking or liquidity crises differentiated country by country, taking into account allocations of assets for financial reporting purposes.
In light of the new regulatory framework, country risk and transfer risk are now regarded as full members of the risk category for ICAAP evaluation purposes. From the point of view of quantitative evaluation, the Bank will maintain the internal methodology already in place for calculating the capital requirement. From the point of view of assessment, monitoring and reporting, the internal policy governing each stage of the process for managing these risks was defined in 2014.
Regarding transfer risk the Bank has decided to include this factor, from the quantitative point of view, in the broader country risk. From a qualitative point of view, the material nature of the risk is assessed by analyzing the composition of the loan portfolio and determining the relevance of exposures towards countries that have a high probability of currency or banking crises, as estimated by the competent authorities.

◆ *Risk of excessive financial leverage*

In light of the new regulatory framework, the risk of excessive leverage has been included among the risks to be assessed for the ICAAP reports; while not providing for a regulatory minimum level, a limit on leverage has been set (Leverage Ratio).
In 2014 the Bank's internal policy was defined containing guidelines for identifying, assessing, measuring and monitoring this risk. In particular, the Bank has decided to monitor the level of compliance with the leverage ratio by setting an internal limit and defining an early warning threshold.

◆ *Reputational risk*

Due to the difficulties involved in handling this risk, qualitative evaluations are required as well as risk mitigation policies and above all risk avoidance measures prior to the occurrence of a detrimental event.

While the quantification of capital absorption is not laid down, the Bank uses an internal policy for managing reputational risk (revised in 2014) which defines the role and duties of each unit potentially concerned, outlines a model of adverse events, sets out risk mitigation policies aimed at forestalling the occurrence or limiting the consequences of such events, and establishes a strategy for coping with a "reputation crisis".

◆ *Strategic risk*

This risk also involves a high level of complexity and requires qualitative and scenario assessments in order to quantify the possible impacts resulting from changes in the business and/or regulatory environment. The Bank is institutionalizing a process of formulating scenarios necessary for constructing the budget and the three-year plan, and for measuring the variability of total revenues intended as an approximation of the risk. In addition, as part of the project linked to the 15th update of the Banca d'Italia circular no. 263/06, analysis and implementation will be conducted in 2015, for the necessary tools to support the integration of the Risk Appetite Framework, strategic planning and budgeting.

5. IT Systems

During 2014 the Bank was busy, on the one hand, with completing several projects launched in the previous period and, on the other hand, activities to transfer data to the new IT outsourcer.
Special attention was reserved by the Bank for updating IT systems and procedures in the operational areas of Rome and Milan.
During the second half of 2014, the desktop management service was activated in collaboration with Cedacri, consisting of a help-desk and operational assistance for users.
In order to implement recently issued supervisory instructions, the Bank made an in- depth review of organization and governance of the IT system, methods for managing IT risk, requirements to ensure IT security, and the IT data management system.
In particular:

- following the selection of the new outsourcer, obsolete equipment was replaced so that users always have efficient and updated models;
- special attention was given to data security systems to prevent the risk of unauthorized access to the Bank's system;
- work was carried out to update the Bank's IT data transmission, telephony and means of communication equipment and procedures, in order to maintain high levels of security.

Regarding privacy, the Bank worked with specialized consultants to begin the development of a privacy assessment in order to acquire knowledge of the risks of privacy violation and to achieve organizational implementation within the IT system, in accordance with the regulatory norms to be established in a formalized plan during 2015.

6. Performance Assessment Reports for Senior Management

During the year, the Bank continued to improve the internal systems of management reporting in order to develop an information system that is prompt and able to ensure increased usability of analytical and reconciled data.
In this perspective, thanks to IT projects in progress, the Management Control has been trying to increase the time-to-market of management data supporting not only the communication needs of the governing bodies and the banking system as a whole, but also facing the evolution of planning and control of the results.
The transfer to the new outsourcer has led to a complete review of procedures for reporting and setting the parameters for the new system in order to get the full use and development of IT systems for optimal results, not only in terms of effectiveness and efficiency in the reconciliation tools but also in terms of greater availability of daily and monthly data reporting in order to assess the Bank's financial position, its earnings capacity and stability of income flows, also in terms of performance.
This integration will bring significant benefits in terms of correctness and completeness of the data allowing further reductions in processing time, the development of new areas of analysis and improved reporting.

7. Logistics

In addition to routine maintenance, the Bank has continued to make improvements to the offices in Rome and Milan aiming for optimal use of the business premises. Significant work has been carried out to improve regulatory and technical efficiency.
In particular, the following actions were taken:

- the premises of the archives have been renovated through targeted maintenance work and extraordinary measures, in order to ensure the proper maintenance of the property and the safety of employees and third parties.
- the certifications regarding the technological systems for the premises of the Milan branch were updated, in collaboration with specialist personnel from the Technical Office which directly handles all activities of routine maintenance and repairs that are needed. In addition it was decided to formalize the contract for the replacement of the UPS apparatus at the Milan branch.

Work began on the project to provide the Bank with a new air conditioning system complying with the regulations on energy saving and pollution that will be finalized by 2015.
Moreover, at the end of 2014, work began on the premises owned by the Bank in Rome's Via XX Settembre in order to house the branch office now located on Via Flavia. This logistic solution will enable a different and more rational use of space for the benefit of the personnel and customers of the Rome branch.

RECLASSIFIED BALANCE SHEET

EUR /000

	BALANCE AS AT :		CHANGE	
	31.12.2014	31.12.2013	AMOUNT	%
ASSETS				
CASH AND CASH EQUIVALENTS	178,892	1,504	177,388	n.a.
LOANS AND ADVANCES				
- TO CUSTOMERS	446,165	385,396	60,769	15.77%
- TO BANKS	2,228,026	937,124	1,290,902	137.75%
FINANCIAL ASSETS HELD FOR TRADING	123,343	48,949	74,394	151.98%
FIXED ASSETS				
- FINANCIAL [1]	372,441	319,345	53,096	16.63%
- TANGIBLE	22,541	23,226	(685)	-2.95%
- INTANGIBLE	1,630	1,437	193	13.43%
OTHER ASSETS [2]	19,017	24,209	(5,192)	-21.45%
TOTAL ASSETS	**3,392,055**	**1,741,190**	**1,650,865**	**94.81%**
LIABILITIES				
ACCOUNTS PAYABLE				
-TO CUSTOMERS	149,385	111,673	37,712	33.77%
-TO BANKS	2,996,650	1,390,335	1,606,315	115.53%
FINANCIAL LIABILITIES HELD FOR TRADING	2,817	2,296	521	22.69%
EARMARKED PROVISIONS [3]	2,909	2,261	648	28.66%
OTHER LIABILITIES [4]	22,427	26,141	(3,714)	-14.21%
SHAREHOLDERS' EQUITY				
-CAPITAL AND RESERVES	208,314	198,331	9,983	5.03%
-NET PROFIT FOR THE YEAR	9,553	10,153	(600)	-5.91%
TOTAL LIABILITIES	**3,392,055**	**1,741,190**	**1,650,865**	**94.81%**

[1] Inclusive of financial assets HTM and AFS

[2] Inclusive of tax assets and other assets

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

[4] Inclusive of tax liabilities and other liabilities

RECLASSIFIED INCOME STATEMENT

EUR /000

	BALANCE AS AT :		CHANGE	
	31.12.14	31.12.13	AMOUNT	%
NET INTEREST INCOME	22,746	26,309	(3,563)	-13.54%
NET NON-INTEREST INCOME [1]	15,060	13,539	1,521	11.23%
GROSS OPERATING INCOME	37,806	39,848	(2,042)	-5.12%
PERSONNEL EXPENSES	(17,926)	(17,653)	(273)	1.55%
OTHER ADMINISTRATION EXPENSES AND OPERATING CHARGES [2]	(8,812)	(7,634)	(1,178)	15.43%
GROSS OPERATING RESULT	11,068	14,561	(3,493)	-23.99%
NET ADJUSTMENTS TO TANGIBLE AND INTANGIBLE FIXED ASSETS	(1,175)	(1,608)	433	-26.93%
PROVISIONING, WRITE-DOWNS AND WRITE-UPS [3]	4,961	2,863	2,098	73.28%
PRE-TAX PROFIT FROM CONTINUING OPERATIONS	14,854	15,816	(962)	-6.08%
INCOME TAX FOR THE YEAR	(5,301)	(5,663)	362	-6.39%
NET PROFIT FROM CONTINUING OPERATIONS	9,553	10,153	(600)	-5.91%
NET RESULT FROM NON-CONTINUING OPERATIONS				
NET PROFIT FOR THE YEAR	9,553	10,153	(600)	-5.91%

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

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

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

COMMENTS

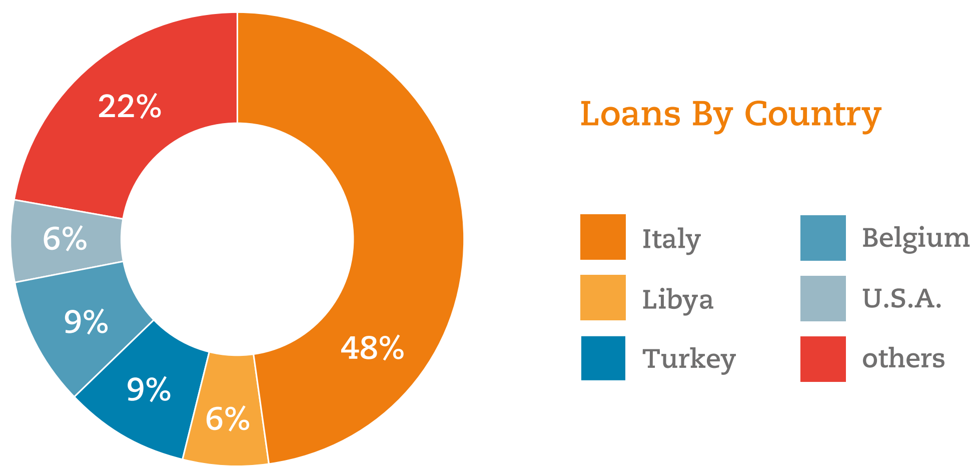
COMMENTS ON BALANCE-SHEET ITEMS

Loans and Advances

EUR /000

	BALANCE AS AT:		VARIATION	
	31.12.2014	31.12.2013	AMOUNT	%
LOANS AND ADVANCES TO CUSTOMERS:				
§ IN EUROS	384,969	344,085	40,884	11.88%
§ IN OTHER CURRENCIES	61,196	41,311	19,885	48.13%
LOANS AND ADVANCES TO BANKS:				
§ IN EUROS	299,565	122,779	176,786	143.99%
§ IN OTHER CURRENCIES	1,928,461	814,345	1,114,116	136.81%
TOTAL	2,674,191	1,322,520	1,351,671	102.20%

Below is a geographic representation of total amounts granted by UBAE as of 31 December 2014, with a breakdown by country.



Loans and Advances to Customers

Loans and advances to customers increased by 15.77%, mainly due to a rise in funding. During the year, the Bank continued to support business activities by spreading credit risk in conformity with concentration limits posed by regulations governing "large risks exposure".

The majority of transactions performed by UBAE were to provide financial support to Italian operators engaged in trade finance with the Bank's core-business countries, including participation in pools organized by other leading banks. Loans are shown at face value net of individual or collective adjustments. Valuation criteria are reviewed in the Notes to the Financial Statements.

Loans and Advances to Banks

Loans and advances to banks showed an overall upswing of EUR 1,290.9 mn equivalent to 137.75%. This increase was primarily due to a rise in customer funding. Given this situation, commitments were mainly concentrated in the segment of interbank deposits, so that the Bank was not unduly exposed to risks while being able to achieve the objectives set by the business strategy.

IMPAIRED LOANS (CASH AND NON CASH)

EUR /000

	31/12/2014			
	GROSS EXPOSURE	WRITE-DOWNS	NET EXPOSURE	COVERAGE %
IMPAIRED ASSETS	57,017	(36,063)	20,954	63.2%
BAD DEBTS	45,909	(31,818)	14,091	69.3%
STANDSTILL POSITION	10,323	(4,245)	6,078	41.1%
RESCHEDULED DEBTS	784		784	0.0%
IMPAIRED PAST DUE POSITION	1		1	
NON IMPAIRED ASSETS	1,605,241	(6,260)	1,598,981	0.4%
CASH AND NON CASH ASSETS (DEPOSITS EXCLUDED)	1,662,258	(42,323)	1,619,935	2.5%

EUR /000

	31/12/2013			
	GROSS EXPOSURE	WRITE-DOWNS	NET EXPOSURE	COVERAGE %
IMPAIRED ASSETS	42,227	(35,497)	6,731	84.1%
BAD DEBTS	36,718	(31,776)	4,942	86.5%
STANDSTILL POSITION	3,057	(2,261)	795	74.0%
RESCHEDULED DEBTS	2,450	(1,459)	991	59.6%
IMPAIRED PAST DUE POSITION	2		2	0.0%
NON IMPAIRED ASSETS	1,363,586	(11,276)	1,352,310	0.8%
CASH AND NON CASH ASSETS (DEPOSITS EXCLUDED)	1,405,813	(46,773)	1,359,040	3.3%

Total impaired loans, gross of value adjustments, amount to EUR 57 mn, an increase of EUR 14.8 mn compared to EUR 42.2 mn for the previous year. It should be noted that the impaired loans include an exposure against customer's signature of approximately EUR 9 million, which was paid back on February 2015; taking this event into consideration, the effective percentage of coverage stands at about 75%.
The coverage percentages do not take into account impaired loans that have been cancelled in accounting terms but for which collection proceedings are underway and for which the Bank has registered its claim concerning the debt as required. Value adjustments for a total of EUR 4.3 mn were made during the year for forecast losses on customer loans and to zero-out bad debt positions for which only marginal recovery amounts are believed possible.
As regards prudential provisions with reference to the Bank's portfolio (that is, in bonis loans for customers and banks, including loans to counterparties resident in countries at risk) made in previous years, there was a recovery of about EUR 8 mn for repayment of positions previously classified at risk, especially concerning corporate customers.
The ratio of loans (excluding bank deposits and securities) and gross non-performing loans (NPL) was 2% and 0.34% compared to the net NPLs. Both values are largely satisfactory when compared with those of the banking system (9.6% and 4.64%).

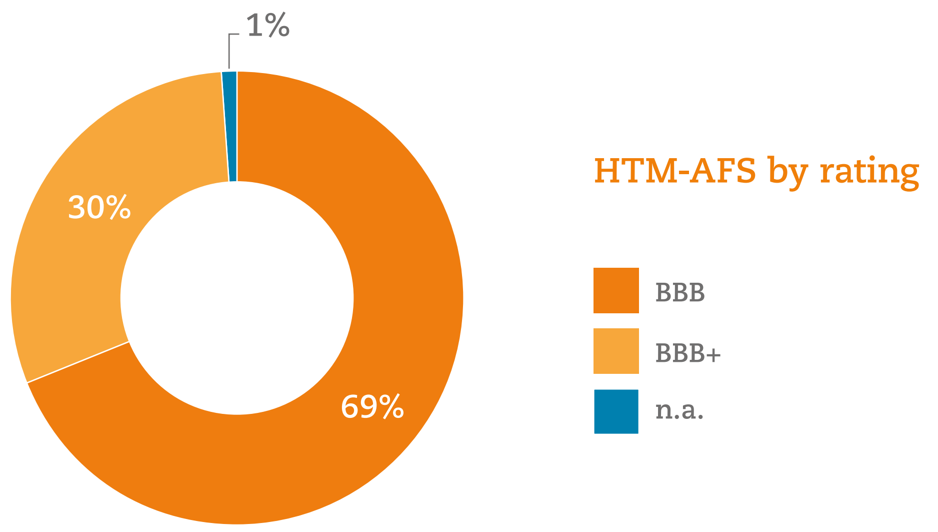
Financial Assets

Financial assets, comprising securities, derivatives and minority equity stakes, amounted to EUR 492.9 mn, representing a net increase of EUR 126.9 mn compared to the previous year. This variation is the result of boosting financial assets in the trading and investment portfolios. Given the financial crisis and its volatility, the Bank continued to pursue the investment policy towards banking counterparties, financing the latter by subscribing bond issues discountable with the BCE, assessing these investments both in terms of yield and the issuers' credit standing. In addition, the number of government bonds increased in order to maintain the short-term coverage (Liquidity Coverage Ratio) at acceptable levels.
As of 31 December 2014, the Bank had deposited (in pooling operations for guarantees with the Euro system) about EUR 260 mn of its own bonds, taking part in open-market operations with about EUR 90 million (see Notes to the Financial Statements, section B – Other information – table 2: Assets pledged as collateral for own liabilities and commitments page 137). The Bank did not make any transfers between portfolios during the year. On the whole, UBAE's policy in this department gave satisfactory results.

EUR /000

	BALANCE AS AT :		VARIATION	
	31/12/2014	31/12/2013	AMOUNT	%
FINANCIAL ASSETS				
§ Assets held for trading	123,343	48,949	74,394	151.98
§ Liabilities held for trading	(2,817)	(2,296)	(521)	22.69
§ Assets available for sale	63,500	48,240	15,260	31.63
§ Assets held to maturity	308,941	271,105	37,836	13.96
TOTAL	492,967	365,998	126,969	34.69

Below is a diagram of HTM and AFS activities showing the breakdown by rating.



The criteria for evaluating securities and for assigning issues to the investment or the trading portfolio are discussed in the Notes to the Financial Statements (see pages 86-88).
It should be noted that securities held for trading and derivatives were valued at market prices; other securities (HTM, AFS) were valued at amortized cost.
In conformity with the general prudential policy adopted by the Bank as regards credit risk, evaluation was carried out on financial assets to be held to maturity, with a positive effect on the income statement for EUR 2 mn.

ACCOUNTS PAYABLE

EUR /000

	BALANCE AS AT :		VARIATION	
	31.12.2014	31.12.2013	AMOUNT	%
PAYABLE TO CUSTOMERS				
§ In euros	76,712	68,955	7,757	11.25
§ In other currencies	72,673	42,718	29,955	70.12
PAYABLE TO BANKS				
§ In euros	1,036,340	482,050	554,290	114.99
§ In other currencies	1,960,310	908,285	1,052,025	115.83
TOTAL	3,146,035	1,502,008	1,644,027	109.46

Accounts payable to banks and customers are shown at amortized cost. The table below gives a breakdown of changes in funding from banks and customers in euros and other currencies.
As already mentioned in the Report on Operations, during 2014 funding from institutional counterparties increased, primarily due to actions by UBAE's majority shareholder, the Libyan Foreign Bank. The funding volume from corporate customers – mainly counterparties located in the Bank's target countries – led to an appreciable increase, though on a smaller scale.

Shareholders' Equity

Movements in shareholders' equity may be represented as follows:

EUR /000

	CAPITAL	SHARE PREMIUM	RESERVES	RETAINED PROFIT	NET PROFIT	TOTAL
31.12.2013	151,061	16,702	30,503	65	10,153	208,484
01.01.13-31.12.13 MOVEMENTS:						208,484
§ APPROPRIATION OF PROFIT: RESERVES			10,153		(10,153)	
DIVIDENDS						
§ VALUATION RESERVE			(170)			(170)
§ NET PROFIT					9,553	9,553
31.12.2014	151,061	16,702	40,486	65	9,553	217,867

Banca UBAE's shareholders' equity, including the valuation reserve and net profit for the year ended 31 December 2014, amounted to EUR 217.9 mn, showing an increase compared to the previous year (EUR 208.5 mn).

During 2014, the Shareholders' Meeting passed a resolution to transfer the year's profits to the reserves. In November 2014, the Banca d'Italia approved a proposal by the Board of Directors to carry out a free capital increase of EUR 8.8 million to be achieved by using the reserves. This increase will be formalized in the course of the extraordinary assembly to be held in the month of April 2015.

At year's end, the Banca UBAE had a Tier 1 capital ratio of 13.04% compared to 16.36% at 31 December 2013. The total capital ratio stood at 18.03% compared to 24.27% for the previous year 2013.

The analysis of capital ratios must be examined in light of the introduction of the new regulations (known as "Basel 3") and, in particular, regarding the increase of the total value of credits of approximately 113% and the fairly low balance sheet item which only increased by +26.5%. Given this situation, and in view of the new capital requirements, the Bank was able to increase the volume of business primarily in the commercial sphere while ensuring compliance with the new capital requirements thus achieving an effective balance between capital growth risk and the new regulations.

It should also be noted that, in terms of size, this financial year should be compared with the year 2012 whose requirements were respectively: 11.68% and 17.54%. The comparison between 2012 and 2014 ratios reveals that, despite the more conservative methods introduced by "Basel 3" and despite the increase in turnover in 2014, the Bank has strengthened its overall assets.

Shares

As of 31 December 2014, share capital amounted to EUR 151,060,800 divided into 1,373,280 common shares of EUR 110 each.

Subordinated Loan

In 2008, according to the recapitalization goals set out in the business plan, the Bank finalized a ten-year subordinated loan agreement with the Libyan Foreign Bank for a total of EUR 100,000,000 fully paid up.

As per the contract, when the five-year pre-amortization period was over at the end of 2014, a repayment of one fifth of the loan (EUR 20 mn) was not made since the majority shareholder had formally expressed the intention of renewing the contract by year's end, subsequently ratified by the Board of Directors in January 2015.

COMMENTS ON THE INCOME STATEMENT

NET INTEREST INCOME

EUR /000

	BALANCE AS AT :		VAR 31.12.14 / 31.12.13	
	31.12.14	31.12.13	AMOUNT	%
10. INTEREST INCOME AND RELATED REVENUE	34,281	39,577	(5,296)	-13.38
20. INTEREST CHARGES	(11,535)	(13,268)	1,733	-13.06
NET INTEREST INCOME	22,746	26,309	(3,563)	-13.54
30. DIVIDENDS AND OTHER PROCEEDS	15	14	1	7.14

As pointed out in the annual report, during 2014 the Bank registered a decreasing deposit trend in the first half of the year and then settling on higher volumes towards the end of the year.
The net interest margin decreased by 13.54% to EUR 22.7 million (EUR 26.3 million in the previous year). The result confirms the Bank's ability to diversify uses, despite the anomalous trend of deposits and the general decrease in market interest rates during the period, leading to reduced negotiating capacity. In this regard, the Bank is actively seeking profitable investments while maintaining a good spread between deposits and loans, even though it has operated mainly in the interbank market.
This activity, linked to the substantial deposits during the period, enabled the Bank to achieve satisfactory results, while taking care to comply with the "mismatching" of maturity dates and the guidelines put forward by the Board of Directors.

NET NON-INTEREST INCOME

NON-INTEREST INCOME MAY BE BROKEN DOWN AS FOLLOWS:

EUR /000

	BALANCE AS AT:		VAR 31.12.14 / 31.12.13	
	31.12.2014	31.12.2013	AMOUNT	%
40. COMMISSIONS RECEIVED	18,382	15,451	2,931	18.97
50. COMMISSIONS PAID	(5,110)	(2,651)	(2,459)	92.76
NET COMMISSIONS	13,272	12,800	472	3.69
80. TRADING ASSETS	1,836	(146)	1,982	n.a.
100. PROFITS (LOSSES) ON DISPOSAL OR REPURCHASE OF AFS	(63)	(351)	516	3.42
190. OTHER OPERATING PROCEEDS	2,053	1,984	69	3.48
NET NON-INTEREST INCOME	17,098	14,287	2,811	19.68

Revenues from intermediation services and other sources have increased substantially compared to the previous year.
The balance of net commissions rose from EUR 12.8 million at 31 December 2013 to EUR 13.2 million at 31 December 2014 (+3.69%).
Despite some negative factors – such as the continuing international economic crisis, the climate of political and social turbulence that characterized the countries of interest, the marked contraction of activities relating to oil exports – the Bank managed to achieve remarkable results not only with regard to fees on confirmed letters of credit, but also in terms of international guarantees related to the execution of major construction projects and modernization of public infrastructures in the countries of reference.
Agreements with Sace and other international counterparties have enabled the Bank to at least partially offset the negative international impacts by launching pool operations, the effects of which had a positive impact on other income and charges.
The Bank achieved positive results in trading activities which reached satisfactory figures despite strong market volatility. The sum amounts to EUR 1.8 million at 31 December 2014 compared to a loss of EUR 0.15 million in the previous year.

ADMINISTRATION EXPENSES

EUR /000

	BALANCE AS AT :		VAR 31.12.14 / 31.12.13	
	31.12.14	31.12.13	AMOUNT	%
A) PERSONNEL EXPENSES:				
§ WAGES AND SALARIES	10,532	9,837	695	7.07
§ SOCIAL SECURITY CONTRIBUTIONS	3,269	2,816	453	16.09
§ STAFF SEVERANCE PAYMENTS	790	605	185	30.58
§ OTHER EXPENSES	1,113	1,825	(712)	-39.01
TOTAL EMPLOYEE EXPENSES	15,704	15,083	621	4.12
§ ADMINISTRATORS	1,668	2,028	(360)	-17.75
§ STATUTORY AUDITORS	144	170	(26)	-15.29
§ NON-STAFF ASSOCIATES	410	372	38	10.22
TOTAL PERSONNEL EXPENSES	17,926	17,653	273	1.55
B) OTHER ADMINISTRATION EXPENSES	10,865	9,618	1,247	12.97
TOTAL	28,791	27,271	1,520	5.57

At 31 December 2014, administrative expenses amounted to EUR 28.8 mn showing an increase of 5.57% compared to 2013 (EUR 27.3 mn).

Employee expenses, amounting to EUR 15.7 mn, were in line with the previous year (+4.1%). This effect was mainly due to the increase in the number of employees which rose by year's end to 180 people (against 166 at 31 December 2013).

Other administrative expenses, amounting to EUR 10.9 mn, were up by 12.97% compared to the previous year (EUR 9.6 mn). This increase was of an exceptional nature since it was mainly due to setting up the new IT system and provider, starting in mid-2014 and now completed.

COMPOSITION OF THE BANK'S NET RESULT

EUR /000

	BALANCE AS AT :				VAR 31.12.14 / 31.12.13	
	31.12.14		31.12.13		AMOUNT	%
GROSS OPERATING PROFIT		11,068		14,561	(3,493)	23.99%
NET ADJUSTMENTS TO TANGIBLE AND INTANGIBLE FIXED ASSETS		(1,175)		(1,608)	433	-26.93%
NET IMPAIRMENT ADJUSTMENTS:						
§ TO LOANS	(552)		(669)			
§ TO FINANCIAL ASSETS AVAILABLE FOR SALE	21		499			
§ TO FINANCIAL ASSETS HELD TO MATURITY	2,016		1,554			
§ TO OTHER FINANCIAL OPERATIONS	4,192		1,631			
§ NET PROVISIONING FOR RISKS AND CHARGES	(716)		(152)			
TOTAL		4,961		2,863	2,098	73.28%
PROFIT BEFORE TAX		14,854		15,816	(962)	-6.08%
INCOME TAX FOR THE YEAR		(5,301)		(5,663)	362	-6.39%
NET PROFIT		9,553		10,153	(600)	-5.91%

Comparison of the two years at the respective reporting dates showed a profit of EUR 9.5 million at 31 December 2014 and EUR 10.15 million at 31 December 2013 after making provisions for income taxes amounting to EUR 5.3 mn (-6.39% compared to 31 December 2013).

The figure at 31 December 2014 is definitely positive considering that it was achieved during a marked economic recession.

It should be noted that, during the first six months of 2014, all the banks in Italy and Europe were affected by the crisis of the real economy, leading to an increase in the number of impaired loans, the limited cost of credit, and the growing regulatory pressures which have broadened balance sheet constraints making them more restrictive, consequently leading to higher costs of compliance.

At 31 December 2014, in the prudential assessment of exposures and in view of the positive trend of some loan situations which were being carefully watched in previous years, the deliberating bodies decided that the funds previously allocated were adequate, in some cases reducing the amounts as a result of lower risk exposure. The repayments amounted to approximately EUR 5.7 million at 31 December 2014 against an amount of EUR 3 million at 31 December 2013.

Provisions for risks and charges increased from EUR 0.15 million at 31 December 2013 to EUR 0.71 million at 31 December 2014.

Regarding the Bank's VAT status for the years 2005 to 2008, the subject of litigation by the Inland Revenue Agency, it was decided – in line with earlier practice – not to make allocations since the Bank's conduct, as stated by the tax consultants, is viewed as complying with current standards.

For more information on the above data, please refer to the Notes, Part C) Income Statement, while the proposal for profit distribution is outlined in the section "Allocation of net income".

SIGNIFICANT POST-YEAR-END EVENTS

In January 2015, the Fitch Agency confirmed the Bank's rating as BB with stable outlook.
Accounts payable to banks and customers are shown at amortized cost. The table below gives a breakdown of changes in funding from banks and customers in euros and other currencies.
As already mentioned in the Report on Operations, during 2014 funding from institutional counterparties increased, primarily due to actions by UBAE's majority shareholder, the Libyan Foreign Bank. The funding volume from corporate customers – mainly counterparties located in the Bank's target countries – led to an appreciable increase, though on a smaller scale.
Furthermore, on the proposal of the Board of Directors and following authorization by the Supervisory Board in April 2015, the Extraordinary Shareholders' Meeting will vote on a capital increase of EUR 8.8 million, using the reserves.

ADDITIONAL INFORMATION

The Bank does not conduct research and development activities. The Bank does not hold any treasury stock.
Information regarding the Bank's dealings with related parties may be found in the relevant section H of the Notes to the Financial Statements on page 247.

PROPOSAL TO THE SHAREHOLDERS

1. Approval of the Accounts for the Financial Year ended 31 December 2014

To all shareholders
We hereby ask you to formally approve, on the basis of this Annual Report, the Financial Statements of Banca UBAE S.p.A. for the year ending 31 December 2014, considered jointly and in their several postings, as proposed by this Board of Directors.

2. Appropriation of Net Profit 2014

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

◆	Net result	EUR	9,552,846.00-
◆	Less 5% to the Legal Reserve (Art. 30, letter a) of the Articles of Association)	EUR	478,000.00=
	Sub-total	EUR	9,074,846.00-
◆	Profit retained year ending 31 December 2013	EUR	65,196.56=
◆	Carried over	EUR	9,140,042.56-
◆	Less allocation to Extraordinary Reserve	EUR	9,100,000.00=
◆	Profit at 31 December 2014 carried forward	EUR	40,042.56

If the above scheme is approved, Shareholders' Equity will amount to EUR 217,866,648.00 and will be composed as follows:

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

◆	Share capital	EUR	151,060,800.00+
◆	Share premium account	EUR	6,702,216.29+
◆	Reserves	EUR	49,758,349.77+
◆	Profit carried forward	EUR	40,042.56+
◆	IAS-FTA reserve and carry-forward	EUR	305,239.38=
◆	from IAS 2005 profit	EUR	**217,866,648.00**

Rome, 20 March 2015

THE CHAIRMAN

FINANCIAL STATEMENTS

(Amounts in Euros)

BALANCE SHEET: ASSETS

EUR /000

	ASSETS	31.12.2014	31.12.2013
10	CASH AND CASH EQUIVALENTS	178,892,249	1,504,021
20	FINANCIAL ASSETS HELD FOR TRADING	123,342,689	48,948,598
40	FINANCIAL ASSETS AVAILABLE FOR SALE	63,500,016	48,240,535
50	FINANCIAL ASSETS HELD TO MATURITY	308,940,737	271,105,158
60	LOANS AND ADVANCES TO BANKS	2,228,026,330	937,124,124
70	LOANS AND ADVANCES TO CUSTOMERS	446,164,551	385,396,142
110	TANGIBLE FIXED ASSETS	22,541,308	23,225,654
120	INTANGIBLE FIXED ASSETS, OF WHICH: GOODWILL	1,630,160	1,436,646
130	TAX ASSETS	17,997,165	23,216,342
	A) CURRENT	12,534,451	16,303,665
	B) DEFERRED	5,462,714	6,912,677
150	OTHER ASSETS	1,020,052	992,843
	TOTAL ASSETS	3,392,055,257	1,741,190,063

BALANCE SHEET: LIABILITIES

EUR /000

	LIABILITIES	31.12.2014	31.12.2013
10	ACCOUNTS PAYABLE TO BANKS	2,996,650,060	1,390,335,451
20	ACCOUNTS PAYABLE TO CUSTOMERS	149,384,820	111,673,358
40	FINANCIAL LIABILITIES HELD FOR TRADING	2,817,189	2,296,321
80	TAX LIABILITIES	5,023,574	5,525,802
	A) CURRENT	4,921,404	5,351,953
	B) DEFERRED	102,170	173,849
100	OTHER LIABILITIES	17,404,477	20,615,032
110	STAFF SEVERANCE FUND	1,902,878	1,891,728
120	PROVISIONS FOR RISKS AND CHARGES	1,005,611	368,455
	A) PENSIONS AND SIMILAR		
	B) OTHER	1,005,611	368,455
130	VALUATION RESERVES	(67,870)	102,244
160	RESERVES	40,618,656	30,466,134
170	SHARE PREMIUM RESERVE	16,702,216	16,702,216
180	SHARE CAPITAL	151,060,800	151,060,800
190	TREASURY STOCK		
200	NET PROFIT FOR THE YEAR	9,552,846	10,152,522
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	3,392,055,257	1,741,190,063

INCOME STATEMENT

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	ITEMS	31.12.2014	31.12.2013
10	INTEREST AND SIMILAR INCOME	34,280,619	39,576,966
20	INTEREST CHARGES AND SIMILAR EXPENSES	(11,535,232)	(13,268,091)
30	NET INTEREST INCOME	22,745,387	26,308,875
40	COMMISSION INCOME	18,381,609	15,451,244
50	COMMISSION EXPENSE	(5,110,102)	(2,650,794)
60	NET COMMISSIONS	13,271,507	12,800,450
70	DIVIDENDS AND SIMILAR INCOME	15,321	13,649
80	NET TRADING INCOME	1,835,829	(146,189)
100	PROFITS (LOSSES) ON DISPOSAL OR REPURCHASE OF:	(62,550)	870,931
	A) LOANS AND ADVANCES		1,222,189
	B) FINANCIAL ASSETS AVAILABLE FOR SALE	(62,550)	(351,258)
	C) FINANCIAL ASSETS HELD-TO-MATURITY		
	D) OTHER FINANCIAL ASSETS		
120	GROSS OPERATING INCOME	37,805,494	39,847,716
130	NET IMPAIRMENT ADJUSTMENTS:	5,677,351	3,015,192
	A) LOANS AND ADVANCES	(551,607)	(669,085)
	B) FINANCIAL ASSETS AVAILABLE FOR SALE	20,526	499,074
	C) FINANCIAL ASSETS HELD-TO-MATURITY	2,016,194	1,554,149
	D) OTHER FINANCIAL ASSETS	4,192,238	1,631,054
140	NET INCOME FROM FINANCIAL OPERATIONS	43,482,845	42,862,908
150	ADMINISTRATION EXPENSES:	(28,790,865)	(27,271,102)
	A) PERSONNEL	(17,926,158)	(17,652,629)
	B) OTHER	(10,864,707)	(9,618,473)
160	NET PROVISIONING FOR RISKS AND CHARGES	(716,384)	(152,584)
170	NET ADJUSTMENTS TO TANGIBLE FIXED ASSETS	(785,199)	(745,003)
180	NET ADJUSTMENTS TO INTANGIBLE FIXED ASSETS	(390,363)	(863,456)
190	OTHER OPERATING INCOME / CHARGES	2,053,484	1,984,402
200	OPERATING CHARGES	(28,629,327)	(27,047,743)
250	PROFIT FROM CONTINUING OPERATIONS BEFORE TAX	14,853,518	15,815,165
260	INCOME TAX FOR THE YEAR ON CONTINUING OPERATIONS	(5,300,672)	(5,662,643)
270	NET PROFIT FROM CONTINUING OPERATIONS	9,552,846	10,152,522
290	NET PROFIT FOR THE YEAR	9,552,846	10,152,522

STATEMENT OF COMPREHENSIVE INCOME

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	ITEMS	31.12.2014	31.12.2013
10	NET PROFIT (LOSS)	9,552,846	10,152,522
	OTHER COMPREHENSIVE INCOME AFTER TAX WITHOUT RECLASSIFICATION TO PROFIT OR LOSS		
20	TANGIBLE FIXED ASSETS		
30	INTANGIBLE FIXED ASSETS		
40	ACTUARIAL PROFIT (LOSS) ON DEFINED-BENEFIT PLANS	(132,535)	49,412
50	NON-CURRENT ASSETS EARMARKED FOR DISPOSAL		
60	SHARE OF VALUATION RESERVES BOOKED TO SHAREHOLDERS' EQUITY		
	OTHER COMPREHENSIVE INCOME AFTER TAX WITH RECLASSIFICATION TO PROFIT OR LOSS		
70	HEDGING OF FOREIGN INVESTMENTS		
80	FOREX DIFFERENTIALS		
90	HEDGING OF FINANCIAL FLOWS		
100	FINANCIAL ASSETS AVAILABLE FOR SALE	(37,579)	(156,819)
110	NON-CURRENT ASSETS EARMARKED FOR DISPOSAL		
120	SHARE OF VALUATION RESERVES BOOKED TO SHAREHOLDERS' EQUITY		
130	OTHER SOURCES OF INCOME, AFTER TAX		
		(170,114)	(107,407)
140	COMPREHENSIVE INCOME	9,382,732	10,045,115

STATEMENT OF CHANGES IN EQUITY 01.01.2014-31.12.2014

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	BALANCE AS AT 31.12.2013	CHANGE IN OPENING BALANCE	BALANCES AS AT 01.01.2014	ALLOCATION OF PROFIT FROM PREVIOUS YEAR		CHANGES TO RESERVES
				RESERVES	DIVIDENDS AND OTHERS	
SHARE CAPITAL						
A) ORDINARY SHARES	151,060,800		151,060,800			
B) OTHER SHARES						
SHARE PREMIUM ACCOUNT	16,702,216		16,702,216			
RESERVES						
A) FROM PROFITS	30,466,134		30,466,134	10,152,522		
B) OTHER						
REVALUATION RESERVES (1)	102,244		102,244			
CAPITAL INSTRUMENT						
TREASURY STOCK						
NET PROFIT FOR THE YEAR	10,152,522		10,152,522	(10,152,522)		
SHAREHOLDERS' EQUITY	208,483,916		208,483,916			

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	INTERVENING VARIATIONS							SHAREHOLDERS' EQUITY AS AT 31.12.2014
	CHANGES TO EQUITY						COMPREHENSIVE NET INCOME 2014	
	NEW SHARES ISSUED	TREASURY STOCK BOUGHT	EXTRAORDINARY DIVIDENDS PAID	CHANGES TO CAPITAL INSTRUMENTS	DERIVATIVES ON TREASURY STOCK	STOCK OPTIONS		
SHARE CAPITAL								
A) ORDINARY SHARES								151,060,800
B) OTHER SHARES								
SHARE PREMIUM ACCOUNT								16,702,216
RESERVES								
A) FROM PROFITS								40,618,656
B) OTHER								
REVALUATION RESERVES (1)							(170,114)	(67,870)
CAPITAL INSTRUMENT								
TREASURY STOCK								
NET PROFIT FOR THE YEAR							9,552,846	9,552,846
SHAREHOLDERS' EQUITY							9,382,732	217,866,648

STATEMENT OF CHANGES IN EQUITY 01.01.2013-31.12.2013

EUR /000

	BALANCE AS AT 31.12.2012	CHANGE IN OPENING BALANCE	BALANCES AS AT 01.01.2013	ALLOCATION OF PROFIT FROM PREVIOUS YEAR		CHANGES TO RESERVES
				RESERVES	DIVIDENDS AND OTHERS	
SHARE CAPITAL						
A) ORDINARY SHARES	151,060,800		151,060,800			
B) OTHER SHARES						
SHARE PREMIUM ACCOUNT	16,702,216		16,702,216			
RESERVES						
A) FROM PROFITS	26,567,421		26,567,421	3,898,713		
B) OTHER						
REVALUATION RESERVES (1)	407,874	(198,223)	209,651			
CAPITAL INSTRUMENT						
TREASURY STOCK						
NET PROFIT FOR THE YEAR (1)	15,983,577		15,983,577	(3,898,713)	(12,084,864)	
SHAREHOLDERS' EQUITY	210,721,888	(198,223)	210,523,665		(12,084,864)	

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	INTERVENING VARIATIONS							SHAREHOLDERS' EQUITY AS AT 31.12.2013
	CHANGES TO EQUITY						COMPREHENSIVE NET INCOME 2013	
	NEW SHARES ISSUED	TREASURY STOCK BOUGHT	EXTRAORDINARY DIVIDENDS PAID	CHANGES TO CAPITAL INSTRUMENTS	DERIVATIVES ON TREASURY STOCK	STOCK OPTIONS		
SHARE CAPITAL								
A) ORDINARY SHARES								151,060,800
B) OTHER SHARES								
SHARE PREMIUM ACCOUNT								16,702,216
RESERVES								
A) FROM PROFITS								30,466,134
B) OTHER								
REVALUATION RESERVES (1)							(107,407)	102,244
CAPITAL INSTRUMENT								
TREASURY STOCK								
NET PROFIT FOR THE YEAR (1)							10,152,522	10,152,522
SHAREHOLDERS' EQUITY							10,045,115	208,483,916

(1) The changes in the opening balances reflect the reclassification and the effects arising from the determination of deferred taxes on the valuation reserves connected to bonds classified in the AFS portfolio.

CASH FLOW STATEMENT

INDIRECT METHOD		31.12.2014	31.12.2013
A	OPERATING ACTIVITIES		
1	OPERATIONS	10,297,600	7,023,919
	NET PROFIT FOR THE YEAR	9,552,846	10,152,522
	CAPITAL GAINS (LOSSES) ON FINANCIAL ASSETS HELD FOR TRADING AND FINANCIAL ASSETS/LIABILITIES CARRIED AT FAIR VALUE	62,550	(1,710,336)
	CAPITAL GAINS (LOSSES) ON HEDGING ASSETS		
	NET IMPAIRMENT ADJUSTMENTS	(5,677,351)	(3,015,192)
	NET ADJUSTMENTS TO TANGIBLE AND INTANGIBLE FIXED ASSETS	1,175,562	1,608,459
	NET PROVISIONS FOR RISKS AND CHARGES AND OTHER REVENUES (COSTS)	637,156	(5,946)
	UNSETTLED TAXES AND DUTIES	4,716,949	300,042
	NET POST TAX ADJUSTMENTS TO GROUPS OF ASSETS EARMARKED FOR DISPOSAL		
	OTHER ADJUSTMENTS	(170,112)	(305,630)
2	LIQUIDITY GENERATED (ABSORBED) BY FINANCIAL ASSETS	1,435,736,595	(521,121,192)
	FINANCIAL ASSETS HELD FOR TRADING	74,456,641	(1,985,294)
	FINANCIAL ASSETS CARRIED AT FAIR VALUE		
	FINANCIAL ASSETS AVAILABLE FOR SALE	15,259,481	(8,667,382)
	LOANS AND ADVANCES TO BANKS: DEMAND	1,290,902,206	(390,015,979)
	LOANS AND ADVANCES TO BANKS: OTHER		
	LOANS AND ADVANCES TO CUSTOMERS	55,091,058	(120,423,862)
	OTHER FINANCIAL ASSETS	27,209	(28,675)
3	LIQUIDITY GENERATED (ABSORBED) BY FINANCIAL LIABILITIES	1,641,347,532	(630,859,342)
	ACCOUNTS PAYABLE TO BANKS: DEMAND	1,606,314,609	(291,101,130)
	ACCOUNTS PAYABLE TO BANKS: OTHER		
	ACCOUNTS PAYABLE TO CUSTOMERS	37,711,462	(331,037,009)
	OUTSTANDING SECURITIES		
	FINANCIAL LIABILITIES HELD FOR TRADING	520,868	(2,627,956)
	FINANCIAL LIABILITIES CARRIED AT FAIR VALUE		
	OTHER FINANCIAL LIABILITIES	(3,199,407)	(6,093,247)
NET LIQUIDITY GENERATED (ABSORBED) BY OPERATING ACTIVITIES		215,908,537	(102,714,231)

INDIRECT METHOD		31.12.2014	31.12.2013
B	INVESTMENT/DIVESTMENT ACTIVITIES		
1	LIQUIDITY GENERATED BY:		
	DISPOSAL OF EQUITY INVESTMENTS		
	DIVIDENDS RECEIVED ON EQUITY INVESTMENTS		
	DISPOSAL OF FINANCIAL ASSETS HELD TO MATURITY		
	DISPOSAL OF TANGIBLE FIXED ASSETS		
	DISPOSAL OF INTANGIBLE FIXED ASSETS		
	DISPOSAL OF BUSINESS UNITS		
2	LIQUIDITY ABSORBED BY:	38,520,309	(116,174,509)
	PURCHASE OF EQUITY INVESTMENTS		
	PURCHASE OF FINANCIAL ASSETS HELD TO MATURITY	37,835,579	(117,010,582)
	PURCHASE OF TANGIBLE FIXED ASSETS	100,853	152,283
	PURCHASE OF INTANGIBLE FIXED ASSETS	583,877	683,790
	PURCHASE OF BUSINESS UNITS		
	NET LIQUIDITY GENERATED (ABSORBED) BY INVESTMENT/DIVESTMENT ACTIVITIES	(38,520,309)	116,174,509
C	FUNDING		
	ISSUE (PURCHASE) OF TREASURY STOCK		
	ISSUE (PURCHASES) OF CAPITAL INSTRUMENTS		
	DISTRIBUTION OF DIVIDENDS AND OTHER		(12,084,864)
	NET LIQUIDITY GENERATED (ABSORBED) BY FUNDING ACTIVITIES		(12,084,864)
NET LIQUIDITY GENERATED (ABSORBED) DURING THE YEAR		177,388,228	1,375,414

RECONCILIATION	31.12.2014	31.12.2013
CASH AND CASH EQUIVALENTS AT START OF YEAR	1,504,021	128,607
NET LIQUIDITY GENERATED/ABSORBED DURING THE YEAR	177,388,228	1,375,414
CASH AND CASH EQUIVALENTS: EFFECT OF EXCHANGE RATE VARIATIONS		
CASH AND CASH EQUIVALENTS AT THE YEAR END	178,892,249	1,504,021

Directors' sitting room, Head Office, Rome

NOTES TO FINANCIAL STATEMENTS

PART A
ACCOUNTING POLICIES

A.1 – GENERAL INFORMATION

The financial statements at 31 December 2014 of the Banca UBAE S.p.A, as prescribed by legislative decree no. 38 of 28 February 2005, have been prepared in conformity with international accounting principles – International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) – issued by the International Accounting Standards Board (IASB) and relative interpretations of the International Financial Reporting Interpretations Committee (IFRIC) endorsed by the European Commission in accordance with EC Regulation no. 1606 of 19 July 2002. IFRS have been applied by also making reference to the Framework for Preparation and Presentation of Financial Statements.
In addition to instructions contained in Banca d'Italia circular no. 262 of 22 December 2005 "Bank financial statements: layout and rules for compilation", 2nd update issued on 21 January 2014, for purposes of interpretation reference has been made to documents concerning application of the IFRS in Italy prepared by the Italian Accountancy Board (OIC).
On 20 March 2015, the BD approved the Financial Statements and made them available to shareholders as prescribed by article 2429 of the Civil Code. These Financial Statements will be submitted for approval by the Shareholders' Meeting to be held on 29/04/2015 (first call) and 30/04/2015 (second call) and will be deposited within the term prescribed by article 2435 of the Civil Code. The Shareholders' Meeting is empowered to make changes to these Financial Statements. For purposes of the provisions of IAS 10.17, the date taken into account by the BD as regards preparation of the Financial Statements is 20 March 2015, the date of their approval by the BD.

Section 1 - Statement of conformity with international accounting principles

As prescribed by IAS 1 to § 14, it is confirmed that the Financial Statements of Banca UBAE S.p.A. for the year ended 31 December 2013 are in conformity with all IAS/IFRS accounting principles, including the Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) interpretive documents, in force at the date of approval of these Financial Statements and as endorsed by the European Commission.
Furthermore, as regards interpretation and application of the new international accounting principles, reference has been made to the Framework for the Preparation and Presentation of Financial Statements issued by the IASB.

In terms of interpretation, reference has also been made to documents concerning the application of IAS/IFRS accounting principles prepared by the Italian Accountancy Board (OIC) AND Italian Banking Association (ABI).

Section 2 – General principles for preparation of the Financial Statements

The Financial Statements comprise the Balance Sheet, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Cash Flow Statement and these Notes, and are accompanied by the Board's Summary of Operations and situation of Banca UBAE S.p.A. The amounts reported in the Financial Statements correspond to the Bank's accounting records.
The Bank's Financial Statements have been prepared based on the assumption of business continuity and with reference to the general principles for preparation indicated below:

- principle of true, correct and complete presentation of the Balance Sheet, economic and financial situation;
- principle of accounting on an accrual basis;
- principle of consistency as regards presentation and classification from one year to the next;
- principle of precedence given to substance over form;
- principle of exercising due prudence when making estimates required in situations of uncertainty, so that assets or income are not overestimated and liabilities or costs are not underestimated, and that the aforesaid does not give rise to setting up hidden reserves or excessive provisions;
- principle of providing unbiased information;
- principle of providing relevant/significant information.

The Financial Statements have been prepared in conformity with the layout and rules for compilation prescribed in Banca d'Italia circular no. 262 of 22 December 2005, updated on 21 January 2014, including other requests for information indicated in later specifications issued by Banca d'Italia. Moreover, additional information believed to be opportune has been provided to supplement data included in the Financial Statements even when not specifically required by the regulations.

Amounts reported in the Balance Sheet and Income Statement, the Statement of Comprehensive Income, Statement of Changes in Equity and the Cash Flow Statement are in whole euros, whereas amounts in the Notes are stated in thousands of euros, when not indicated otherwise. For purposes of comparison the Financial Statements and, where required, tables in the Notes, also show figures reported for the previous year.

No offsetting has been made between assets and liabilities, revenues and costs unless this has been approved or is required by international accounting principles or provisions made in the latest update of Banca d'Italia circular no. 262.
Line items in the Balance Sheet, Income Statement and Statement of Comprehensive Income are not shown if there are no amounts reported in them for the current and previous year. If an asset or liability item falls under more than one line item in the Balance Sheet, the fact that this refers to line items other than the one in which they are recognized is mentioned the Notes in cases where this is deemed necessary to provide a better understanding of the Balance Sheet.

Revenues in the Income Statement and relative section of the Notes are reported without brackets whereas costs are shown in brackets. In the Statement of Comprehensive Income negative amounts are indicated in brackets. Criteria adopted for preparing these Financial Statements are unchanged from those adopted in the previous year.
Following discussions at international level between Regulators, Governments and Bodies responsible for preparing and interpreting accounting rules, during March 2009 the IASB approved an amendment to IFRS 7 in order to improve information concerning fair value measurement and strengthening previous requirements for information as regards liquidity risk linked to financial instruments.

Very briefly:

- the changes introduce requirements for information concerning criteria used to establish the fair value of financial instruments, in accordance with indications already given in SFAS 157 in terms of a hierarchy for fair value on three levels based on the significance of valuation inputs;
- as regards liquidity risk, a new definition of this is introduced (as being "the risk that an organization may find it difficult to fulfil obligations associated with financial liabilities to be regulated by means of delivery of cash or other financial assets") as well as the requirement for additional quantitative-type information about the method for managing liquidity of derivative instruments.

The main innovation in the IFRS 7 amendment is the introduction of a Fair Value Hierarchy (hereinafter FVH) based on three different levels (Level 1, Level 2 and Level 3) in decreasing order of the possibility to examine inputs used for estimating fair value. As regards criteria for assessing fair value, reference is made to indications given in specific notes in point 4 below.

Section 3 – Significant post-year-end events

During the period between the closing date for these Financial Statements and their approval by the BD on 20 March 2014 no significant events have occurred that would require either a change in the approved figures or the need for additional information.

Information concerning business continuity

As regards future business continuity, it should be noted that indications were given in Document No. 4 dated 3 March 2010 issued jointly by Banca d'Italia, Consob and Isvap, with reference to "Information to be provided in financial reports on audits covering the impairment of asset values (impairment test)" concerning contractual clauses for financial debts, debt restructuring and the "fair value hierarchy", and that referred to a corresponding Document No. 2 issued jointly by the three authorities on 6 February 2009. As of now the Bank can reasonably expect to continue operations for the foreseeable future and has therefore prepared these Financial Statements based on the assumption of business continuity.
More detailed information concerning the main issues and existing market variables is given in the Board's Summary of Operations.

Section 4 – Other aspects

In accordance with articles 14 and 16 of legislative decree no. 39 of 27 January 2010, the Financial Statements are subject to audit by BDO S.p.A., a firm of external auditors that was appointed for the period 2012-2020 by the Shareholders' Meeting held on 10 September 2012.

4a - New documents issued by IASB have been endorsed by the EU to be mandatorily adopted for Financial Statements for years starting from 1 January 2013 onward

New accounting standards or amendments to existing standards approved by the European Commission. Below is a list of regulations for approval of certain new standards or amendments to existing standards, applicable as compulsory from 2014, limited to the cases of interest to the activity carried out by the Bank, for which no use was made in previous years of the faculty of early application:

- EU Regulation no. 1256/2012 amends IAS 32 "Financial Instruments: Balance Sheet Presentation" in order to provide additional guidance to reduce inconsistencies in the practical application of the principle relating to offsetting financial assets and liabilities;

- EU Regulation no. 313/2013 amends IFRS 10 "Consolidated Financial Statements", IFRS 11 "Agreements of joint control" and IFRS 12 "Disclosure of interests in other entities" in order to clarify the intentions of the IASB at the time of the first publication of the guide to the transitional provisions of IFRS 10, and make less burdensome the transition to the new standards limiting the requirement to provide comparative information adjusted to the earlier comparative period;

- EU Regulation no. 1174/2013 amends IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of interests in other entities" and IAS 27 "Separate Financial Statements" for the purpose of prescribing the investment entities to measure its investments in subsidiaries at FVTPL in place of consolidating them;

- EU Regulation no. 1374/2013 adopting "Additional information on the recoverable value of non-financial assets" makes amendments to IAS 36 "Impairment of Assets" clarifying that the information to be provided on the recoverable value of assets, when this value is based on fair value less costs of disposal, concern only those assets whose value has been reduced;

- EU Regulation no. 1375/2013 adopting "New issues of derivatives and continuation of hedge accounting" makes amendments to IAS 39 "Financial Instruments: Recognition and Measurement" to govern situations where a derivative designated as a hedging instrument is presented as new by a counterparty to a CCP as a result of legislation or regulations. Hedge accounting may well continue regardless of innovation, something that without the change would not have been permitted.

In relation to the above, there were no significant impacts for the preparation of these financial statements; the changes have provided, in fact, some clarifications to existing principles or have introduced new disclosure requirements for financial statements.

The amendment to IAS 19 – Employee benefits, as prescribed in EU Regulation 475/2012, came into force on 1 January 2013.

Introduction of the new IAS 19R accounting principle has eliminated the possibility to choose between different alternative accounting methods for actuarial profits and losses, which must now mandatorily be reported immediately and for the entire amount in the Statement of Comprehensive Income, with an impact on Shareholders' Equity. Specifically as regards UBAE, the application of IAS 19R has meant that actuarial profits and losses have been accounted for in Shareholders' Equity Valuation Reserves as opposed to in the Income Statement as was the previous practice.

4b - Statement of Comprehensive Income

The Statement of Comprehensive Income introduced in 2009 is prepared in the light of amendments to IAS 1 and includes revenue and cost items that, in conformity with international accounting principles, are not reported in the Income Statement but in Shareholders' Equity.
So comprehensive income expresses the change in equity for the year as a result of both business operations that currently generate profit for the year and other operations net of tax effect. For example, these include changes in the value of AFS securities, tangible and intangible fixed assets, hedging of overseas investments and financial flows, exchange rate differences and actuarial profits or losses on employee benefit plans, accounted for in Shareholders' Equity based on a specific accounting principle.

4c - Use of estimates when preparing the Financial Statements (specifically as regards the provisions of IAS 1 paragraph 125 and Document no. 2 of 6 February 2009 issued jointly by Banca d'Italia/Consob/lvass)

Preparation of the Financial Statements also requires recourse to estimates and assumptions that can have a significant effect on amounts recognized in the Balance Sheet and Income Statement, and also as regards information concerning potential assets and liabilities reported in the Financial Statements.

Preparing estimates implies using available information and subjective assessments, also based on past experience, utilized in order to formulate reasonable assumptions to account for facts concerning operations.
Given their nature estimates and assumptions can vary from period to period. It cannot be excluded therefore that in future years the actual amounts recognized in the Financial Statements may differ, even significantly, as a result of changes in the subjective assessments used.

The main cases for which the BD needs to resort to subjective assessments concern:

- quantification of losses for impairment of loans, advances, guarantees and, in general, other financial assets;
- assessment of the fair value for financial instruments to be used for purposes of information concerning the Financial Statements;
- use of evaluation models for assessing the fair value of financial instruments not listed on active markets;
- quantification of staff provisions and provisions for risks and charges;
- estimates and assumptions as regards recovery of deferred tax assets.

The description of accounting policies that apply to the main items provides the necessary details for identifying the principal assumptions and subjective assessments used when preparing the Financial Statements. More detailed information concerning the breakdown and relative amounts recognized for items affected by the estimates in question can instead be found in specific sections of the Notes.

4d - Information has to be provided in financial reports on audits covering impairment of asset values (impairment test), with specific reference to the provisions in Document no. 4 issued jointly by Banca d'Italia/Consob/Isvap on 3 March 2010

With reference to criteria used for the valuation of securities classified as being available for sale, when finalizing the Financial Statements the BD assesses if there is objective evidence of non-temporary reductions in value.

4e - Law 147 Of 27 December 2013 (Stability Law) Losses and write-downs on receivables (article 1, paragraphs 158-160)

With effect from tax year 2013 losses and write-downs on customer receivables (line item 130 in the Income Statement) will be deductible both for IRES and IRAP purposes, calculated based on equal instalments in the year they are charged to the Income Statement and the four following years. The introduction of this provision replaces recognition of a 0.30% annual deductible amount on customer receivables, however, it aligns treatment of losses on receivables with that of write-downs, while deductibility is also extended to losses and write-downs on receivables for IRAP calculation purposes.
The timeframe for deductibility of write-downs on receivables is also reduced from 18 years to 5 years.
As regards write-backs on receivables, the distinction is maintained between "valuation write-backs" and "payment write-backs". On this subject, it is understood that losses and write-downs on receivables deductible in five years are net of valuation write-backs recorded in the Income Statement, whereas payment write- backs will be taxed separately for IRES and IRAP purposes.
The only exception from the five-year deductibility rule for losses and write-downs on receivables concerns losses on transferred receivables (recorded in line item 100 in the Income Statement) for which full deductibility remains in the year they occur for both IRES and IRAP calculation.
The rule concerning deductibility in 18 years remains in force for write-downs on receivables exceeding the annual quota of 0.30% of customer receivables established up to 31 December 2012.

4f - Legislative Decree 133 Of 30 November 2013 - increase of IRES rate (article 2, paragraph 2)

Only for tax year 2013, as an exception to provisions of the Taxpayers' Charter, an additional IRES of 8.5% applies for companies operating in the credit sector that increases the normal rate from 27.5% to 36%. For tax year 2014, the rate is set at 27.5%.
The Decree states that this addition is not calculated on incremental changes as a result of applying article 106, paragraph 3 of the Consolidated Law on Banking.

BANCA UBAE: AN INTERNATIONAL BANK FOR THE GLOCAL MARKETS.

BANCA UBAE

مصرف اليوباي

A.2 – MAIN BALANCE SHEET ITEMS

1 - Financial Assets Held For Trading

Recognition

Financial assets held for trading (HFT assets) are recorded on their settlement date, derivatives on the trade date. Financial assets in this category are initially recognized at fair value, which is usually the amount paid or received for them. In cases where fair value differs from the amount paid or received, the asset is recognized at fair value and the balance of actual payment and fair value is recorded in the Income Statement.
Derivatives embedded in financial instruments or in other contractual arrangements which have financial characteristics and risks that are not correlated with the host instrument or that otherwise qualify them as derivatives are accounted for separately under "Financial assets held for trading" except in cases where the host instrument is assessed at fair value and this has an impact on the Income Statement. Where the embedded derivative is unbundled 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 embedded derivatives that have been unbundled from host contracts.

Valuation

After initial recording, HFT assets 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 applied in recent, comparable trades.

De-recognition

HFT assets 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 HFT assets 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

Included in this category are 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 related 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.

De-recognition

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 remain there until disposal of the asset concerned. The changes are also recorded in the Statement of Comprehensive Income. If there is evidence of an impairment loss at the end of the financial year, the loss is reversed out of Shareholders' Equity and charged to the Income Statement for an amount equal to the difference between purchase cost and fair value, after deducting any pre-existing impairment losses in the Income Statement.
If fair value should rise again after an impairment loss was recorded, the gain is entered in the Income Statement if the item is a debt instrument, though not if it is an equity. Besides impairment losses, cumulative gains or losses in the Shareholders' Equity Valuation Reserves are recorded in the Income Statement at the time of disposal of the asset concerned as indicated above. Increases in value of equity instruments are not recorded in the Income Statement. Interest calculated using 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 (HTM assets) 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 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, HTM asset 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 calculated using 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.

De-recognition

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 calculated using the amortized-cost method based on actual interest rates.
If objective evidence points to an impairment loss at the end of the financial year, this is recorded 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 been if no impairment loss had been recorded.

4 – Loans, Advances And Guarantees Issued

Recognition

Loans and advances (L&A) 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 part of internal administrative costs.
The initial value of any loans disbursed at other than market rates should equal the fair value of such loans as established using valuation techniques; any difference between fair value and the amount disbursed or subscription price is recorded in the Income Statement.
Carry-over contracts and repurchase or resale agreements are recorded in the Balance Sheet as borrowing or lending transactions; spot sales and forward repurchases are recorded as liabilities for the spot amount received, whereas spot purchase and forward resale transactions are recorded as receivables for the spot amount paid.
Contingent liabilities, which include guarantees and commitments carrying credit risk, are designated at the fair value of the commitment given.
Financial guarantees are initially recognized at fair value, which is represented by the fee initially received and subsequently at the higher of the amount determined in accordance with IAS 37 and the amount initially recognized (less, where appropriate, cumulative amortization calculated on a straight-line basis).

Classification

Loans and advances that are disbursed directly or acquired from third parties, that are not listed on active markets and involve fixed, specifiable payments are classified under L&A to Banks or L&A to Customers, except 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&A, as are operating loans and repurchase agreements.

Valuation

After initial recognition, L&A 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 loan are assessed at cost. The loan portfolio is reviewed at the end of each financial year and checked for any instances of impairment that may lead to losses.
Bad debts, standstill positions, restructured debts and positions that are overdue by, or display overruns extending for, more than 90 days are considered impaired loans. Impairment losses are only recorded in the accounts when, after initial recognition of the loan, there is objective evidence of events likely to cause a reduction in the loan's value such that future estimated cash flows will be affected.
Bad debts, standstill positions or restructured debts that show a reduction in value based on objective

evidence of impairment are valued individually. The loss is calculated as the difference between the asset's book value and the present value of estimated cash flows, discounted by using the original actual interest rate. Valuation takes into account:

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

For the purposes of valuation, cash flows estimated to occur over the short term are not discounted to present value. The original actual rate for each loan remains the same over time, even when restructuring has introduced a change in the contractually agreed rate or the loan no longer bears interest.
Loans that show no objective evidence of impairment (typically, performing loans to banks and customers, including loans to counterparties resident in countries deemed at risk) and positions that are overdue by, or display overruns extending for, more than 90 days are assessed collectively by creating groups of positions with a similar risk profile. Regarding the definition of the criteria for determining lump-sum value adjustments the Risk Manager, during 2014, supported by the General Accounting Dept., has refined a calculation method based on past experience gained by the Bank as part of the writedowns made for impaired exposures. This is to ensure continuity of approach with respect to the past, in order to improve the estimation process. At the same time, the Bank also introduced differentiation by type of counterparty (banks and customers) and the application of percentages on gross exposures before the effects of "credit risk mitigation". The new calculation method has been shared and approved by the Board of Auditors and the Legal Auditors.

Contingent liabilities are also subject to review for impairment using methods similar to those adopted for loans valued individually and collectively. Any write-downs are recorded in the Income Statement and the contra-item entered under Other Liabilities. The amount recognized as a provision in accordance with IAS 37 represents the best estimate of the expenditure required to settle the liability existing at the Balance Sheet date in connection with the financial guarantee valued individually or collectively.

As established in Banca d'Italia circular no. 272/2008, updated on 16 July 2013, impaired positions are subdivided into the following categories:

- Bad debts: loans formally recognized as impaired in cases where the customer is considered to be insolvent, although not legally declared bankrupt, or similar types of position;
- Standstill positions: loans to customers considered to be temporarily in difficulty but that are expected to be resolved within a reasonable time. As established in the above mentioned circular, overdue positions or overruns in excess of 270 days are objectively considered to be in a standstill position when the overdue/overrun amount is equal to at least 10% of the entire exposure for the customer concerned (excluding late-payment interest);
- Restructured exposures: these are exposures for counterparties with whom an agreement has been made that provides for a grace period for repayment of the debt and a simultaneous renegotiation of terms and conditions;
- Overdue exposures: these include the entire exposure for counterparties, other than those classified in the above categories, for whom loans at the date of reporting are overdue or show an overrun in excess of 90 days.

De-recognition

Under the terms of IAS 39, the transfer of financial assets only leads to derecognition when all risks and benefits associated with the assets are effectively transferred to a third party. If the Bank has not effectively transferred all the risks and benefits associated with an asset and retains control over it, the Bank's "continuing involvement" in the asset (i.e., 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 been 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 Held 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 impairment. 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.

De-recognition

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 impairment 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, i.e., the present value of future cash flows originating from the asset, and its fair value calculated net of disposal costs. Any shortfall in book value relative to recoverable value is recorded in the Income Statement. If the reasons for the write- down should cease to subsist, a write-back is recorded in the Income Statement. The write-back cannot result in a higher book value than that which the asset would have had after depreciation if no impairment 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.

De-recognition

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 impairment 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 recorded 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 impairment had occurred.

10 – Non-Current Assets Being Divested

There are no items in this category.

11 – Current And Deferred Taxes

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 to 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 calculated based on the temporary differences between assets and liabilities recorded in the Balance Sheet and the corresponding values recognized for tax purposes.

12 – Provisions For Risks And Charges

Recognition and Classification

Provisions for risks and charges are 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 allocated to provisions 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 provisions for Risks and Charges for the year.

De-recognition

Provisions are used solely for 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.

13 – Accounts Payable

Recognition

Initial recognition is based on the fair value of the liability, which is normally the amount received, adjusted for marginal costs and income directly attributable to the transaction and not reimbursed by a 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 difference from the effective purchase price 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 using the actual interest rate method, except for significant short-term liabilities that warrant recognition at fair value (i.e., the amount received adjusted for any directly related charges/proceeds). The method for determining amortized cost is indicated in the sub-section above on Financial assets held to maturity.

De-recognition

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

14 – Financial Liabilities Held For Trading

Recognition

HFT liabilities are recognized at 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 difference between the two amounts 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 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 indicated in the sub-section on Financial assets held for trading.

De-recognition

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.

15 – Financial Liabilities Assessed At Fair Value

There are no items in this category.

16 – Forex 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 recorded 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.

17 – Other Information

a) Fair Value

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

1. **Prices listed on active markets (mark-to-market)**, where valuation is based on the price commanded by the same instrument, unmodified and un-recombined, as listed on an active market. A market is considered active when its listed prices reflect normal market conditions, are regularly and readily available through stock exchanges, listing services and/or brokers, and represent actual and regular market operations.

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

3. **Methods based on unobservable market parameters (mark-to-model)**. These are widely accepted and used, and include calculating the present value of future cash flows and estimating volatilities; models are revised during their development and periodically thereafter to ensure maximum and durable consistency. As methods in this group rely heavily on significant inputs from sources other than the market, the Bank's management will have to make estimates and assumptions.

The criteria used to determine the fair value of securities are as follows;

a) **For securities traded on active markets, fair value is represented by:**
- the official price on the last trading day of the relevant period if the instrument is listed on the Italian stock exchange;
- the official price (or its equivalent) on the last day of the relevant period if it is listed on a foreign stock exchange.

b) **For securities not traded on active markets, fair value is represented by (in descending order of preference):**
- the reference price from recent trades;
- price indications, if available and reliable, from sources such as ICMA, Bloomberg or Reuters;
- the price obtained by applying valuation methods generally accepted in the financial community, e.g.:
  - for debt instruments, the present value of future cash flows, based on the yield rates applying at the end of the period for an equivalent residual life and taking into account any counterparty risk and/or liquidity risk;
  - for equities (if the amount is significant), the price obtained through independent expert assessments if available, or else a price that is equal to the fraction of shareholders' equity held as recognized in the company's latest approved accounts;
- the price supplied by the issuer, suitably adjusted for counterparty risk and/or liquidity risk;
- the cost, adjusted to take into account any significant impairment if fair value cannot be determined reliably by any of the previously mentioned criteria.

c) **For derivatives, fair value is represented by:**
- the quoted price on the last trading day of the relevant period if the instrument is traded on a regulated market;
- if the instrument is an OTC derivative, its market value on the relevant reference date as determined for the type of derivative being valued, i.e.:
  - interest rate contracts: the "replacement cost" obtained by calculating the present value of balances on the scheduled settlement dates between cash flows generated at contract rates and expected cash flows generated at the (objectively determined) market rates current at the end of the period for an equivalent residual life;
  - Forex derivatives: the forward Forex rates applying at the reference date for maturities equivalent to those of the transactions being valued;
  - derivatives on securities, commodities and precious metals: the forward prices applying at the reference date for maturities equivalent to those of the underlying assets.

b) 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 instrument's fair value) is recorded 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.

c) Staff Severance Fund

Registration and classification

The Staff Severance Fund (TFR) is recognized by the actuarial method prescribed in IAS 19 for staff defined-benefit plans.
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.
Application IAS 19R starting 1 January 2013 implied the inclusion in Shareholders' Equity Valuation Reserves of the actuarial losses on defined benefit plans previously recognized in the Income Statement; all other economic components of the severance pay flows are recognized in the Income Statement in the line item Administrative Expenses/Personnel.

Valuation and Recognition of Gains and Losses

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

A.3 – DETAILS OF TRANSFERS BETWEEN FINANCIAL ASSET PORTFOLIOS

The Bank has not reclassified any financial assets during the year in question.

A.3.1 Reclassified financial assets: book value, fair value and impacts on comprehensive net income
The Bank has not reclassified any financial assets during the year in question.

A.3.2 Reclassified financial assets: impact on comprehensive income before transfer
The Bank has not reclassified any financial assets during the year in question.

A.3.3 Transfers of financial assets held for trading
The Bank has not reclassified any financial assets during the year in question.

A.3.4 Effective interest rate and expected future cash flows from reclassified assets
The Bank has not reclassified any financial assets during the year in question.

A.4 – FAIR VALUE DETAILS

Qualitative information

A.4.1 Fair value levels 2 and 3: assessment and input techniques

Starting 1 January 2013 the Bank has applied the new IFRS 13 accounting principle that governs the measuring of fair value and relative disclosure. An assessment of the classification criteria and measurement method adopted for fair value revealed that these were essentially in line with the principle concerned. Techniques, valuation processes for financial instruments and criteria for determining fair value used by the Bank are illustrated in the Notes – Part A, point 17 "Other aspects".

A.4.2 Processes for and sensitivity of assessments

Based on the provisions of the new international IFRS 13 accounting principle the Bank has carried out a sensitivity analysis in order to determine the potential impact on valuation of instruments classified in fair value level 3 as a result of possible variations in the corresponding non-observable market parameters. This check did not reveal any significant impact of the situation presented.

A.4.3 Fair value hierarchy

With the introduction of IFRS 13 the aim was to include the rules for measuring fair value previously contained in several accounting principles in a single principle. Fair value is defined as the price obtained for the sale of an asset or as the amount paid when transferring a liability in a normal transaction between market operators at the date of valuation.
To determine the fair value of a financial instrument IFRS 13 draws on the hierarchical concept of measurement criteria used that was previously introduced by an amendment to IFRS 7. This stated that it was mandatory to classify valuations based on a hierarchy of levels reflecting the significance of inputs used to evaluate financial instruments.
The aim of this classification is to establish a hierarchy in terms of reliability of fair value based on the degree of subjectivity applied, giving precedence to observable parameters in the market that reflect the assumptions participants in the market would use when pricing the asset/liability concerned.

A.4.4 Other information

The Bank does not utilize the exception concerning the offsetting of groups of financial assets and liabilities as indicated in IFRS 13, paragraph 48.

Quantitative information

A.4.5 Fair value hierarchy

A.4.5.1 Assets and liabilities assessed at fair value on a comparable basis: breakdown by fair value levels

EUR /000

		31.12.2014			31.12.2013		
		L1	L2	L3	L1	L2	L3
1	FINANCIAL ASSETS HELD FOR TRADING	121,345	1,998		48,018	931	
2	FINANCIAL ASSETS ASSESSED AT FAIR VALUE						
3	FINANCIAL ASSETS AVAILABLE FOR SALE	60,758	2,677	65		48,176	64
4	HEDGING DERIVATIVES						
5	TANGIBLE FIXED ASSETS						
6	INTANGIBLE FIXED ASSETS						
	TOTAL	182,103	4,675	65	48,018	49,107	64
1	FINANCIAL LIABILITIES HELD FOR TRADING		2,817			2,296	
2	FINANCIAL LIABILITIES ASSESSED AT FAIR VALUE						
3	HEDGING DERIVATIVES						
	TOTAL		2,817			2,296	

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

No transfers of assets and liabilities between level 1 and level 2 have been made during the year.

A.4.5.4 Assets and liabilities not assessed at fair value or assessed at fair value on a non-comparable basis: breakdown by fair value levels

EUR /000

		31.12.2014				31.12.2013			
		VB	FV			VB	FV		
			L1	L2	L3		L1	L2	L3
1	FINANCIAL ASSETS HELD TO MATURITY	308,941	309,460	1,481		271,105	273,103	1,323	
2	LOANS & ADV. TO BANKS	2,228,026			2,228,026	937,124			937,124
3	LOANS & ADVANCES TO CUSTOMERS	446,165			446,165	385,396			385,396
4	TANGIBLE FIXED ASSETS HELD FOR INVESTMENT								
5	NON-CURRENT ASSETS AND GROUPS OF ASSETS BEING DIVESTED								
	TOTAL	2,983,132	309,460	1,481	2,674,191	1,593,625	273,103	1,323	1,322,520
1	ACC.PAYABLE TO BANKS	2,996,650			2,996,650	1,390,335			1,390,335
2	ACCOUNTS PAYABLE TO CUSTOMERS	149,385			149,385	111,673			111,673
3	DEBT SECURITIES OUTSTANDING								
4	LIABILITIES ASSOCIATED WITH ASSETS BEING DIVESTED								
	TOTAL	3,146,035			3,146,035	1,502,008			1,502,008

Legend: BV= Book Value FV= Fair Value L1= Level 1 L2= Level 2 L3= Level 3

Below are the types of asset/liability not measured at fair value:
Financial assets held to maturity = They are recorded at amortized cost and comprise securities listed on an active market. The fair value is classified at level 1 and level 2.
Loans and advances to banks and customers =They are recorded at nominal value. The amount shown in the Financial Statements takes into account the write-down following a risk of default and characteristics of guarantees.
Payables to banks and customers = They are recorded at nominal value, which normally equates to the amount the Bank received originally. It is reasonable to assume that this is the fair value inasmuch as the Bank is able to cover its payables thanks to the high level of equity.
The Bank has never valued assets and liabilities at fair value on a non-recurrent basis.

A.5 – Information on the “day one profit/loss”

During the year in question the Bank has not recorded positive/negative economic elements deriving from the initial measurement at fair value of financial instruments.

PART B INFORMATION ON THE BALANCE SHEET

ASSETS

SECTION 1 - CASH AND CASH EQUIVALENTS - ITEM 10

1.1 CASH AND CASH EQUIVALENTS: BREAKDOWN

EUR /000

		31.12.2014	31.12.2013
A)	CASH	807	202
B)	FREE DEPOSITS WITH CENTRAL BANKS (*)	178,085	1,302
	TOTAL	178,892	1,504

(*) The item concerns an overnight deposit made at the Banca d’Italia.

SECTION 2 – FINANCIAL ASSETS HELD FOR TRADING – ITEM 20

2.1 Financial assets held for trading: breakdown by type

EUR /000

ITEMS / VALUES		31.12.2014			31.12.2013		
		L1	L2	L3	L1	L2	L3
A	NON-DERIVATIVE ASSETS						
1	DEBT SECURITIES	120,624			48,018		
	1.1 STRUCTURED SECURITIES	50,406					
	1.2 OTHER DEBT SECURITIES	70,218			48,018		
2	EQUITY SECURITIES	721					
3	HOLDINGS IN UCI						
4	LOANS						
	4.1 REPO						
	4.2 OTHER DEBT SECURITIES						
	TOTAL (A)	121,345			48,018		
B	DERIVATIVES:						
1	FINANCIAL DERIVATIVES		1,998			931	
	1.1 FOR TRADING		1,998			931	
	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)		1,998			931	
	TOTAL (A+B)	121,345	1,998		48,018	931	

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

The item concerns government bonds and securities issued by supervised counterparties for an overall nominal value of EUR 121.3 million; part of these securities (EUR 5.3 million) was used for operations with the European Central Bank for a period of three months.

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

EUR /000

ITEMS / VALUES		31.12.2014	31.12.2013
A	NON-DERIVATIVE ASSETS		
1	DEBT SECURITIES	120,624	48,018
A)	GOVERNMENTS AND CENTRAL BANKS	30,300	
B)	OTHER PUBLIC-SECTOR ENTITIES		
C)	BANKS	85,162	42,680
D)	OTHER ISSUERS	5,162	5,338
2	EQUITY SECURITIES	721	
A)	BANKS		
B)	OTHER ISSUERS	721	
	- INSURANCE UNDERTAKINGS	223	
	- FINANCIAL COMPANIES		
	- NON-FINANCIAL COMPANIES	498	
	- OTHER		
3	UNIT IN UCI		
4	LOANS		
A)	GOVERNMENTS AND CENTRAL BANKS		
B)	OTHER PUBLIC-SECTOR ENTITIES		
C)	BANKS		
D)	OTHER		
	Total (A)	121,345	48,018
B	DERIVATIVES		
A)	BANKS	1,998	931
	- FAIR VALUE	1,998	931
B)	CUSTOMERS		
	- FAIR VALUE		
	Total (B)	1,998	931
	Total (A+B)	123,343	48,949

2.3 Financial assets held for trading: annual variation

EUR /000

		DEBT SECURITIES	EQUITIES	HOLDINGS IN UCI	LOANS	TOTAL
A	OPENING BALANCE	48,018				48,018
B	INCREASES	198,465	36,849			235,314
B1	PURCHASES	195,483	36,634			
B2	VARIATIONS (+) IN FV	99				
B3	OTHER VARIATIONS	2,883	215			
C	DECREASES	125,859	36,128			161,987
C1	SALES	80,088	36,039			
C2	REDEMPTIONS	44,000				
C3	VARIATIONS (-) IN FV	768	55			
C4	TRANSFERS FROM OTHER PORTFOLIOS					
C5	OTHER VARIATION	1,003	34			
D	CLOSING BALANCE	120,624	721			121,345

Line item B3 "Other variations" includes trading gains and accrued income at 31 December 2014.
Line item C5 "Other variations" includes trading losses.

SECTION 3 – FINANCIAL ASSETS ASSESSED AT FAIR VALUE – ITEM 30

No data to report

SECTION 4 – FINANCIAL ASSETS AVAILABLE FOR SALE – ITEM 40

4.1 Financial assets available for sale: breakdown by type

EUR /000

	Items/Values	31.12.2014			31.12.2013		
		L1	L2	L3	L1	L2	L3
1	DEBT SECURITIES	60,758	2,677			48,176	
	1.1 STRUCTURED						
	1.2 OTHER	60,758	2,677			48,176	
2	EQUITIES			65			64
	2.1 VALUED AT FAIR VALUE						
	2.2 VALUED AT COST			65			64
3	HOLDINGS IN UCI						
4	LOANS						
	4.1 STRUCTURED						
	4.2 OTHER						
	TOTAL	60,758	2,677	65		48,176	64

Line item 1 "debt securities" level 1 – is made up of securities issued by the Italian State for an overall nominal value of 60 million maturing within 2018, as well as securities issued by foreign institutional counterparties for a nominal value of EUR 3.8 million.

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

EUR /000

ITEMS / VALUES		31.12.2014	31.12.2013
1	DEBT SECURITIES	63,435	48,176
A)	GOVERNMENTS AND CENTRAL BANKS		
B)	OTHER PUBLIC-SECTOR ENTITIES	63,435	2,370
C)	BANKS		
D)	OTHER ISSUERS		45,806
2	EQUITIES	65	64
A)	BANKS		
B)	OTHER ISSUERS	65	64
	- INSURANCE UNDERTAKINGS		
	- FINANCIAL COMPANIES	24	23
	- NON-FINANCIAL COMPANIES	41	41
	- OTHER		
3	HOLDINGS IN UCI		
4	LOANS		
A)	GOVERNMENTS AND CENTRAL BANKS		
B)	OTHER PUBLIC-SECTOR ENTITIES		
C)	BANKS		
D)	OTHER		
	TOTAL	63,500	48,240

4.4 Financial assets available for sale: Yearly variation

EUR /000

		DEBT SECURITIES	EQUITIES	HOLDINGS IN UCI	LOANS	TOTAL
A	OPENING BALANCE	48,176	64			48,240
B	INCREASES	152,917	1			152,918
B1	PURCHASES	152,182				
B2	VARIATIONS (+) IN FV	19				
B3	WRITE-BACKS	21				
	- BOOKED TO INCOME STATEMENT	21				
	- BOOKED TO SHAREHOLDERS' EQUITY					
B4	TRANSFERS FROM OTHER PORTFOLIOS					
B5	OTHER VARIATIONS	695	1			
C	DECREASES	137,658				137,658
C1	SALES	137,250				
C2	REDEMPTIONS					
C3	VARIATIONS (-) IN FV	185				
C4	WRITE-DOWNS CAUSED BY IMPAIRMENT:					
	- BOOKED TO INCOME STATEMENT					
	- BOOKED TO SHAREHOLDERS' EQUITY					
C5	TRANSFERS TO OTHER PORTFOLIOS					
C6	OTHER VARIATIONS	223				
D	CLOSING BALANCE	63,435	65			63,500

Line item B5 "Other variations" refers to reversal to the Income Statement of valuation reserves for securities sold or reimbursed.
Line item C6 "Other variations" concerns a loss of a security held in the AFS portfolio.

SECTION 5 – FINANCIAL ASSETS HELD TO MATURITY – ITEM 50

5.1 Financial assets held to maturity: breakdown by type

EUR /000

		31.12.2014				31.12.2013			
		BV	FV			BV	FV		
			L1	L2	L3		L1	L2	L3
1	DEBT SECURITIES	308,941	309,460	1,481		271,105	273,103	1,323	
1.1	STRUCTURED								
1.2	OTHER	308,941	309,460	1,481		271,105	273,103	1,323	
2	LOANS								

Legend: BV= Book Value FV= Fair value L1=Level1 L2= Level 2 L3= Level 3

This item refers to debt securities issued by government and supervised counterparties and government bonds for a total nominal value of EUR 308 mn; part of these securities (EUR 85 mn) were used for 3-month LTRO operations.

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

EUR /000

		31.12.2014	31.12.2013
1	DEBT SECURITIES	308,941	271,105
A)	GOVERNMENTS AND CENTRAL BANKS	52,061	51,862
B)	OTHER PUBLIC-SECTOR ENTITIES		
C)	BANKS	256,880	219,243
D)	OTHER ISSUERS		
2	LOANS		
A)	GOVERNMENTS AND CENTRAL BANKS		
B)	OTHER PUBLIC-SECTOR ENTITIES		
C)	BANKS		
D)	OTHER		
	TOTAL	308,941	271,105
	TOTAL FAIR VALUE	310,941	274,426

5.4 Assets held to maturity: Yearly variations

EUR /000

		DEBT SECURITIES	LOANS	TOTAL
A	OPENING BALANCE	271,105		271,105
B	INCREASES	202,122		202,122
B1	PURCHASES	196,025		196,025
B2	WRITE-BACKS	2,016		2,016
B3	TRANSFERS FROM OTHER PORTFOLIOS			
B4	OTHER VARIATIONS	4,081		4,081
C	DECREASES	164,286		164,286
C1	SALES			
C2	REDEMPTIONS	160,500		160,500
C3	WRITE-DOWNS			
C4	TRANSFERS TO OTHER PORTFOLIOS			
C5	OTHER VARIATIONS	3,786		3,786
D	CLOSING BALANCE	308,941		308,941

SECTION 6 – LOANS AND ADVANCES TO BANKS – ITEM 60

6.1 Loans and advances to banks: breakdown by type

EUR /000

		31.12.2014				31.12.2013			
		BV	FV			BV	FV		
			L1	L2	L3		L1	L2	L3
A.	L&AS TO CENTRAL BANKS	784			784	991			991
1.	TERM DEPOSITS								
2.	MANDATORY RESERVE								
3.	REPOS								
4.	OTHER	784			784	991			991
B.	L&AS TO OTHER BANKS					0			0
1. LOANS		2,227,242			2,227,242	936,133			936,133
1.	CURRENT ACCOUNTS AND FREE DEPOSITS	339,281			339,281	472,717			472,717
2.	TERM DEPOSITS	1,565,012			1,565,012	262,710			262,710
3.	OTHER	322,949			322,949	200,706			200,706
	3.1 REPOS								
	3.2 FINANCIAL LEASES								
	3.3 OTHER	322,949			322,949	200,706			200,706
2. DEBT SECURITIES									
	2.1 STRUCTURED SECURITIES								
	2.2 OTHER SECURITIES								
TOTAL		2,228,026			2,228,026	937,124			937,124

Legend: BV= Book Value FV= Fair Value L1= Level 1 L2= Level 2 L3= Level 3

Line item A4 includes restructured exposures for EUR 784 th (EUR 991 th in 2013).
Line item B.1.2 “Term deposits” concerns the mandatory reserve settled indirectly through Istituto Centrale Banche Popolari for EUR 21.8 mn (EUR 12.2 mn in 2013).
Line item B.1.3 “Other” includes impaired positions for EUR 262 th (EUR 113 th in 2013).

Section 7 – Loans and advances to customers – Item 70

7.1 LOANS AND ADVANCES TO CUSTOMERS: BREAKDOWN BY TYPE

EUR /000

	31.12.2014					
	BOOK VALUE			FAIR VALUE		
	BONIS	IMPAIRED		LEVEL 1	LEVEL 2	LEVEL 3
		BOUGHT	OTHER			
1. LOANS	438,058		8,107			446,165
1 CURRENT ACCOUNTS	24,417		543			24,960
2 REPOS						
3 MORTGAGES	7,944		132			8,076
4 CREDIT CARDS, PERSONAL LOANS AND LOANS BACKED BY SALARIES	2,489		20			2,509
5 FINANCIAL LEASES						
6 FACTORING						
7 OTHER LOANS (*)	403,208		7,412			410,620
DEBT SECURITIES						
8 STRUCTURED SECURITIES						
9 OTHER SECURITIES						
TOTAL	438,058		8,107			446,165

(*) The figure of Euro 403,208th mainly consists of the following components: Euro 24,416 the active subsidies not regulated in current account at fixed rate; Euro 186,837 the discounted pro soluto; Euro 223,783 the export financing.

follows *EUR /000*

	31.12.2013					
	BOOK VALUE			FAIR VALUE		
	BONIS	IMPAIRED		LEVEL 1	LEVEL 2	LEVEL 3
		BOUGHT	OTHER			
1. LOANS	384,310		1,086			385,396
1 CURRENT ACCOUNTS	762		940			1,702
2 REPOS						
3 MORTGAGES	7,229		126			7,355
4 CREDIT CARDS, PERSONAL LOANS AND LOANS BACKED BY SALARIES	1,924		20			1,944
5 FINANCIAL LEASES						
6 FACTORING						
7 OTHER LOANS	374,395					374,395
DEBT SECURITIES						
8 STRUCTURED SECURITIES						
9 OTHER SECURITIES						
TOTAL	384,310		1,086			385,396

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

EUR /000

		31.12.2014			31.12.2013		
		BONIS	IMPAIRED		BONIS	IMPAIRED	
			BOUGHT	OTHER		BOUGHT	OTHER
1	DEBT SECURITIES						
A)	GOVERNMENTS						
B)	OTHER PUBLIC-SECTOR ENTITIES						
C)	OTHER ISSUERS						
	- NON-FINANCIAL COMPANIES						
	- FINANCIAL COMPANIES						
	- INSURANCE COMPANIES						
	- OTHERS						
2	LOANS &ADVANCES TO	438,058	0	8,107	384,310		1,086
A)	GOVERNMENTS						
B)	OTHER PUBLIC-SECTOR ENTITIES	33,694					
C)	OTHERS	404,364		8,107	384,310		1,086
	- NON-FINANCIAL COMPANIES	390,354		7,945	331,733		930
	- FINANCIAL COMPANIES	2,370			42,618		
	-INSURANCE COMPANIES	414					
	OTHERS	11,226		162	9,959		156
	TOTAL	438,058		8,107	384,310		1,086

SECTION 8 – HEDGING DERIVATIVES - ITEM 80

No data to report

SECTION 9 - ADJUSTMENTS TO FINANCIAL ASSETS SUBJECT TO MACRO-HEDGING ITEM 90

No data to report

SECTION 10 – EQUITY INVESTMENTS – ITEM 100

No data to report

SECTION 11 – TANGIBLE FIXED ASSETS - ITEM 110

11.1 Tangible fixed assets held for operational use: breakdown of assets carried at cost

EUR /000

	ITEMS / VALUES	31.12.2014	31.12.2013
1.1	OWNED	22,541	23,226
A)	LAND	8,187	8,187
B)	BUILDINGS	14,039	14,640
C)	MOVABLES	176	149
D)	ELECTRONIC SYSTEMS	48	78
E)	OTHER	91	172
1.2	LEASED		
A)	LAND		
B)	BUILDINGS		
C)	MOVABLES		
D)	ELECTRONIC SYSTEMS		
E)	OTHER		
	TOTAL	22,541	23,226

The Bank owns its Rome headquarters building and an apartment in Milan where the branch office is located. It also owns a property in Rome used for the Bank's archives.

11.5 Tangible fixed assets held for operational use: Yearly variations

EUR /000

			LAND	BUILDINGS	MOVABLES	ELECTRONIC SYSTEMS	OTHER	TOTAL
A	OPENING GROSS BALANCE		8,187	20,439	1,672	2,353	2,265	34,916
	A.1	TOTAL NET WRITE-DOWNS		5,799	1,523	2,275	2,093	11,690
	A.2	OPENING NET BALANCE	8,187	14,640	149	78	172	23,226
B	INCREASES			23	62	9	6	100
	B1	PURCHASES		23	62	9	6	100
	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			624	35	39	87	785
	C1	SALES						
	C2	DEPRECIATION		624	35	39	87	785
	C3	WRITE-DOWNS FOR IMPAIR-MENT 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) TANGIBLE FIXED ASSETS HELD FOR INVESTMENT						
		B) ASSETS BEING DIVESTED						
	C7	OTHER DECREASES						
D	NET CLOSING BALANCE		8,187	14,039	176	48	91	22,541
	D1	TOTAL NET WRITE-DOWNS		6,423	1,558	2,314	2,180	12,475
	D2	GROSS CLOSING BALANCE	8,187	20,462	1,734	2,362	2,271	35,016
E	VALUATION AT COST		8,187	14,039	176	48	91	22,541
	DEPRECIATION RATE APPLIED		0%	3%	12%	20%	15-20-25%	

The above tangible fixed assets were recorded at cost plus any directly related accessory charges. They have been depreciated using the straight-line method based on their useful life and period of effective utilization.

SECTION 12 – INTANGIBLE FIXED ASSETS – ITEM 120

12.1 Intangible fixed assets: breakdown by type

EUR /000

			31.12.2014		31.12.2013	
			LIMITED LIFE	UNLIMITED LIFE	LIMITED LIFE	UNLIMITED LIFE
A1	GOODWILL					
A2	OTHER INTANGIBLE ASSETS		1,630		1,437	
	A2.1	ASSETS VALUED AT COST	1,630		1,437	
		A) INTANGIBLE ASSETS DEVELOPED IN-HOUSE				
		B) OTHER ASSETS	1,630		1,437	
	A2.2	ASSETS ASSESSED AT FAIR VALUE				
		A) INTANGIBLE ASSETS DEVELOPED IN-HOUSE				
		B OTHER ASSETS				
		TOTAL	1,630		1,437	

12.2 Intangible fixed assets: Yearly variations

EUR /000

		GOODWILL	OTHER: GENERATED IN-HOUSE		OTHER: GENERATED EXTERNALLY		TOTAL
			LIMITED	UNL	LIMITED	UNL	
A	OPENING BALANCE				1,437		1,437
A1	TOTAL NET WRITE-DOWNS						
A2	NET OPENING BALANCE				1,437		1,437
B	INCREASES				4,018		4,018
B1	PURCHASES				1,383		1,383
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				2,635		2,635
C	DECREASES				3,825		3,825
C1	SALES						
C2	WRITE-DOWNS:						
	- AMORTIZATION				390		390
	- DEVALUATIONS						
	- SHAREHOLDERS' EQUITY						
	- INCOME STATEMENT						
C3	NEGATIVE CHANGES IN FAIR VALUE BOOKED TO:						
	- SHAREHOLDERS' EQUITY						
	- INCOME STATEMENT						
C4	TRANSFERS TO NON-CURRENT ASSETS BEING DIVESTED						
C5	FOREX LOSSES						
C6	OTHER DECREASES				3,435		3,435
D	NET CLOSING BALANCE				1,630		1,630
D1	TOTAL NET WRITE-DOWNS						
E	GROSS CLOSING BALANCE				1,630		1,630
F	VALUATION AT COST				1,630		1,630

Other intangible assets as of 31 December 2014 are amortized in constant proportions for an estimated period of five years from the date of coming into force.
Item B1 refers to the acquisition of software for the Bank's new IT system.
Items B6 and C6 refer to the disposal of software licences acquired in previous years.

SECTION 13 – TAX ASSETS AND TAX LIABILITIES - ITEM 130 (ASSETS) AND ITEM 80 (LIABILITIES)

13.1 Pre-paid tax assets: breakdown

EUR /000

		31.12.2014	31.12.2013
TOTAL		5,463	6,913
INCOME STATEMENT		5,463	6,913
1	TAX LOSSES		
2	LOAN LOSSES	4,666	6,095
3	OTHER	797	818
SHAREHOLDERS' EQUITY			
4	VALUATION RESERVES		
5	OTHER		

13.2 Deferred Tax liabilities: breakdown

EUR /000

		31.12.2014	31.12.2013
TOTAL		102	174
1	INCOME STATEMENT		
2	SHAREHOLDERS' EQUITY	102	174
	VALUATION RESERVES	102	174
	OTHER		

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

EUR /000

			31.12.2014	31.12.2013
1	OPENING BALANCE		6,913	8,416
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) WRITE-BACKS		
		D) OTHER		
	2.2	NEW TAXES OR INCREASES IN TAX RATES		
	2.3	OTHER INCREASES		
3	DECREASES		1,450	1,503
	3.1	PRE-PAID TAX ASSETS ANNULLED DURING THE YEAR	1,450	1,503
		A) REVERSALS	21	192
		B) WRITE-DOWNS FOR INTERVENING NON-RECOV.		
		C) DUE TO CHANGES IN ACCOUNTING POLICIES		
		D) OTHER	1,429	1,311
	3.2	REDUCTIONS IN TAX RATES		
	3.3	OTHER DECREASES		
		A) TRANSFORMATION INTO TAX CREDITS AS PER LAW 214/2011		
		B) OTHER		
4	CLOSING BALANCE		5,463	6,913

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

EUR /000

			31.12.2014	31.12.2013
1	OPENING BALANCE			89
2	INCREASES			
	2.1	DEFERRED TAX LIABILITIES RECORDED DURING THE YEAR		
		A) RELATING TO EARLIER YEARS		
		B) DUE TO CHANGES IN ACCOUNTING POLICIES		
		C) WRITE-BACKS		
		D) OTHER		
	2.2	NEW TAXES OR INCREASES IN TAX RATES		
	2.3	OTHER INCREASES		
3	DECREASES			89
	3.1	DEFERRED TAX LIABILITIES ANNULLED DURING THE YEAR		89
		A) REVERSALS		89
		B) DUE TO CHANGES IN ACCOUNTING POLICIES		
		C) OTHER		
	3.2	REDUCTIONS IN TAX RATES		
	3.3	OTHER DECREASES		
4	CLOSING BALANCE			

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

EUR /000

			31.12.2014	31.12.2013
1	OPENING BALANCE		174	198
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		72	24
	3.1	DEFERRED TAX LIABILITIES ANNULLED DURING THE YEAR	72	24
		A) REVERSALS		
		B) DUE TO CHANGES IN ACCOUNTING POLICIES	72	24
		C) OTHER		
	3.2	REDUCTIONS IN TAX RATES		
	3.3	OTHER DECREASES		
4	CLOSING BALANCE		102	174

SECTION 14 – NON-CURRENT ASSETS AND GROUPS OF ASSETS BEING DIVESTED AND ASSOCIATED LIABILITIES – ITEM 140 (ASSETS) AND ITEM 90 (LIABILITIES)

No data to report

SECTION 15 – OTHER ASSETS – ITEM 150

15.1 Other assets: breakdown

EUR /000

		31.12.2014	31.12.2013
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)	1,020	993
	TOTAL	1,020	993

LIABILITIES

SECTION 1 - ACCOUNTS PAYABLE TO BANKS - ITEM 10

1.1 Accounts payable to banks: breakdown by type

EUR /000

			31.12.2014	31.12.2013
1	ACCOUNTS PAYABLE TO CENTRAL BANKS		339,759	334,778
2	ACCOUNTS PAYABLE TO OTHER BANKS		2,656,891	1,055,558
	2.1	CURRENT ACCOUNTS AND FREE DEPOSITS	1,061,328	171,008
	2.2	TERM DEPOSITS	1,495,549	784,440
	2.3	LOANS	100,014	100,110
		2.3.1 REPO		
		2.3.2 OTHER	100,014	100,110
	2.4	LIABILITIES IN RESPECT OF COMMITMENTS TO REPURCHASE OWN EQUI-TY		
	2.5	OTHER LIABILITIES		
		TOTAL	2,996,650	1,390,336
		FAIR VALUE LEVEL 1 FAIR VALUE LEVEL 2 FAIR VALUE LEVEL 3	2,996,650	1,390,336
		TOTAL FAIR VALUE	2,996,650	1,390,336

Amounts due to central banks include Eur 90million for the open market operations with the European Central Bank.

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

EUR /000

ACCOUNTS PAYABLE TO BANKS	
SUBORDINATED LIABILITIES	100.014

SECTION 2 – ACCOUNTS PAYABLE TO CUSTOMERS - ITEM 20

2.1 Accounts payable to customers: breakdown by type

EUR /000

		31.12.2014	31.12.2013
1	CURRENT ACCOUNTS AND FREE DEPOSITS	148,862	110,048
2	TERM DEPOSITS	523	1,625
3	LOANS		
	3.1 REPO		
	3.2 OTHER		
4	LIABILITIES IN RESPECT OF COMMITMENTS TO REPURCHASE OWN EQUITY		
5	OTHER ACCOUNTS PAYABLE		
	TOTAL	149,385	111,673
	FAIR VALUE LEVEL 1		
	FAIR VALUE LEVEL 2		
	FAIR VALUE LEVEL 3	149,385	111,673
	TOTAL FAIR VALUE	149,385	111,673

SECTION 3 – DEBT SECURITIES OUTSTANDING - ITEM 30

No data to report

SECTION 4 – FINANCIAL LIABILITIES HELD FOR TRADING – ITEM 40

4.1 Financial liabilities held for trading: breakdown by type

EUR /000

		31.12.2014					31.12.2013				
		NV	FV			FV*	NV	FV			FV*
			L1	L2	L3			L1	L2	L3	
A	CASH LIABILITIES										
1	ACCOUNTS PAYABLE TO BANKS										
2	ACCOUNTS PAYABLE TO CUSTOMERS										
3	DEBT SECURITIES										
3.1	BONDS										
	3.1.1 STRUCTURED										
	3.1.2 OTHER										
3.2	OTHER SECURITIES										
	3.2.1 STRUCTURED										
	3.2.2 OTHER										
	TOTAL A										
B	DERIVATIVES										
1	FINANCIAL DERIVATIVES	168,287		2,817			147,137		2,296		
1.1	HELD FOR TRADING	168,287		2,817			147,137		2,296		
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	168,287		2,817			147,137		2,296		
	TOTAL (A+B)	168,287		2,817			147,137		2,296		

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

NV= nominal or notional value L1= Level 1 L2= Level 2 L3= Level 3

SECTION 5 – FINANCIAL LIABILITIES ASSESSED AT FAIR VALUE – ITEM 50

No data to report

SECTION 6 – HEDGING DERIVATIVES - ITEM 60

No data to report

SECTION 7 – ADJUSTMENT TO FINANCIAL LIABILITIES SUBJECT TO MACRO-HEDGING ITEM 70

No data to report

SECTION 8 – TAX LIABILITIES – ITEM 80

No data to report

SECTION 9 – LIABILITIES ASSOCIATED WITH ASSETS HELD FOR DIVESTMENT ITEM 90

No data to report

SECTION 10 – OTHER LIABILITIES – ITEM 100

10.1 Other liabilities breakdown

EUR /000

			31.12.2014	31.12.2013
1	LIABILITIES ARISING FROM THE IMPAIRMENT OF:		10,177	14,369
	A	CONTINGENT EXPOSURES	10,177	14,369
	B	CREDIT DERIVATIVES		
	C	IRREVOCABLE COMMITMENTS TO DISBURSE FUNDS		
2	PAYMENT AGREEMENTS BASED ON OWN SHARES			
3	ACCRUED EXPENSES			
4	OTHER LIABILITIES (ILLIQUID ITEMS, AMOUNTS AVAILABLE FOR CUSTOMERS)		7,227	6,246
		TOTAL	17,404	20,615

SECTION 11 – STAFF SEVERANCE FUND - ITEM 110

11.1 Staff severance fund: Yearly variations

EUR /000

			31.12.2014	31.12.2013
A	OPENING BALANCE		1,892	2,140
B	INCREASES		211	38
	B.1	PROVISIONING FOR THE YEAR	211	38
	B.2	OTHER INCREASES		
C	DECREASES		200	286
	C.1	SEVERANCE PAYMENTS	150	237
	C.2	OTHER DECREASES	50	49
D	CLOSING BALANCE		1,903	1,892
	TOTAL		1,903	1,892

11.1.1 Rates

ANNUAL TECHNICAL	1.25%
ANNUAL INFLATION RATE	0.60%
REAL ANNUAL INFLATION RATE	n.a.
OVERALL ANNUAL SALARY	n.a.
GROSS ANNUAL SSF	1.95%

The following actuarial assumptions were used:
- demographic assumption: the basis was the RG48 life expectancy table published by the Italian General Accounting Office;
- economic assumption: the rate used to calculate present value was based on the Iboxx Corporate A index for a duration of 7-10 years, which now stands at 1.25%

11.1.2 Reconciliation of actuarial valuations under IAS 19

EUR /000

	31.12.2014	31.12.2013
OPENING BALANCE	1,892	2,140
REALIGNMENT		
PENSION COST		
FINANCIAL CHARGES	50	49
BENEFITS PAID	(150)	(237)
TRANSFERS		
EXPECTED LIABILITIES	1,792	1,952
ACTUARIAL LOSS	111	(60)
CLOSING BALANCE	1,903	1,892

11.4 Other information

EUR /000

PROVISIONING FOR THE YEAR	211
PENSION COSTS	
FINANCIAL CHARGES	50
ACTUARIAL LOSS	111
OTHER	50

SECTION 12 – PROVISIONS FOR RISKS AND CHARGES – ITEM 120

12.1 Provisions for risks and charges: breakdown

EUR /000

			31.12.2014	31.12.2013
1	COMPANY PENSION PLANS			
2	OTHER PROVISIONS FOR RISKS AND CHARGES		1,006	369
	2.1	LITIGATION	443	
	2.2	STAFF CHARGES	563	369
	2.3	OTHER		
TOTAL			1,006	369

12.2 Provisions for risks and charges: Yearly variations

EUR /000

			COMPANY PENSION FUNDS	OTHER PROVISIONS	TOTAL
A	OPENING BALANCE			369	369
B	INCREASES			717	717
	B.1	PROVISIONING FOR THE YEAR		274	
	B.2	VARIATIONS DUE TO THE PASSING OF TIME			
	B.3	VARIATIONS DUE TO CHANGES IN DISCOUNT RATE			
	B.4	OTHER INCREASES		443	
C	DECREASES			80	80
	C1	AMOUNT DRAWN DURING THE YEAR		80	
	C2	VARIATIONS DUE TO CHANGES IN DISCOUNT RATE			
	C3	OTHER DECREASES			
D	CLOSING BALANCE			1,006	1,006

12.4 Provisions for risks and charges – other provisions

EUR /000

PROVISION FOR HOLIDAYS NOT TAKEN	563
OTHER	443
TOTAL	1,006

SECTION 13 –REDEEMABLE SHARES - ITEM 140

No data to report

SECTION 14 – SHAREHOLDERS' EQUITY ITEMS 130, 150, 160, 170, 180, 190, 200

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

EUR /000

	Items / Values	31.12.2014	31.12.2013
1	SHARE CAPITAL	151,061	151,061
2	SHARE PREMIUM ACCOUNT	16,702	16,702
3	RESERVES	40,619	30,466
4	CAPITAL INSTRUMENTS		
5	(TREASURY STOCK)		
6	VALUATION RESERVES	(68)	102
7	PROFIT (LOSS) FOR THE YEAR	9,553	10,153
	TOTAL	217,867	208,484

14.2 Share capital: Yearly variations in number of shares

		COMMON	OTHER
A	SHARES AT START OF YEAR	1,373,280	
	- FULLY PAID UP	1,373,280	
	- NOT FULLY PAID UP		
A1	TREASURY STOCK		
A2	SHARES OUTSTANDING: OPENING BALANCE	1,373,280	
B	INCREASES		
B1	NEW SHARE ISSUES		
	RIGHTS ISSUES:		
	- COMBINATION OF COMPANIES		
	- CONVERSION OF BONDS		
	- EXERCISE OF WARRANTS		
	BONUS ISSUES:		
	- FOR EMPLOYEES		
	- FOR DIRECTORS		
	- OTHER		
B2	SALE OF TREASURY STOCK		
B3	OTHER INCREASES		
C	DECREASES		
C1	CANCELLATIONS		
C2	PURCHASE OF TREASURY STOCK		
C3	DISPOSAL OF COMPANIES		
C4	OTHER DECREASES		
D	SHARES OUTSTANDING: FISCAL CLOSING BALANCE	1,373,280	
D1	TREASURY STOCK(+)		
D2	SHARES AT END OF YEAR	1,373,280	
	- FULLY PAID UP	1,373,280	
	- NOT FULLY PAID UP		

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

14.4 Profit reserves: Other information

EUR /000

	AMOUNT	OPTIONS FOR ALLOCATION	AVAILABLE PORTION	ALLOCATIONS OVER PAST THREE YEARS
SHARE CAPITAL	151,061			
CAPITAL RESERVES	16,702			
SHARE PREMIUM ACCOUNT	16,702	A,B,C	16,702	
RESERVES	40,619			
A) LEGAL RESERVE	12,018	B	12,018	
B) EXTRAORDINARY RESERVE	28,231	A,B,C	28,231	
C) FTA/IFRS RESERVES	(95)			
D) RETAINED PROFIT IFRS 2005	400			
E) RETAINED PROFIT	65	A,B,C	65	
OTHER RESERVES				
TOTAL	57,321			
AMOUNT NOT ALLOCATABLE	12,323			
AMOUNT ALLOCATABLE	44,998			

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

OTHER INFORMATION

1 Guarantees issued and commitments

EUR /000

			31.12.2014	31.12.2013
1)	FINANCIAL GUARANTEES ISSUED		49	41
	A)	TO BANKS	49	41
	B)	TO CUSTOMERS		
2)	COMMERCIAL GUARANTEES ISSUED		900,827	771,946
	A)	TO BANKS	430,739	422,620
	B)	TO CUSTOMERS	470,088	349,326
3)	IRREVOCABLE COMMITMENTS TO DISBURSE FUNDS		52,594	1,577
	A)	TO BANKS		
	I)	DRAW-DOWN CERTAIN		
	II)	DRAW-DOWN UNCERTAIN		
	B)	TO CUSTOMERS	52,594	1,577
	I)	DRAW-DOWN CERTAIN		
	II)	DRAW-DOWN UNCERTAIN	52,594	1,577
4)	COMMITMENTS UNDERLYING CREDIT DERIVATIVES: HEDGING SALES			
5)	ASSETS PLEDGED AS COLLATERAL FOR THIRD-PARTY LIABILITIES			
6)	OTHER COMMITMENTS		1,380	33,726
		TOTAL	954,850	807,290

2 Assets pledged as collateral for own liabilities and commitments

EUR /000

		31.12.2014	31.12.2013
1	FINANCIAL ASSETS HELD FOR TRADING	5,169	32,988
2	FINANCIAL ASSETS ASSESSED AT FAIR VALUE		
3	FINANCIAL ASSETS AVAILABLE FOR SALE		
4	FINANCIAL ASSETS HELD TO MATURITY	84,831	89,454
5	LOANS & ADVANCES TO BANKS		
6	LOANS & ADVANCES TO CUSTOMERS		
7	TANGIBLE FIXED ASSETS		

These activities concern open-market operations with the European Central Bank. At the date under consideration, the bank had deposited about EUR 260 million in pooling of guarantees for operations with the Eurosystem, participating in open-market operations for EUR 90 million.

4 Asset management and brokerage services

EUR /000

	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		499,209
	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)	22,537
		1 ISSUED BY REPORTING BANK	13,587
		2 OTHER	8,950
	C)	THIRD-PARTY SECURITIES DEPOSITED WITH THIRD PARTIES	7,930
	D)	SELF-OWNED SECURITIES DEPOSITED WITH THIRD PARTIES	476,672
4	OTHER TRANSACTIONS		

The Bank's Memorandum Accounts included EUR 2.9 bn-worth of third party-owned funds (EUR 2.6 bn at 31.12.2013) from third-party securities and related coupons tied up by an international judicial attachment.
Since such funds are neither owned by nor immediately available to the Bank, the currently pending international dispute is not expected to generate any directly related liability for the Bank.

PART C INFORMATION ON THE INCOME STATEMENT

SECTION 1 - INTEREST - ITEMS 10 AND 20

1.1 Interest and similar income: breakdown

EUR /000

		DEBT SECURITIES	LOANS	OTHER TRANSACTIONS	31.12.2014	31.12.2013
1	FINANCIAL ASSETS HELD FOR TRADING	1,982			1,982	841
2	FINANCIAL ASSETS AVAILABLE FOR SALE	1,370			1,370	2,105
3	FINANCIAL ASSETS HELD TO MATURITY	9,884			9,884	10,236
4	L&AS TO BANKS		10,245		10,245	14,269
5	L&AS TO CUSTOMERS		10,800		10,800	12,126
6	FINANCIAL ASSETS ASSESSED AT FAIR VALUE					
7	HEDGING DERIVATIVES					
8	FINANCIAL ASSETS DISPOSED OF BUT NOT DERECOGNIZED					
	TOTAL	13,236	21,045		34,281	39,577

Interest income from impaired L&As to customers amounted to EUR 264,516 compared to EUR 83,415 as at 31.12.13
Interest income from impaired L&As to banks amounted to to EUR 7,770 compared to EUR 10,315 as at 31.12.13

1.3. Interest and similar income: other information

1.3.1 Interest income from financial assets denominated in foreign currency

EUR /000

		PERFORMING ASSETS		IMPAIRED ASSETS	OTHER ASSETS	31.12.2014	31.12.2013
		DEBT SECURITIES	LOANS				
1	FINANCIAL ASSETS HELD FOR TRADING	189				189	67
2	FIN.ASSETS AVAILABLE FOR SALE	106				106	226
3	FINANCIAL ASSETS HELD TO MATURITY	72				72	112
4	L&AS TO BANKS		9,659	8		9,667	12,755
5	L&AS TO CUSTOMERS		2,252			2,252	2,379
6	FINANCIAL ASSETS AS-SESSED AT FAIR VALUE						
7	HEDGING DERIVATIVES						
8	FINANCIAL ASSETS DISPOSED OF BUT NOT DERECOGNIZED						
9	OTHER ASSETS						
	TOTAL	367	11,911	8		12,286	15,539

1.4 Interest charges and similar expenses: breakdown

EUR /000

		ACCOUNTS PAYABLE	SECURTIES	OTHER LIABILITIES	31.12.2014	31.12.2013
1	ACCOUNTS PAYABLE TO CENTRAL BANKS	1,559			1,559	2,524
2	ACCOUNTS PAYABLE TO BANKS	9,942			9,942	10,314
3	ACCOUNTS PAYABLE TO CUSTOMERS	34			34	430
4	SECURITIES OUTSTANDING					
5	FINANCIAL LIABILITIES HELD FOR TRADING					
6	FINANCIAL LIABILITIES ASSESSED AT FV					
7	OTHER LIABILITIES AND ALLOWANCES					
8	HEDGING DERIVATIVES					
	TOTAL	11,535			11,535	13,268

1.6 Interest charges and similar expensex: Other information

1.6.1 Interest charges on liabilities denominated in foreign currency

EUR /000

		ACCOUNTS PAYABLE	SECURITIES	OTHER LIABILITIES	31.12.2014	31.12.2013
1	ACCOUNTS PAYABLE TO CENTRAL BANKS	227			227	657
1	ACCOUNTS PAYABLE TO BANKS	6,643			6,643	7,414
2	ACCOUNTS PAYABLE TO CUSTOMERS	10			10	397
3	SECURITIES OUTSTANDING					
4	FINANCIAL LIABILITIES HELD FOR TRADING					
5	FINANCIAL LIABILITIES ASSESSED AT FAIR VALUE					
7	OTHER LIABILITIES AND ALLOWANCES					
8	HEDGING DERIVATIVES					
	TOTAL	6,880			6,880	8,468

SECTION 2 - COMMISSION INCOME AND EXPENSE - ITEMS 40 AND 50

2.1 Commission Income: Breakdown

EUR /000

		31.12.2014	31.12.2013
A)	GUARANTEES ISSUED	15,206	14,385
B)	CREDIT DERIVATIVES		
C)	MANAGEMENT, BROKERAGE AND ADVISORY SERVICES	208	47
1	TRADING IN FINANCIAL INSTRUMENTS		
2	FOREX	207	45
3	ASSET MANAGEMENT		
	3.1 INDIVIDUAL		
	3.2 COLLECTIVE		
4	CUSTODY AND ADMINISTRATION OF SECURITIES	1	2
5	DEPOSITARY BANK SERVICES		
6	PLACEMENT OF SECURITIES		
7	COLLECTION OF ORDERS		
8	ADVISORY SERVICES		
	8.1 IN MATTERS OF INVESTMENT		
	8.2 IN MATTERS OF FINANCIAL STRUCTURE		
9	DISTRIBUTION OF THIRD-PARTY SERVICES		
	9.1 ASSET MANAGEMENT:		
	9.1.1 INDIVIDUAL		
	9.1.2 COLLECTIVE		
	- INSURANCE PRODUCTS		
	- OTHER PRODUCTS		
D)	COLLECTION AND PAYMENT SERVICES		
E)	SECURITIZATION SERVICING		
F)	FACTORING SERVICES		
G)	TAX AND DEBT COLLECTION SERVICES		
H)	MANAGEMENT OF MULTILATERAL TRADING SERVICES		
I)	KEEPING AND MANAGEMENT OF CURRENT ACCOUNTS	46	47
J)	OTHER SERVICES	2,922	972
	TOTAL	18,382	15,451

The item "Other services" includes receivable commissions relating to loans and discounts granted to customers and banks.

2.3 Commission expense: breakdown

EUR /000

		31.12.2014	31.12.2013
A)	GUARANTEES RECEIVED	751	1,857
B)	CREDIT DERIVATIVES		
C)	MANAGEMENT AND BROKERAGE SERVICES	105	692
1	TRADING IN FINANCIAL INSTRUMENTS	105	692
2	FOREX		
3	ASSET MANAGEMENT		
	3.1 OWN PORTFOLIO		
	3.2 THIRD-PARTY PORTFOLIOS		
4	CUSTODY AND ADMINISTRATION OF SECURITIES		
5	PLACEMENT OF SECURITIES		
6	OFF-PREMISES DISTRIBUTION OF SECURITIES, PRODUCTS AND SERVICES		
D)	COLLECTION AND PAYMENT SERVICES		
E)	OTHER SERVICES	4,254	102
	TOTAL	5,110	2,651

The item "Other Services" includes about Euro 2.1 million of backdated commissions to banking counterparties on guarantees issued by UBAE, and about Euro 1.8 million of backdated commissions to counterparties for their participation in loans granted by UBAE.

SECTION 3 – DIVIDENDS AND SIMILAR INCOME – ITEM 70

3.1 Dividends and similar income: breakdown

EUR /000

		31.12.2014		31.12.2013	
		DIVIDENDS	INCOME FROM INVESTMENT FUNDS	DIVIDENDS	INCOME FROM INVESTMENT FUNDS
A	FINANCIAL ASSETS HELD FOR TRADING	15		14	
B	FINANCIAL ASSETS AVAILABLE FOR SALE				
C	FINANCIAL ASSETS ASSESSED AT FAIR VALUE				
D	EQUITY INVESTMENTS				
	TOTAL	15		14	

SECTION 4 – NET TRADING INCOME – ITEM 80

4.1 Net trading income: breakdown

EUR /000

			CAPITAL GAINS (A)	TRADING GAINS (B)	CAPITAL LOSSES (C)	TRADING LOSSES (D)	NET INCOME [(A+B)-(C+D)]
1	FINANCIAL ASSETS HELD FOR TRADING		99	879	823	532	(377)
	1.1	DEBT SECURITIES	99	643	768	478	(504)
	1.2	EQUITIES		236	55	54	127
	1.3	HOLDINGS IN UCI					
	1.4	LOANS					
	1.5	OTHER					
2	FINANCIAL LIABILITIES HELD FOR TRADING						
	2.1	DEBT SECURITIES					
	2.2	OTHER					
3	OTHER FINANCIAL LIABILITIES: FOREX DIFFERENTIALS (*)			3,148		271	2,877
4	DERIVATIVES (**)		2,004	2,357	2,309	2,716	(664)
	4.1	FINANCIAL DERIVATIVES:	2,004	2,357	2,309	2,716	(664)
		- ON DEBT SECURITIES AND INTEREST RATES		484	516	1,268	(1,300)
		- ON EQUITIES AND EQUITY INDICES		991	7	971	13
		- ON FOREIGN CURRENCIES AND GOLD	2,004	882	1,786	477	623
		- OTHER					
	4.2	CREDIT DERIVATIVES					
	TOTAL		2,103	6,384	3,132	3,519	1,836

(*) The amount reflects the profit on the valuation of foreign currency

(**) The capital gains (Euro 2,004 th) and losses (Euro 2,309 th), reflecting the fair value of the financial derivatives on interest rates and on currency, are included respectively in item 20 of the assets (infra Euro 1,998 th) and item 40 of liabilities (infra Euro 2,817 mn)

SECTION 5 – NET INCOME FROM HEDGING ACTIVITIES – ITEM 90

No data to report

SECTION 6 – NET INCOME FROM DISPOSALS AND REPURCHASES ITEM 100

6.1 Net income from disposals and repurchases: breakdown

EUR /000

		31.12.2014			31.12.2013		
		PROFIT	LOSS	NET RESULTS	PROFIT	LOSS	NET RESULTS
FINANCIAL ASSETS							
1	DUE FROM BANKS				1,222		1,222
2	LOANS TO CUSTOMERS						
3	FINANCIAL ASSETS AVAILABLE FOR SALE		63	(63)		351	(351)
	3.1 DEBT SECURITIES (*)		63	(63)		347	(347)
	3.2 EQUITIES					4	(4)
	3.3 QUOTAS OF UCI						
	3.4 LOANS						
4	FINANCIAL ASSETS HELD TO MATURITY						
TOTAL ASSETS			63	(63)	1,222	351	871
FINANCIAL LIABILITIES							
1	DUE TO BANKS						
2	DUE TO CUSTOMERS						
3	SECURITIES ISSUED						
TOTAL LIABILITIES							

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

SECTION 7 – NET RESULT FROM FINANCIAL ASSETS/LIABILITIES ASSESSED AT FAIR VALUE - ITEM 110

No data to report

SECTION 8 – NET IMPAIRMENT ADJUSTMENTS – ITEM 130

8.1 Net impairment adjustments to loans and advances: breakdown

EUR /000

		WRITE-DOWNS (1)			WRITE-BACKS (2)				31.12.2014 (1-2)	31.12 2013
		SPECIFIC		PORT-FOLIO	SPECIFIC		PORTFOLIO			
		WRITE -OFFS	OTHERS		A	B	A	B		
A	L&AS TO BANKS		347			9		870	532	9,933
	- LOANS		347			9		870	532	9,933
	- SECURITIES									
B	L&AS TO CUSTOMERS	109	5,779			2		4,802	(1,084)	(10,602)
	IMPAIRED LOAN BOUGHT									
	- LOANS									
	- SECURITIES									
	OTHERS	109	5,779			2		4,802	(1,084)	(10,602)
	- LOANS	109	5,779			2		4,802	(1,084)	(10,602)
	-SECURITIES									
C	TOTAL	109	6,126			11		5,672	(552)	(669)

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

EUR /000

		WRITE-DOWNS (1)		WRITE-BACKS (2)		31.12 2014 (1-2)	31.12 2013
		SPECIFIC		SPECIFIC			
		WRITE -OFFS	OTHERS	A	B		
A	DEBT SECURITIES				21	21	499
B	EQUITIES						
C	HOLDINGS IN UCI						
D	L&AS TO BANKS						
E	L&AS TO CUSTOMERS						
F	TOTAL				21	21	499

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

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

EUR /000

		WRITE-DOWNS (1)			WRITE-BACKS (2)				31.12.2014 (1-2)	31.12 2013
		SPECIFIC		PORTFOLIO	SPECIFIC		PORTFOLIO			
		WRITE -OFFS	OTHERS		A	B	A	B		
A	SECURITIES							2,016	2,016	1,554
B	L&AS TO BANKS									
C	L&AS TO COSTUMERS									
D	TOTAL							2,016	2,016	1,554

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

8.4 Net impairment adjustments to other financial instruments: breakdown

EUR /000

		WRITE-DOWNS (1)			WRITE-BACKS (2)				31.12 2014 (1-2)	31.12 2013
		SPECIFIC		PORTFOLIO	SPECIFIC		PORTFOLIO			
		WRITE -OFFS	OTH-ERS		A	B	A	B		
A	GUARANTEES ISSUED		1,356			5,548			4,192	1,631
B	CREDIT DERIVATIVES									
C	COMMITMENTS TO DISBURSE FUNDS									
D	OTHER INSTRUMENTS									
E	TOTAL		1,356			5,548			4,192	1,631

SECTION 9 – ADMINISTRATION EXPENSES – ITEM 150

9.1 Personnel expenses: breakdown

EUR /000

			31.12.2014	31.12.2013
1	STAFF		15,704	15,083
	A)	WAGES AND SALARIES	10,532	9,837
	B)	SOCIAL SECURITY CONTRIBUTIONS	3,269	2,816
	C)	SEVERANCE PAYMENTS		
	D)	PENSION PAYMENTS		
	E)	ALLOCATIONS TO THE STAFF SEVERANCE FUND		38
	F)	ALLOCATIONS TO THE PROVISION FOR PENSIONS AND SIMILAR LIABILITIES:		
		- DEFINED CONTRIBUTION	790	567
		- DEFINED BENEFIT		
	G)	PAYMENTS TO EXTERNAL COMPLEMENTARY PENSION FUNDS:		
		- DEFINED CONTRIBUTION		
		- DEFINED BENEFIT		
	H)	COSTS ARISING FROM AGREEMENTS TO MAKE PAYMENTS IN OWN EQUITY INSTRUMENTS		
	I)	OTHER BENEFITS TO STAFF	1,113	1,825
2	NON-SALARIED PERSONNEL		410	372
3	DIRECTORS		1,812	2,198
4	RETIRED PERSONNEL			
5	EXPENSES RECOUPED FOR STAFF SECONDED TO OTHER INSTITUTIONS			
6	EXPENSES REIMBURSED FOR STAFF SECONDED FROM OTHER INSTITUTIONS			
		TOTAL	17,926	17,653

9.2 Average number of staff: breakdown by category

A)	SENIOR MANAGERS	6
B)	EXECUTIVE CADRES	89
C)	OTHER STAFF	85
	TOTAL	180

9.4 Other staff benefits

EUR /000

	31.12.2014	31.12.2013
EARLY RETIREMENT PAYMENTS		571
OTHER PAYMENTS	1,113	1,254
	1,113	1,825

9.5 Other administration expenses: breakdown

EUR /000

	31.12.2014	31.12.2013
IT EXPENSES	1,916	1,628
EXPENSES FOR MOVABLE/IMMOVABLE PROPERTY:		
- RENTALS AND OTHER FEES	108	145
- OTHER	648	600
EXPENSES FOR THE PURCHASE OF GOODS AND NON-PROFESSIONAL SERVICES	3,262	2,838
EXPENSES FOR PROFESSIONAL SERVICES	3,487	2,931
INSURANCE PREMIUMS	117	78
ADVERTISING	318	316
INDIRECT DUTIES AND TAXES	549	527
OTHER	460	555
TOTAL	10,865	9,618

SECTION 10 – NET PROVISIONING FOR RISKS AND CHARGES – ITEM 160

10.1 Net provisioning for risks and charges: breakdown

EUR /000

	31.12.2014	31.12.2013
LITIGATION	442	
OTHER RISKS AND CHARGES	274	153
TOTAL	716	153

SECTION 11 – NET ADJUSTMENTS TO TANGIBLE FIXED ASSETS - ITEM 170

11.1 Net adjustments to tangible fixed assets: breakdown

EUR /000

			DEPRECIATION (A)	IMPAIMENT WRITE-DOWNS (B)	WRITE-BACKS (C)	NET RESULT (A+B-C)
A	TANGIBLE FIXED ASSETS					
	A1	Owned	785			785
		- used in operations	785			785
		- held for investment				
	A2	Leased				
		- used in operations				
		- held for investment				
		TOTAL	785			785

SECTION 12 – NET ADJUSTMENTS TO INTANGIBLE FIXED ASSETS ITEM 180

12.1 Net adjustments to intangible fixed assets: breakdown

EUR /000

			DEPRECIATION (A)	IMPAIRMENT WRITE-DOWNS (B)	WRITE-BACKS (C)	NET RESULT (A+B-C)
A	INTANGIBLE FIXED ASSETS					
	A1	OWNED	390			390
		- DEVELOPED IN-HOUSE				
		- OTHER	390			390
	A2	LEASED				
TOTAL			390			390

SECTION 13 – OTHER OPERATING INCOME / CHARGES – ITEM 190

13.1. Other operating charges: breakdown

EUR /000

	31.12.2014	31.12.2013
OTHER OPERATING CHARGES	1,576	160
TOTAL	1,576	160

13.2. Other operating income: breakdown

EUR /000

	31.12.2014	31.12.2013
DUTIES AND TAXES RECOUPED	18	36
RENTALS AND FEES	2	9
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	317	184
- OTHER	914	475
SSF ATTRIBUTION TO PROFIT AND LOSS		
OTHER INCOME	2,378	1,441
TOTAL	3,629	2,145

SECTION 14 – GAINS (LOSSES) FROM EQUITY INVESTMENTS - ITEM 210

No data to report

SECTION 15 – NET ADJUSTMENTS TO FAIR VALUE OF TANGIBLE AND INTANGIBLE ASSETS ITEM 220

No data to report

SECTION 16 – ADJUSTMENTS TO GOODWILL ITEM 230

No data to report

SECTION 17 – GAINS (LOSSES) FROM THE DISPOSAL OF INVESTMENTS ITEM 240

No data to report

SECTION 18 – INCOME TAX FOR THE YEAR ON CONTINUING OPERATIONS ITEM 260

18.1 Income tax for the year on continuing operations: breakdown

EUR /000

		31.12.2014	31.12.2013
1	CURRENT TAX (-)	(3,851)	(4,159)
2	VARIATIONS IN CURRENT TAX FOR PRIOR YEARS (+/-)		
3	CURRENT TAX REBATE FOR THE YEAR (+)		
4	VARIATION IN PRE-PAID TAXES (+/-)	(1,341)	(1,311)
5	VARIATION IN DEFERRED TAXES (+/-)	(109)	(192)
6	INCOME TAX FOR THE YEAR (-) (-1+/-2+-3+/-4+/-5)	(5,301)	(5,662)

18.2 Reconciliation of theoretical tax liability and actual book liability

EUR /000

	31.12.2014	31.12.2013
PROFIT BEFORE TAX	14,854	15,815
THEORETICAL IRES AND IRAP DUE (33,07% EX 41,57%)	4,868	6,521
IRAP ADJUSTMENTS FOR ADMINISTRATION EXPENSES	538	407
IRAP ADJUSTMENTS FOR WRITE-OFFS	105	100
TAXES ON NON-DEDUCTIBLE COSTS	(1,825)	(2,922)
PRE-PAID AND DEFERRED TAXES	1,450	1,504
NET WORTH INCREASE BENEFIT	165	52
TOTAL TAXES	5,301	5,662
NET PROFIT	9,553	10,153

SECTION 19 – NET PROFIT (LOSS) FROM GROUPS OF ASSETS BEING DIVESTED ITEM 280

No data to report

SECTION 20 – OTHER INFORMATION

No data to report

SECTION 21 – PROFIT PER SHARE

21.1 Average number of diluted common shares

EUR /000

	31.12.2014	31.12.2013
NET PROFIT	9,553	10,153
NUMBER OF SHARES	1,373,280	1,373,280
PROFIT PER SHARE	6,96	7,39

PART D COMPREHENSIVE INCOME DETAIL

EUR /000

		GROSS AMOUNT	INCOME TAXES	NET AMOUNT
10	NET PROFIT (LOSS)	9,553		9.553
	OTHER COMPREHENSIVE INCOME AFTER TAX WITHOUT RECLASSIFICATION TO PROFIT OR LOSS			
20	TANGIBLE ASSETS			
30	INTANGIBLE ASSETS			
40	ACTUARIAL PROFIT (LOSS) ON DEFINED-BENEFIT PLANS	(132)		(132)
50	NON-CURRENT ASSETS EARMARKED FOR DISPOSAL:			
60	SHARE OF VALUATION RESERVES BOOKED TO SHAREHOLDERS' EQUITY			
	OTHER COMPREHENSIVE INCOME AFTER TAX WITH RECLASSIFICATION TO PROFIT OR LOSS			
70	HEDGING OF FOREIGN INVESTMENTS:			
	A) FAIR-VALUE ADJUSTMENTS			
	B) INCOME STATEMENT REVERSALS			
	C) OTHER ADJUSTMENTS			
80	FOREX DIFFERENTIALS:			
	A) VALUE ADJUSTMENTS			
	B) INCOME STATEMENT REVERSALS			
	C) OTHER ADJUSTMENTS			
90	HEDGING OF FINANCIAL FLOWS:			
	A) FAIR-VALUE ADJUSTMENTS			
	B) INCOME STATEMENT REVERSALS			
	C) OTHER ADJUSTMENTS			
100	FINANCIAL ASSETS AVAILABLE FOR SALE:	(38)		(38)
	A) FAIR-VALUE ADJUSTMENTS	(38)		(38)
	B) INCOME STATEMENT REVERSALS			
	- FROM IMPAIRMENT			
	- FROM DISPOSALS			
	C) OTHER ADJUSTMENTS			
110	NON-CURRENT ASSETS EARMARKED FOR DISPOSAL:			
	A) FAIR-VALUE ADJUSTMENTS			
	B) INCOME STATEMENT REVERSALS			
	C) OTHER ADJUSTMENTS			
120	SHARE OF VALUATION RESERVES BOOKED TO SHAREHOLDERS' EQUITY:			
	A) FAIR-VALUE ADJUSTMENTS			
	B) INCOME STATEMENT REVERSALS			
	- FROM IMPAIRMENT			
	- FROM DISPOSALS			
	C) OTHER ADJUSTMENTS			
130	OTHER SOURCES OF INCOME	(170)		(170)
140	COMPREHENSIVE NET INCOME	9,383		9,383

PART E RISKS AND THEIR COVERAGE

Governance

UBAE has adopted a traditional type of governance model adapted to take into account the specific characteristics of the shareholders (from October 2010, the Libyan Foreign Bank has held 67.55% of the share capital with voting rights) and the need to ensure complete functionality and effectiveness of the Bank's bodies. Therefore based on the traditional model:

- the Board of Directors (comprising 9 to 11 members) (hereinafter BD) is both the strategic supervisory and management body;
- the Executive Committee (set up by the BD and comprising 5 to 7 members) is delegated by the BD to perform management activities based on powers assigned to it by the Articles of Association;
- the Managing Director, appointed by the BD, participates in exercising the management function, acting in the capacity of chief executive officer (CEO), and is responsible for checking documents to be submitted to the BD and Executive Committee;
- the Board of Auditors is a control body.

UBAE's BD has decided to exercise its competencies and powers in terms of investigation and supervision through internal committees, each of which will include at least one of the independent Board members. The following are advisory committees without powers of approval:

- Internal Control Committee;
- Remuneration & Governance Committee;
- Risk Supervision Committee.

Each of the above committees has its own regulations governing their composition, duties and mode of operation.

OUR MISSION: CREATE ADDED VALUE FOR OUR CUSTOMERS, SHAREHOLDERS AND EMPLOYEES.

BANCA UBAE

مصرف اليوباي

Board of Directors

In addition to competencies assigned to it by law, the Articles of Association and sector regulations, the UBAE BD:

- defines and approves a strategy and policies for managing the Bank's risks, based on a thorough knowledge of the various risks the Bank is exposed to in connection with its business activity;
- defines and approves the Bank's organizational structure, notably the distribution of operational and signatory powers, so that duties and responsibilities are allocated in a clear and appropriate manner;
- defines and approves guidelines for the internal control system, ensuring consistency with established strategies and the approach to risk-taking;
- sees that the General Manager implements the necessary steps and actions to ensure the internal control system has an adequate structure in line with the BD's chosen approach to risk; defines and approves the system of internal controls, approving the constitution of the control bodies (Internal Audit, Compliance and Risk Management), nominating and revoking the people in charge, checking that the system is consistent with the Bank's strategic aims and risk exposure;
- approves the activity plan and reviews annual reports prepared by the Internal Audit Department, Compliance & Anti-Money Laundering Department and Risk Management Department;
- ensures that an accurate, thorough and timely IT system is designed, adopted and maintained over time;
- ensures that the efficiency, efficacy and adequacy of internal controls are periodically evaluated and that the outcome of the evaluation is brought to the BD's attention promptly.

Based on the Internal Regulations, the BD exercises general powers concerning the granting of credit facilities and may approve credit lines within limits prescribed by the laws in force.

In general, based on a proposal made by the General Manager the BD takes decisions concerning losses and write-downs of impaired loan positions and also as regards agreements for restructuring loans exceeding delegated limits.

The BD delegates powers for granting credit facilities within pre-established limits to the Executive Committee, Credit Committee, Managing Director and Deputy General Manager.

Based on a specific procedure, the BD is exclusively responsible for approving credit facilities governed by Article 136 of the Banking Law and those concerning related parties.

As regards loan restructuring agreements, powers of approval are delegated, independent of duration, to the Executive Committee, General Manager and Deputy General Manager based on pre-established limits.

Furthermore, based on a proposal made by the General Manager, annually the BD approves an expenditure and investment plan for the following year containing, among other items, an annual budget for general expenses subdivided into expense categories and subcategories.

All acts of extraordinary administration concerning non-credit transactions are delegated to the Executive Committee and General Manager within pre-established limits.

Concerning HR management, the Board is empowered to:

- appoint and dismiss the General Manager, Deputy General Manager, Assistant General Managers and other Executives, as well as the consultants forming part of the Bank's foreign commercial network, and those brought in to advise the Board;
- appoint and dismiss (giving justification), in consultation with the Board of Auditors, heads of the Bank's control units;
- decide any ad interim positions within General Management;
- grant powers of representation and signature to employees at lower than executive level by approving appropriate service orders, based on proposals made by the General Manager;
- approve the Bank's supplementary labour agreement, based on proposals made by the General Manager;
- define the Bank's remuneration and incentive policies, as well as any securities- based schemes that must be submitted to an Ordinary Shareholders' Meeting for approval, in favour of Directors, staff members and individuals not employed directly by the Bank;
- defines the remuneration and incentives policies in favor of members of the governing bodies with strategic supervision, management and control and the remaining staff, including any plans based on financial instruments and criteria for establishing the compensation to be granted in the event of early conclusion of employment contract or early termination of office, including the limits laid down for this amount in terms of the annual fixed remuneration and the maximum amount that results from their application, to be approved by the Ordinary Assembly;
- hire non-executive personnel (executive cadres and clerical staff) on openended contracts;
- appoint and dismiss the consultants forming part of the Bank's foreign commercial network, and those brought in to advise the Board, based on proposals made by the General Manager.

Executive Committee

Based on Internal Regulations, the Executive Committee:

- grants ordinary and urgent loan facilities, according to instructions received from the Board of Directors;
- examines and reviews current operating limits in the Finance Area, based on proposals put forward by the Risk Committee, according to the strategic guidelines set by the Board of Directors.
- authorizes disinvestment operations on the HTM portfolio (Held-To-Maturity), based on proposals made by the Risk Committee.

General Manager

The General Manager submits documents and matters to the BD intended for its review and approval. The General Manager participates in meetings of the Executive Committee in an advisory capacity without voting rights, presenting documents to be reviewed and approved by the Committee.

The General Manager:

- takes all management action required to transact the Bank's normal business and is responsible for implementing resolutions passed by the BD and Executive Committee;
- supervises operating units reporting directly to the General Manager.

Board of Auditors

The Board of Auditors is responsible for ensuring the completeness, adequacy, functionality and reliability of the system of internal controls and the Risk Appetite Framework (RAF). In addition, the Board of Auditors is required to verify the effectiveness of all structures and control functions involved and the proper coordination of the same, promoting action to correct any deficiencies and irregularities.
The Board of Auditors shall immediately notify the Banca d'Italia of all acts or facts of which it has knowledge in the exercise of its duties, which may constitute an irregularity in the management of the bank or a breach of the rules governing banking activities.

In order to perform its tasks the Board of Auditors receives appropriate information flows from other Bank bodies and control units.
The Board of Auditors also fulfils the role of Oversight Body as prescribed by Legislative Decree no. 231/2001 concerning the administrative responsibilities of organizations and oversees the functioning and observance of the Bank's organization and management models.

Advisory committees

Internal Control Committee

The Committee has solely a consultative and advisory role to the BD and an investigative role as regards the Internal Auditing Department, Compliance & Anti- Money Laundering Department and Risk Management Department.

In particular, the Committee:

a) evaluates and submits for review the activity plan and annual reports prepared by the Internal Auditing Department, Compliance & Anti-Money Laundering Department and Risk Management Department;

b) verifies the adequacy of meauures taken in the face of any infringments or irregularities;

c) reports to the BD on the outcome of Internal Audit's inquiries;

d) refers at least quarterly to the BD on activities performed and the adequacy of internal controls;

e) follows up the findings contained in Banca d'Italia's reports and announcements with a bearing on internal controls, recommending appropriate courses of action and checking on the implementation of the measures adopted by the BD and Senior Management;

f) proposes changes to the Bank's regulatory and organizational set-up and relative administrative processes in order to improve the effectiveness and efficiency of internal controls;

g) investigates and reports on any topic compatible with its institutional purpose, when requested by the BD or its Chairman.

As the Committee has solely a consultative and advisory role, the BD will always remain responsible for matters concerning internal controls.

Remuneration & Governance Committee

The Committee has solely an advisory role to the BD and provides support to the latter concerning the strategic supervision of activities as regards:

a) regulations covering the activities of the BD, composition of advisory committees, personal requisites for BD members, the Bank's general governance plan, including principles for self-assessment of the operation of the BD;
b) defining the Bank's organizational structure and in particular the distribution of operating powers and delegation of powers of representation;
c) defining the methods for selecting and appointing the Bank's General Manager, Deputy General Manager, Assistant General Managers and other executives, including policies covering planning and replacement;
d) identifying the principles for establishing the variable component of staff remuneration (with the exception of key individuals for the functioning of the internal control system), in conformity with remuneration policies approved by the Shareholders' Meeting;
e) carrying out a prior review of the compliance unit report concerning consistency of remuneration and incentive policies submitted for approval to the BD;
f) reviewing the annual internal audit report concerning the correct application of remuneration and incentive policies approved by the Shareholders' Meeting.

The Remuneration & Governance Committee collaborates with the Internal Control Committee in order to choose the staff to be placed in charge of controls.

Risk Supervision Committee

The Committee has solely an advisory role to the BD and provides support to the latter concerning the strategic supervision of activities regarding:

- periodic assessment of the adequacy, efficiency and effectiveness of the risk management function and processes in order to ensure that risks to which the Bank is exposed are correctly identified, understood, monitored and managed;
- definition of general principles and methods for evaluating the compatibility of income performance with the risks accepted, also in relation to the Bank's individual risk-taker units.

Internal control system

UBAE's internal control system comprises a body of rules, procedures and organizational units that enables the sound and prudent execution of banking activities based on a process of identifying, measuring, managing and monitoring the Bank's main risks. The internal control system has been designed to be consistent with the regulatory and legislative framework, the Bank's organizational set-up and is in line with national and international standards and best practices.

Currently UBAE's internal control system and risk management comprises:

- **line controls** ("first-level controls") that are intended to ensure transactions are carried out correctly. They are performed by the operating structures concerned (e.g. hierarchical, systematic and sample-type controls) and also by various units that report to the heads of operating structures, namely, as part of back office operations;
- **risk and conformity controls** ("second-level controls") that are assigned to other than business structures. Among other things the units concerned are charged with ensuring the correct application of the risk management process, compliance with operating limits assigned to the various units and conformity with the Bank's operating rules. These controls are mainly the responsibility of the Risk Management Department and Compliance & Anti-Money Launde-

ring Department. The Risk Management Department defines methods for measuring risks and monitoring conformity with risk limits, whereas the Compliance & Anti-Money Laundering Department verifies compliance with regulations concerned and in such cases performs a control function;

- **internal audits** ("third-level controls"), which are intended to identify unusual trends, non-compliance with procedures and regulations and also to periodically assess the completeness, functionality and adequacy of the internal control system in terms of efficiency and effectiveness, including the IT system (ICT audit). These activities are performed by Internal Auditing Department on a scheduled basis established in relation to the nature and intensity of the risks concerned.

Below are indicated the main features of the Bank's internal control system.

The governance model

UBAE has a system of rules, procedures and organizational structures aimed at:

- compliance with the Bank's strategies;
- effectiveness of the Bank's processes;
- conformity of transactions with prescribed rules, supervisory instructions, internal regulations and procedures;
- protection of the Bank's system from losses.

Several players within the control system contribute to achieving these goals, each as regards its own area of competence. Below is a description of the roles and functions based on the set-up currently in force.
When planning the internal control system and risk management system, the BD established certain internal managerial committees and approved their relevant regulations and tasks.

Internal managerial committees

Members of the **Credit Committee** are the General Manager, Deputy General Manager, Assistant General Manager Operations and Assistant General Manager Business.
The main tasks of the Credit Committee are: to discuss all issues concerning the granting of credit and monitoring relative risks; to propose the granting of credit facilities to be submitted to the BD and Executive Committee; to exercise powers to grant credit facilities within limits delegated by the BD.

Members of the **Risk Committee** are the General Manager, Deputy General Manager, Assistant General Manager Operations and Assistant General Manager Business.
The main tasks of the Risk Committee are: to assess periodically whether risk/yield objectives established by the BD have been reached; to discuss and evaluate reports prepared periodically by Risk Management Department and operating strategies adopted by the Finance Division; to discuss and evaluate the effectiveness of policies approved to identify, measure and manage risks; to assess both the adequacy of human resources and information systems in support of investment activities; to propose to the BD changes in operating limits and any exceptions concerning limits for the composition of portfolios. The Risk Committee is also the body charged with proposing guidelines for management of liquidity risk and reputational risk to the BD.
Periodically the General Manager reports on the workings of the above committees to the BD or Executive Committee.

The **Personnel Committee** is made up of the General Manager, the Deputy General Manager, the Deputy Manager of the Operations Area, the Deputy Manager of the Business Area, and the HR Manager.

The Committee is responsible for:

- examining proposals for hiring personnel and drawing up the relative contracts;
- establishing the career paths for personnel, and the variable component of their salaries in line with remuneration policies set by the appropriate bodies;
- carrying out a preliminary review of the corporate integrative contract.

Roles and responsibilities of the Bank's control units

Risk Management Department

The Risk Management Department is a staff unit that reports to the BD. This Department provides support as part of strategic planning decided by top Bank bodies, ensuring the monitoring and reporting of every single risk category in the light of established operating limits.

The aim of the monitoring is to ensure that the effective risk profile (namely, overall internal capital) does not exceed the total approved risk level for each risk category. The flow of information and analyses of risk profiles are performed by means of an appropriate and agreed reporting system subject to periodic independent review. From an ICAAP standpoint the Department develops methods and tools for assessing impact and monitoring risks; it is in charge of risk management models and provides support for the capital management process.

The Department head participates in Risk Committee meetings without voting rights. Periodically, Risk Management gives an account of its activities to the Internal Control Committee and Risk Supervision Committee.

Compliance & Anti-Money Laundering Department

Control of conformity with regulations, or compliance, is handled by a staff unit that reports to the BD and is responsible for providing advice to all Bank units and General Management concerning application of internal and external regulations. It is also responsible for making a prior assessment of any procedural changes and/or new products or services that could lead to a risk of non-compliance with the aforementioned regulations.

The Department carries out the following tasks:

- identifies regulations applicable to the Bank, measuring and assessing their impact on the Bank's processes and procedures;
- submits proposals for organizational and procedural changes to the General Manager, with the aim of minimizing or eliminating the above mentioned risk;
- verifies the effectiveness of proposed organizational updates (concerning operational and business structures, processes and procedures) recommended for prevention of non-conformity risk.

The Department's compliance unit uses two main methods to perform the tasks indicated above: internal consultancy, which represents the unit's primary institutional responsibility, and control of conformity with procedures, contractual documents, individual operations or transactions brought to its attention.
Annually the Compliance unit submits a report to the BD, or through the Internal Control Committee, and to the Board of Auditors concerning the previous year's activity, the plan for the current year and recommendations aimed at minimizing/eliminating the risk of non-conformity with regulations.
The Board of Auditors, Internal Control Committee and Oversight Body as per legislative decree no. 231/01 may also request the compliance unit for opinions, assessments and performance of specific controls of procedures potentially at risk of non-conformity.

There is an anti-money laundering unit within the Compliance & Anti-Money Laundering Department charged with overseeing efforts to prevent and manage the risks of money laundering and financing terrorism. The Compliance Officer is also responsible for the anti-money laundering unit. Responsibility for assessing and reporting suspect transactions is instead assigned to the Head of the Administration, Organization & IT Area.
Periodically the Department reports the results of audits performed to the BD or through the Internal Control Committee. Furthermore, on a half-yearly basis it reports the results of audits performed and relevant assessments to the Board of Auditors and the Oversight Body as per legislative decree no. 231/01.

Internal Auditing Department

Audits within the Bank are the responsibility of the Internal Auditing Department, which reports directly to the BD or through the Internal Control Committee.
The Department's internal auditing activity is aimed at both controlling activities (a third level control activity), also by means of on-site audits to review trends for operations and risks, and evaluating the completeness, functionality and adequacy of the overall internal control system. It advises General Management and the BD as regards possible improvements to risk management policies and measurement and control tool these involve. Based on the results of internal audits the Department makes recommendations to Bank bodies.
This Department is independent, acting autonomously and professionally in conformity with regulations in force and overall guidelines for the Bank's internal control system. It has access to all activities, including those outsourced; it follows up removal of discrepancies found in control operations and functions; it performs audits requested by the Oversight Body, in addition to making available information pertinent to legislative decree no. 231/01.

Annually the Department submits a report to the BD, or through the Internal Control Committee, and to the Board of Auditors concerning the previous year's activity, the plan for the current year and possible improvements to be made to the Bank's processes. This report is also sent to the Bank's independent auditing firm.

Dissemination of the risk culture

UBAE attributes significant importance to disseminating the concept of risk culture within the organization. To this end, it organizes in-house training sessions for all staff members to ensure they are updated continually on external regulatory changes and to improve the necessary skills required to perform their tasks in a correct and efficient manner.

During 2014 several training courses were held regarding domestic and international regulations of particular relevance to business operations: Basel 3, new supervisory reporting, anti money-laundering, administrative responsibility of organizations (law no. 231/01), worker safety, business continuity, Sepa and PSD. Participation varied between 75% and 85% of the total workforce in accordance with the specific skills of each organizational unit.

Furthermore, from an internal procedural standpoint there are both alert systems that give a timely warning to relevant parties affected by the issue of new external regulatory sources and internal warning systems that provide indications concerning operating procedures to be implemented, organizational and regulatory updates to be launched, impacts on the Bank's operations to be evaluated and any operating restrictions to be observed.

The Bank also makes available on the web portal certain explanatory documentation concerning key significant issues. For instance, the general and detailed documentation provided by the BD highlighting regulatory developments and indicating possible impacts for UBAE, was then made available for all staff.

Section 1 -Credit risk

QUALITATIVE INFORMATION

1. GENERAL ASPECTS

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

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

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

Supervisory regulations prescribe that methods used for calculating capital requirements against market, credit (including counterparty risk) and operational risks (Pillar I) will vary according to a bank's size and complexity, as well as with the supervisory authorities' own assessment.
UBAE has adopted the "standardized" method for calculating the capital requirement against credit risk and the Basic Indicator Approach (BIA) for calculating the requirement against operational risks.

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 bank.

For this reason, the 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, for credit concentration risk by related counterparty or groups of related counterparties and interest rate risk in the banking book the regulations propose a calculation method entailing additional capital requirements with respect to regulatory requirements foreseen in Pillar I. (1)
Furthermore, starting in 2013, the Bank introduced a new additional capital requirement within the context of Pillar II, although not prescribed by the regulations, as regards country risk, to take into account UBAE's specific area of operations that mainly concerns higher risk countries. Also taking into account all relevant risks for the Bank, a further capital requirement has been introduced to cover geo-sector concentration risk with the aim of quantifying the Bank's risk of concentrated lending in macro-economic sectors.

The activities conducted under the supervisory review process are reported annually to the Supervisor by the ICAAP report. The Bank's ICAAP report, compiled on data as at 31 December 2014, will be submitted to Banca d'Italia by April 2015.

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

On 2 July 2013, Banca d'Italia issued the 15th update to its prudential supervisory directive (circular no. 263 of 26 December 2006) introducing specific instructions concerning internal control systems, IT systems and business continuity. To comply with the new instructions the Bank set up a task force to prepare a report to be sent to Banca d'Italia with a self-assessment of the Bank's situation as regards the new regulatory provisions (gap analysis) and indicating the time schedule the Bank intends to adopt in order to be fully compliant with the regulations.
Lastly, as regards the new requirements introduced by Basel 3, in 2013 the Bank launched an impact analysis of the macro-areas covered by the regulations: own funds, credit and counterparty risks, liquidity risk and excessive financial leverage risk. This analysis will continue in 2014 so as to pinpoint the new variables to be monitored and new ratios under observation, to be reported to Banca d'Italia. During the first half of 2014, this led to a number of documents, approved by the Board of Directors, relating to management guidelines (Risk Appetite Framework, policy on high profile operations, Risk Policy) and governing the internal control system (regulations for each corporate control unit, coordinating document for activities carried out by the control units).
In order to structure the new internal processes and provide for the inclusion of new activities introduced by the legislation, the Bank launched a number of projects in 2014 aimed at implementing an integrated management system of processes, rules and risk assessment and a new internal scoring system which also provides data on Probability Of Default (integrating processes of investigation, monitoring and accounting evaluation).

2. POLICIES FOR MANAGING CREDIT RISK

2.1 Organizational aspects

Based on the Credit Committee's proposal and after investigation by competent units, the BD/Executive Committee passes a resolution on the extension of credit facilities to eligible parties. In doing so the BD/Executive Committee 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.

For non-investment grade countries, the deliberating bodies (Board of Directors or Executive Committee) will first approve an overall exposure limit (country ceiling or plafond) within which all exposures of subjects resident there will be included. Subsequently, the deliberative bodies will approve loan proposals for individual subjects resident there.

The Risk Management Department performs daily checks to ensure lending limits applying to the recipients of facilities from the Finance Division are duly observed, while the trend for exposures is a matter for a separate function within the Credit Reporting & L/Gs Division.

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

Finally, in all cases where a position exceeds its approved limits, the procedure that needs to be set in train – including signatory powers and the quantitative and temporal terms on which the exposure must revert to approved status – is that described in the Internal Regulations.

2.2 Measuring, handling and monitoring credit risks

In reviewing a request for the extension or revision of credit facilities, the Credit Processing Department assigns or adjusts 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 Trend Control Department draws on assistance from the competent business departments to keep a list of the Bank's problem loans, i.e. risk positions to be kept under observation on the basis of information gathered from sources both external (CRB data, detrimental-action records, press releases) and internal (automated monitoring of credit line utilization/overrun rates, reports from the competent business departments on particular countries and/or business sectors, events of default on payments due, legal steps taken by the Bank to collect amounts due).

The heads of the competent business departments provide monthly updates to the Credit Trend Control Department on the reasons underlying any anomalies detected in such positions and on any action that was undertaken to mitigate credit risk.

At the same time, they are required to forward any information deemed useful for keeping the list of problem loans up-to-date to the Credit Trend Control Department without delay.

Whenever the Credit Control Department activates credit monitoring, it submits regular updates to the General Management. In addition, every six months, the Legal Department reports to the Board of Directors on the situation regarding impaired-risk positions (doubtful loans, non-performing loans and restructured facilities).
Any proposals for new facilities in favour of clients or groups of connected clients whose positions are under observation must be approved by the Board of Directors or the Executive Committee, irrespective of the amount or technical format involved.

If deemed 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 Department promptly provides the General Manager with a written recommendation that a risk position be downgraded to standstill or bad-debt status.

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

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

It is up to Risk Management Department to determine the simplified indicator for "single name" credit concentration risk in the corporate portfolio and the additional capital requirement called for by

Pillar II in relation to overall internal capital using the Herfindal simplified algorithm.

Furthermore, in the light of the Bank's credit portfolio breakdown and significant weight of the banking component, an internal operating limit system has been devised for concentration of exposures with banks. This system is monitored quarterly and a specific report submitted on this to the Risk Committee and Board of Directors. And lastly, credit concentration by business sector and geographical area is conducted for ICAAP purposes covering a qualitative evaluation of sector- specific indicators based on which to construct stress testing scenarios relevant to credit risk.

Finally, Risk Management calculates the two additional capital requirements not prescribed by the regulations but that relate to the Bank's specific area of operations. The first additional requirement concerns country risk, which is estimated based on an internal calculation method and aims to make up for the lack of an adequate distinction between the credit risk profile for the various countries concerned. The second covers geo-sector concentration risk and is calculated based on a method provided by ABI to cover an add-on capital requirement for credit risk that takes into account the greater concentration of the Bank's lending in the same business sector.

2.3 Credit risk mitigation techniques

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

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

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

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

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

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

The value of cash sums and the market-price value of financial instruments lodged as collateral (though not that of matured or not-yet matured trade receivables or property) is deducted from the individual credit risk generated by the ordinary or ad hoc credit facilities to which the collateral refers. The resulting individual net credit risk will be considered for the purposes of calculating the Bank's overall credit risk.
The resolution approving an ordinary or ad hoc facility that is backed by collateral may indicate the minimum value, expressed in percentage terms, which the guarantee must preserve relative to the value of the approved exposure.

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

2.4 Impaired financial assets

On the basis of a proposal submitted by the Credit Trend Control Department and after consulting with the heads of the appropriate business departments, the General Manager decides 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 appropriate department heads and the Credit Trend Control Department, 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.

If deemed 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 Department.
Assisted by the Credit Trend Control Department and the Legal Department, the General Manager will update the Executive Committee and (on a quarterly basis) the Board of Directors on the trend for all situations reclassified as standstill positions, bad debts and rescheduled debts, including relative estimates of any forecast losses.

QUALITATIVE INFORMATION

CREDIT QUALITY

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

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

EUR /000

	PORTFOLIO/ CREDIT QUALITY	BAD DEBTS	STANDSTILL POSITIONS	RESCHE-DULED DEBTS	PAST-DUE POSITIONS		OTHER	TOTAL
					IMPAIRED	NOT IMPAIRED		
1	FINANCIAL ASSETS HELD FOR TRADING						122,622	122,622
2	FINANCIAL ASSETS AVAILABLE-FOR-SALE						63,435	63,435
3	FINANCIAL ASSETS HELD TO MATURITY						308,941	308,941
4	L&AS TO BANKS	262		784			2,226,981	2,228,027
5	L&AS TO CUSTOMERS	2,028	6,078		1	32	438,025	446,164
6	FINANCIAL ASSETS ASSESSED AT FAIR VALUE							
7	FINANCIAL ASSETS BEING DIVESTED							
8	HEDGING DERIVATIVES							
	31.12.2014	2,290	6,078	784	1	32	3,160,004	3,169,189
	31.12.2013	405	795	991	2	17	1,687,611	1,689,821

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

EUR /000

		IMPAIRED ASSETS			OTHER ASSETS			TOTAL (NET EXPOSURE)
		GROSS EXPOSURE	SPECIFIC WRITE-DOWNS	NET EXPOSURE	GROSS EXPOSURE	SPECIFIC WRITE-DOWNS	NET EXPOSURE	
1	FINANCIAL ASSETS HELD FOR TRADING				122,622		122,622	122,622
2	FINANCIAL ASSETS AVAILABLE-FOR-SALE				63,436	1	63,435	63,435
3	FINANCIAL ASSETS HELD TO MATURITY				308,976	35	308,941	308,941
4	L&AS TO BANKS	4,991	3,945	1,046	2,228,121	1,140	2,226,981	2,228,027
5	L&AS TO CUSTOMERS	32,478	24,371	8,107	441,469	3,412	438,057	446,164
6	FINANCIAL ASSETS ASSESSED AT FAIR VALUE							
7	FINANCIAL ASSETS BEING DIVESTED							
8	HEDGING DERIVATIVES							
	31.12.2014	37,469	28,316	9,153	3,164,624	4,588	3,160,036	3,169,189
	31.12.2013	24,394	22,201	2,193	1,699,924	12,296	1,687,628	1,689,821

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

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

EUR /000

EXPOSURE TYPE/VALUES		GROSS EXPOSURE	SPECIFIC WRITE-DOWNS	PORTFOLIO WRITE-DOWNS	NET EXPOSURE
A	CASH EXPOSURE				
A)	BAD DEBTS	4,207	3,945		262
B)	STANDSTILL POSITION				
C)	RESCHEDULED DEBTS	784			784
D)	IMPAIRED PAST DUE POSITIONS				
E)	OTHER ASSETS	2,570,197		1,174	2,569,023
	TOTAL A	2,575,188	3,945	1,174	2,570,069
B	OFF-BALANCE SHEET EXPOSURE				
A)	IMPAIRED				
B)	OTHER	433,507		721	432,786
	TOTAL B	433,507		721	432,786
	TOTAL A+B	3,008,695	3,945	1,895	3,002,855

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

EUR /000

CAUSAL/CATEGORIES		BAD DEBTS	STANDSTILL POSITIONS	RESCHEDULED DEBTS	PAST DUE POSITIONS
A	OPENING GROSS EXPOSURE	3,712		1,000	2
	OF WHICH: EXPOSURES ASSIGNED BUT NOT DERECOGNIZED				
B	INCREASES	495		139	
B1	INFLOWS FROM PERFORMING POSITIONS				
B2	TRANSFERS FROM OTHER CLASSES OF IMPAIRED POSITIONS				
B3	OTHER INCREASES (*)	495		139	2
C	DECREASES			(355)	2
C1	OUTFLOWS TO PERFORMING POSITIONS				
C2	WRITE-OFFS				
C3	ITEMS COLLECTED			(322)	
C4	ITEMS ASSIGNED				
C4 BIS	LOSSES ON DISPOSAL				
C5	TRANSFERS TO OTHER CLASSES OF IMPAIRED POSITIONS				
C6	OTHER DECREASES			(33)	
D	CLOSING GROSS EXPOSURE	4,207		784	
	OF WHICH: EXPOSURES ASSIGNED BUT NOT DERECOGNIZED				

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

EUR /000

	CAUSAL / CATEGORIES	BAD DEBTS	STANDSTILL POSITIONS	RESCHEDULED DEBTS	PAST DUE POSITIONS
A	OPENING GROSS EXPOSURE	3,598		9	
	OF WHICH: EXPOSURES ASSIGNED BUT NOT DERECOGNIZED				
B	INCREASES	347			
B1	WRITE-DOWNS				
B1BIS	LOSSES ON DISPOSAL				
B2	TRANSFERS FROM OTHER CLASSES OF IMPAIRED POSITIONS				
B3	OTHER INCREASES (*)	347			
C	DECREASES				
C1	VALUATION WRITE-BACKS				
C2	COLLECTION WRITE-BACKS				
C2BIS	PROFIT ON DISPOSAL				
C3	WRITE-OFFS				
C4	TRANSFERS TO OTHER CLASSES OF IMPAIRED POSITIONS				
C5	OTHER DECREASES (*)			(9)	
D	CLOSING GROSS EXPOSURE	3,945			
	OF WHICH: EXPOSURES ASSIGNED BUT NOT DERECOGNIZED				

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

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

EUR /000

	EXPOSURE TYPE/VALUES	GROSS EXPOSURE	SPECIFIC WRITE-DOWNS	PORTFOLIO WRITE-DOWNS	NET EXPOSURE
A	CASH EXPOSURE				
A)	BAD DEBTS	22,154	20,126		2,028
B)	STANDSTILL POSITIONS	10,323	4,245		6,078
C)	RESCHEDULED DEBTS				
D)	IMPAIRED PAST DUE POSITIONS				
F)	OTHER ASSETS	592,428		3,411	589,017
	TOTAL A	624,905	24,371	3,411	597,123
B	OFF-BALANCE SHEET EXPOSURES				
A)	IMPAIRED	19,549	7,748		11,801
B)	OTHER	513,969		1,708	512 261
	TOTAL B	533,518	7,748	1,708	524,062

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

EUR /000

	CAUSAL / CATEGORIES	BAD DEBTS	STANDSTILL POSITIONS	RESCHEDULED DEBTS	PAST DUE POSITIONS
A	OPENING GROSS EXPOSURE	16,261	3,056	363	
	OF WHICH: EXPOSURES ASSIGNED BUT NOT DERECOGNIZED				
B	INCREASES	6,917	13,495	3	1
B1	INFLOWS FROM PERFORMING POSITIONS		13,071		1
B2	TRANSFERS FROM OTHER CLASSES OF IMPAIRED POSITIONS	6,229	366		
B3	OTHER INCREASES	688	58	3	
C	DECREASES	(1,024)	(6,228)	(366)	
C1	OUTFLOWS TO PERFORMING POSITIONS				
C2	WRITE-OFFS				
C3	ITEMS COLLECTED	(1,024)			
C4	ITEMS ASSIGNED				
C4 BIS	LOSSES ON DISPOSAL				
C5	TRANSFERS TO OTHER CLASSES OF IMPAIRED POSITIONS		(6,228)	(366)	
C6	OTHER DECREASES				
D	CLOSING GROSS EXPOSURE	22,154	10,323		1
	OF WHICH: EXPOSURES ASSIGNED BUT NOT DERECOGNIZED				

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

EUR /000

	CAUSAL/CATEGORIES	BAD DEBTS	STANDSTILL POSITIONS	RESCHEDULED DEBTS	PAST DUE POSITIONS
A	OPENING GROSS EXPOSURE	15,970	2,261	363	
	OF WHICH: EXPOSURES ASSIGNED BUT NOT DERECOGNIZED				
B	INCREASES	4,158	5,118	3	
B1	WRITE-DOWNS	1,023			
B1BIS	LOSSES ON DISPOSAL				
B2	TRANSFERS FROM OTHER CLASSES OF IMPAIRED POSITIONS	3,135	336		
B3	OTHER INCREASES		4,782	3	
C	DECREASES	(2)	(3,134)	(366)	
C1	VALUATION WRITE-BACKS				
C2	COLLECTION WRITE-BACKS				
C2BIS	PROFIT ON DISPOSAL				
C3	WRITE-OFFS				
C4	TRANSFERS TO OTHER CLASSES OF IMPAIRED POSITIONS		(3,134)	(366)	
C5	OTHER DECREASES	(2)			
D	CLOSING GROSS EXPOSURE	20,126	4,245		
	OF WHICH: EXPOSURES ASSIGNED BUT NOT DERECOGNIZED				

A.2 DISTRIBUTION OF POSITIONS BY EXTERNAL AND INTERNAL RATINGS

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

EUR /000

	EXPOSURES	EXTERNAL RATING BANDS						UNRATED	TOTAL
		CLASS 1	CLASS 2	CLASS 3	CLASS 4	CLASS 5	CLASS 6		
A	CASH EXPOSURES	320	730,525	1,178,152	390,474	133,459	9,888	724,372	3,167,190
B	DERIVATIVES		1,716					282	1,998
B1	FINANCIAL DERIVATIVES		1,716					282	1,998
B2	CREDIT DERIVATIVES								
C	GUARANTEES GIVEN		15,846	112,279	111,973	29,304	5,199	626,275	900,876
D	COMMITMENTS TO DISBURSE FUNDS		14,416	1,763		1,380		36,415	53,974
E	OTHERS								
	TOTAL	320	762,503	1,292,194	502,447	164,143	15,087	1,387,344	4,124,038

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

EUR /000

EXTERNAL RATINGS BANDS	MOODY'S	S&P	FITCH
CLASS 1	Aaa/Aa3	AAA/AA-	
CLASS 2	A1/A3	A+/A-	
CLASS 3	Baa1/Baa3	BBB+/BBB-	
CLASS 4	Ba1/Ba3	BB+/BB-	
CLASS 5	B1/B3	B+/B-	
CLASS 6	Caa and below	CCC and below	

A.3 DISTRIBUTION OF GUARANTEED EXPOSURES BY TYPE OF GUARANTEE

A.3.1 Guaranteed Banks' exposures

EUR /000

		NET EXPOSURE VALUE	COLLATERAL (1)			
			PROPERTY		SECURITIES	OTHER COLLATER
			MORT-GAGE	FINANCIAL LEASING		
1	CASH EXPOSURES GUARANTEED	91,743				91,743
1.1	FULLY GUARANTEED	91,743				91,743
	- OUT OF WHICH, IMPAIRED					
1.2	NOT FULLY GUARANTEED					
	- OUT OF WHICH, IMPAIRED					
2	OFF-BALANCE SHEET EXPOSURES GUARANTEED	109,516				108,464
2.1	FULLY GUARANTEED	108,114				108,114
	- OUT OF WHICH, IMPAIRED					
2.2	NOT FULLY GUARANTEED	1,402				350
	- OUT OF WHICH, IMPAIRED					

follows *EUR /000*

		PERSONAL (2)									TOTAL (1+2)
		CREDIT DERIVATIVES					ENDORSEMENT				
		CLN	OTHER DERIVATIVES								
			GOV'T AND CENTRAL BANKS	OTHER PUBLIC ENTITIES	BANKS	OTHERS	GOV'T AND C ENTRAL BANKS	OTHER PUBLIC ENTITIES	BANKS	OTHERS	
1	CASH EXPOSURES GUARANTEED										91,743
1.1	FULLY GUARANTEED										91,743
	- OUT OF WHICH, IMPAIRED										
1.2	NOT FULLY GUARANTEED										
	- OUT OF WHICH, IMPAIRED										
2	OFF-BALANCE SHEET EXPOSURES GUARANTEED										108,464
2.1	FULLY GUARANTEED										108,114
	- OUT OF WHICH, IMPAIRED										
2.2	NOT FULLY GUARANTEED										350
	- OUT OF WHICH, IMPAIRED										

A.3.2 Guaranteed Clients' exposures

EUR /000

		NET EXPOSURE VALUE	COLLATERAL (1)			
			PROPERTY		SECURITIES	OTHER COLLATER
			MORTGAGE	FINANCIAL LEASING		
1	CASH EXPOSURES GUARANTEED	249,126	8,076			111
1.1	FULLY GUARANTEED	42,593	8,076			111
	- OUT OF WHICH, IMPAIRED	542	132			111
1.2	NOT FULLY GUARANTEED	206,533				
	- OUT OF WHICH, IMPAIRED					
2	OFF-BALANCE SHEET EXPOSURES GUARANTEED	84,492				3,198
2.1	FULLY GUARANTEED	58,613				3,074
	- OUT OF WHICH, IMPAIRED	361				
2.2	NOT FULLY GUARANTEED	25,879				124
	- OUT OF WHICH, IMPAIRED					

EUR /000

		PERSONAL (2)									TOTAL (1+2)
		CREDIT DERIVATIVES					ENDORSEMENT				
		CLN	OTHER DERIVATIVES				GOV'T AND CENTRAL BANKS	OTHER PUBLIC ENTITIES	BANKS	OTHERS	
			GOV'T AND CENTRAL BANKS	OTHER PUBLIC ENTITIES	BANKS	OTHERS					
1	CASH EXPOSURES GUARANTEED						196,121			4,082	208,390
1.1	FULLY GUARANTEED						33,324			1,082	42,593
	- OUT OF WHICH, IMPAIRED									299	542
1.2	NOT FULLY GUARANTEED						162,797			3,000	165,797
	- OUT OF WHICH, IMPAIRED										
2	OFF-BALANCE SHEET EXPOSURES GUARANTEED						31,380		34	38,947	73,559
2.1	FULLY GUARANTEED						16,558		34	38,947	58,613
	- OUT OF WHICH, IMPAIRED									361	361
2.2	NOT FULLY GUARANTEED						14,822				14,946
	- OUT OF WHICH, IMPAIRED										

B. CREDIT DISTRIBUTION AND CONCENTRATION

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

EUR /000

EXPOSURES / COUNTERPARTIES	GOVERNMENTS			OTHER PUBLIC ENTITIES			FINANCIAL COMPANIES			INSURANCE COMPANIES			NON FINANCIAL COMPANIES			OTHERS		
	NET EXPOSURE	SPECIFIC WRITE-DOWNS	PORTFOLIO WRITE-DOWNS	NET EXPOSURE	SPECIFIC WRITE-DOWNS	PORTFOLIO WRITE-DOWNS	NET EXPOSURE	SPECIFIC WRITE-DOWNS	PORTFOLIO WRITE-DOWNS	NET EXPOSURE	SPECIFIC WRITE-DOWNS	PORTFOLIO WRITE-DOWNS	NET EXPOSURE	SPECIFIC WRITE-DOWNS	PORTFOLIO WRITE-DOWNS	NET EXPOSURE	SPECIFIC WRITE-DOWNS	PORTFOLIO WRITE-DOWNS
A CASH EXPOSURE																		
A1 Bad debts													1,934	20,120		94	6	
A2 Standstill positions													6,010	4,236		68	7	
A3 Rescheduled debts																		
A4 Past due positions													1					
A5 Other assets	145,796		2	33,694		263	7,532		19				390,767		3,044	11,226		87
Total (A)	145,796		2	33,694		263	7,532		19				398,712	24,356	3,044	11,388	13	87
B OFF-BALANCE SHEET EXPOSURES													11,801	7,748				
B1 Bad debts																		
B2 Standstill positions																		
B3 Impaired													494,025		1,708			
B4 Other				18,236									505,826	7,748	1,708			
Total (B)				18,236														
Total (A+B) 31.12.2014	145,796		2	51,930		263	7,532		19				904,538	32,104	4,752	11,388	13	87
Total (A+B) 31.12.2013	55,809		12	75			47,956		396				715,640	31,875	7,895	10,115	16	92

EUR /000

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

EUR /000

EXPOSURES / GEOGRAPHICAL AREA		ITALY		OTHER EUROPEAN COUNTRIES	
		NET EXPOSURE	TOTAL WRITE-DOWNS	NET EXPOSURE	TOTAL WRITE-DOWNS
A	CASH EXPOSURE				
A1	BAD DEBTS	616	15,869		3,363
A2	STANDSTILL POSITIONS	6,078	4,245		
A3	RESCHEDULED DEBTS				
A4	PAST DUE POSITIONS				
A5	OTHER ASSETS	392,666	1,955	92,502	680
TOTAL (A)		399,360	22,069	92,502	4,043
B	OFF-BALANCE SHEET EXPOSURES				
B1	BAD DEBTS	11,801	6,512		
B2	STANDSTILL POSITIONS				
B3	IMPAIRED				
B4	OTHER	384,977	1,292	2,227	9
TOTAL (B)		396,778	7,804	2,227	9
TOTAL (A+B) 31.12.2014		796,138	29,873	94,729	4,052
TOTAL (A+B) 31.12.2013		594,915	33,452	105,225	3,876

EUR /000

EXPOSURES / GEOGRAPHICAL AREA		AMERICAS		ASIA		REST OF THE WORLD	
		NET EXPOSURE	TOTAL WRITE-DOWNS	NET EXPOSURE	TOTAL WRITE-DOWNS	NET EXPOSURE	TOTAL WRITE-DOWNS
A	CASH EXPOSURE						
A1	BAD DEBTS		12		411	1,412	471
A2	STANDSTILL POSITIONS						
A3	RESCHEDULED DEBTS						
A4	PAST DUE POSITIONS						
A5	OTHER ASSETS	637	5	23,876	156	79,336	618
TOTAL (A)		637	17	23,876	567	80,748	1,089
B	OFF-BALANCE SHEET EXPOSURES						
B1	BAD DEBTS				1,236		
B2	STANDSTILL POSITIONS				1,236		
B3	IMPAIRED						
B4	OTHER			1,218	135	124,201	273
TOTAL (B)				1,218	1,371	124,201	273
TOTAL (A+B) 31.12.2014		637	17	25,094	1,938	204,949	1,362
TOTAL (A+B) 31.12.2013		2,938	27	21,871	1,645	104,646	1,307

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

EUR /000

EXPOSURES / GEOGRAPHICAL AREA		ITALY		OTHER EUROPEAN COUNTRIES		AMERICAS		ASIA		REST OF THE WORLD	
		NET EXPOSURE	TOTAL WRITE-DOWNS	NET EXPOSURE	TOTAL WRITE-DOWNS	NET EXPOSURE	TOTAL WRITE-DOWNS	NET EXPOSURE	TOTAL WRITE-DOWNS	NET EXPOSURE	TOTAL WRITE-DOWNS
A	CASH EXPOSURE										
A1	Bad debts							262	3,945		
A2	Standstill positions										
A3	Rescheduled debts									784	
A4	Past due positions										
A5	Other assets	1,132,386	37	1,039,798	105	138,849		106,865	1,017	151,125	15
TOTAL (A)		1,132,386	37	1,039,798	105	138,849		107,127	4,962	151,909	15
B	OFF-BALANCE SHEET EXPOSURES										
B1	Bad debts										
B2	Standstill positions										
B3	Impaired										
B4	Other	132,679		21,751		5,732		33,002	721	239,621	
TOTAL (B)		132,679		21,751		5,732		33,002	721	239,621	
TOTAL (A+B) 31.12.2014		1,265,065	37	1,061,549	105	144,581		140,129	5,683	391,530	15
TOTAL (A+B) 31.12.2013		1,058,487	2,105	155,568	1,009	34,883		112,471	5,038	307,036	403

B.4 Large Exposures

EUR /000

BOOK VALUE	3,587,058,222
WEIGHTED AMOUNT	2,596,995,816
NUMBER	32

The provisions contained in EEC Regulation no. 575/2013 state that the term “large exposure” for a banking organization refers to an exposure towards a customer or group of customers whose value equals or exceeds 10% of the eligible capital.

The provisions also state that the amount of a banking organization’s exposure to an individual client or group of connected clients may not exceed 25% of the eligible capital. The figure of 25% clearly takes account of techniques to reduce credit risk, the type of guarantee acquired and the nature of the borrower.

The corporate bodies responsible for controls will carry out programmed checks on the total exposure of customers or groups of customers that fall into the category of large exposures, at the same time providing appropriate information to the governing bodies.

C. SECURITIZATION AND DISPOSAL OF ASSETS

No data to report

C.2 DISPOSALS

No data to report

C.3 COVERED BONDS

No data to report

D. STRUCTURED ENTITIES NOT INCLUDED IN CONSOLIDATED ACCOUNTS (DIFFERENT FROM COMPANIES PROVIDING SECURITIZATION)

No data to report

E. DISPOSALS

No data to report

F. CREDIT RISK MEASUREMENT MODELS

UBAE has an internal model for measuring credit risk exposure based on a combination of internal and external factors relating to probability of default (hereinafter PD).

However, by making recourse to an infoprovider service Risk Management Department has a database of defaults (with the associated PD and transition matrices) observed over a significant sample of counterparties and a timeframe of thirty years. This has enabled definition of a system to determine the risk spread exclusively for management and not regulatory purposes.

In fact, based on the score provided by Credit Department it is possible to determine the expected loss (EL) and unexpected loss (UL) values for each counterparty to be included in the pricing formula for credit transactions, which provides a minimum benchmark pricing to be applied for a customer (inclusive of the opportunity cost of regulatory requirements) in the light of a risk-adjusted performance measurement.

CLOSE TO OUR CUSTOMERS WORLDWIDE AS INTERMEDIARY FOR THEIR SUCCESS.

BANCA UBAE
مصرف اليوباي

Section 2 – Market risk

2.1 – Price and Interest rate risk: Trading book

QUALITATIVE INFORMATION

A. GENERAL ASPECTS

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

In supporting risk taking activities through a range of tasks, Risk Management Department 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 the ObjFin software application forming part of the Bank's IT and accounting system. Risk control and management reporting requirements are adequately served by ObjFin.

The restructuring of the IT system took account of the internal rules governing Banca UBAE's financial operations, especially the 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.

The ObjFin application handles the following financial instruments:

- Forex (traditional and OTC derivatives);
- money market (traditional and derivatives: FRA, IRS, OIS);
- bonds and derivatives;
- equities and derivatives (index futures, stock futures, ETF and options traded on regulated markets).

The ObjFin application supports risk-measuring methods that provide an accurate and comprehensive representation of the Bank's risk exposure by monitoring operating limits.

In particular:

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

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

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

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

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

The entire system of internal operating limits is replicated in ObjFin to enable levels of control (first, second and third) to be carried out in real time by the competent units.

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

B. HANDLING AND MEASURING PROCESSES FOR INTEREST-RATE RISKS

Dealing on behalf of banks or corporate customers in interest-rate 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 risk position for either the Treasury Dept. or the Securities Dept.

Trading positions in interest-rate and exchange-rate derivatives, whether regulated or OTC, are entered in the 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 ten-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 Department. If a limit is approached, procedures for checking and possibly calling in the exposure are activated.

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

QUANTITATIVE INFORMATION

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

EUR /000

TYPE / RESIDUAL MATURITY	SIGHT	UP TO 3 MONTHS	3 TO 6 MONTHS	6 TO 12 MONTHS	1 TO 5 YEARS	5 TO 10 YEARS	OVER 10 YEARS	INDEFINITE
1 CASH ASSETS		50,738	41,158	6,456	12,982			
1.1 DEBT SECURITIES		50,738	41,158	6,456	12,982			
- WITH AN OPTION FOR EARLY RE-DEMPTION								
- OTHER		50,738	41,158	6,456	12,982			
1.2 OTHER ASSETS								
2 CASH LIABILITIES								
2.1 REPO								
2.2 OTHER LIABILITIES								
3 FINANCIAL DERIVATIVES		(34,511)	55,000	(5,000)	(58,237)			
3.1 WITH UNDERLYING SECURITY:								
- OPTIONS								
* LONG POSITIONS								
* SHORT POSITIONS								
- OTHER DERIVATIVES								
* LONG POSITIONS								
* SHORT POSITIONS								
3.2 W/OUT UNDERLYING SECURITY:		(34,511)	55,000	(5,000)	(58,237)			
- OPTIONS								
* LONG POSITIONS								
* SHORT POSITIONS								
- OTHER DERIVATIVES		(34,511)	55,000	(5,000)	(58,237)			
* LONG POSITIONS		50,217	60,019					
* SHORT POSITIONS		84,728	5,019	5,000	58,237			

EUR /000

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

EUR /000

TYPE / RESIDUAL MATURITY	SIGHT	UP TO 3 MONTHS	3 TO 6 MONTHS	6 TO 12 MONTHS	1 TO 5 YEARS	5 TO 10 YEARS	OVER 10 YEARS	INDEFINITE
1 CASH ASSETS					8,298			
1.1 DEBT SECURITIES					8,298			
- WITH AN OPTION FOR EARLY REDEMPTION								
- OTHER					8,298			
1.2 OTHER ASSETS								
2 CASH LIABILITIES								
2.1 REPO								
2.2 OTHER LIABILITIES								
3 FINANCIAL DERIVATIVES		58,170						
3.1 WITH UNDERLYING SECURITY:								
- OPTIONS								
* LONG POSITIONS								
* SHORT POSITIONS								
- OTHER DERIVATIVES								
* LONG POSITIONS								
* SHORT POSITIONS								
3.2 W/OUT UNDERLYING SECURITY:		58,170						
- OPTIONS								
* LONG POSITIONS								
* SHORT POSITIONS								
- OTHER DERIVATIVES		58,170						
* LONG POSITIONS		145,394						
* SHORT POSITIONS		87,224						

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

EUR /000

TYPE / RESIDUAL MATURITY	SIGHT	UP TO 3 MONTHS	3 TO 6 MONTHS	6 TO 12 MONTHS	1 TO 5 YEARS	5 TO 10 YEARS	OVER 10 YEARS	INDEFINITE
1 CASH ASSETS								
1.1 DEBT SECURITIES								
- WITH AN OPTION FOR EARLY REDEMP-TION								
- OTHER								
1.2 OTHER ASSETS								
2 CASH LIABILITIES								
2.1 REPO								
2.2 OTHER LIABILITIES								
3 FINANCIAL DERIVATIVES		(240)						
3.1 WITH UNDERLYING SECURITY:								
- OPTIONS								
* LONG POSITIONS								
* SHORT POSITIONS								
- OTHER DERIVATIVES								
* LONG POSITIONS								
* SHORT POSITIONS								
3.2 W/OUT UNDERLYING SECURITY:		(240)						
- OPTIONS								
* LONG POSITIONS								
* SHORT POSITIONS								
- OTHER DERIVATIVES		(240)						
* LONG POSITIONS		21,452						
* SHORT POSITIONS		21,692						

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

EUR /000

TYPE / RESIDUAL MATURITY	SIGHT	UP TO 3 MONTHS	3 TO 6 MONTHS	6 TO 12 MONTHS	1 TO 5 YEARS	5 TO 10 YEARS	OVER 10 YEARS	INDEFINITE
1 CASH ASSETS								
1.1 DEBT SECURITIES								
- WITH AN OPTION FOR EARLY REDEMP-TION								
- OTHER								
1.2 OTHER ASSETS								
2 CASH LIABILITIES								
2.1 REPO								
2.2 OTHER LIABILITIES								
3 FINANCIAL DERIVATIVES								
3.1 WITH UNDERLYING SECURITY:								
- OPTIONS								
* LONG POSITIONS								
* SHORT POSITIONS								
- OTHER DERIVATIVES								
* LONG POSITIONS								
* SHORT POSITIONS								
3.2 W/OUT UNDERLYING SECURITY:								
- OPTIONS								
* LONG POSITIONS								
* SHORT POSITIONS								
- OTHER DERIVATIVES								
* LONG POSITIONS		22,082						
* SHORT POSITIONS		22,082						

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

EUR /000

TYPE / RESIDUAL MATURITY	SIGHT	UP TO 3 MONTHS	3 TO 6 MONTHS	6 TO 12 MONTHS	1 TO 5 YEARS	5 TO 10 YEARS	OVER 10 YEARS	INDEFINITE
1 CASH ASSETS								
1.1 DEBT SECURITIES								
- WITH AN OPTION FOR EARLY REDEMPTION								
- OTHER								
1.2 OTHER ASSETS								
2 CASH LIABILITIES								
2.1 REPO								
2.2 OTHER LIABILITIES								
3 FINANCIAL DERIVATIVES		(15,393)						
3.1 WITH UNDERLYING SECURITY:								
- OPTIONS								
* LONG POSITIONS								
* SHORT POSITIONS								
- OTHER DERIVATIVES								
* LONG POSITIONS								
* SHORT POSITIONS								
3.2 W/OUT UNDERLYING SECURITY:		(15,393)						
- OPTIONS								
* LONG POSITIONS								
* SHORT POSITIONS								
- OTHER DERIVATIVES		(15,393)						
* LONG POSITIONS								
* SHORT POSITIONS		15,393						

2. SUPERVISORY TRADING BOOK: DISTRIBUTION OF EXPOSURES IN CAPITAL SECURITIES AND SHARE INDICES FOR THE MAIN COUNTRIES WHERE SHARES ARE LISTED

EUR /000

TYPE / SHARE INDICES	LISTED			NOT LISTED
	ITALY			
A EQUITIES: TRADES SETTLED	721			
LONG POSITIONS	721			
SHORT POSITIONS				
B EQUITIES: TRADES NO YET SETTLED				
LONG POSITIONS				
SHORT POSITIONS				
C OTHER DERIVATIVES ON EQUITIES				
LONG POSITIONS				
SHORT POSITIONS				
D DERIVATIVES ON SHARES INDICES	(1,234)			
LONG POSITIONS				
SHORT POSITIONS	1,234			

3. SUPERVISORY TRADING BOOK: INTERNAL MODELS AND OTHER METHODS FOR ANALYSING SENSITIVITY

No data to report

2.2 – Price and Interest rate risk – Banking book

QUALITATIVE INFORMATION

A. GENERAL ASPECTS, INTEREST RATE RISK MANAGEMENT PROCESSES AND MEASUREMENT METHODS

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

Readings for the indicator value should never exceed 20% of eligible capital, which is well above the level recorded at UBAE on account of the concentration of assets and liabilities within a 12-month time frame and the presence of derivatives mitigating their riskiness.

From a management standpoint the Bank's Internal Regulations have prudentially capped this particular risk at 5% of eligible capital as this is more consistent with the Bank's real exposure.

Once a month, Risk Management Department verifies compliance with the internal operating limit. For ICAAP purposes, it uses an Asset Liability Management (ALM) program to conduct quarterly maturity ladder analyses according to the simplified algorithm.

At least once a year as a minimum, finally, the Department subjects the exposure to stress testing in relation to hypothetical parallel and non-parallel shifts in the interest rate curve.

B. FAIR VALUE HEDGING

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

C. CASH-FLOW HEDGING

UBAE's portfolio includes interest rate derivatives (IRS) whose purpose is to provide a sort of macro-management hedge of the interest margin implicit in the cash flow generated by banking activities (bonds, loans, discounting). Hedging and negotiation of derivatives are handled by the Treasury Department in the Finance Area.
Furthermore the Finance may hold IRS associated with bonds carried in the held-to- maturity (HTM) portfolio, always for the purpose of hedging interest rate risk.

QUANTITATIVE INFORMATION

1.A BANKING BOOK: DISTRIBUTION OF CASH FINANCIAL ASSETS/ LIABILITIES AND FINANCIAL DERIVATIVES BY RESIDUAL MATURITY (REPRICING DATE) CURRENCY: EUR

EUR /000

TYPE / RESIDUAL MATURITY	SIGHT	UP TO 3 MONTHS	3 TO 6 MONTHS	6 TO 12 MONTHS	1 TO 5 YEARS	5 TO 10 YEARS	OVER 10 YEARS	INDEFINITE
1 CASH ASSETS	17,541	403,261	284,520	132,648	206,260	5,659	2,614	
1.1 DEBT SECURITIES		59,959	111,381		196,921			
- WITH AN OPTION FOR EARLY REDEMPTION								
-OTHER		59,959	111,381		196,921			
1.2 L&AS TO BANKS	11,921	149,554	28,172	104,472	5,005	262		
1.3 L&AS TO CUSTOMERS	5,620	193,748	144,967	28,176	4,334	5,397	2,614	
- A/C	730				1	522		
-OTHER L&AS	4,890	193,748	144,967	28,176	4,333	4,875	2,614	
- WITH AN OPTION FOR EARLY REDEMPTION	155	156	232	458	3,525	3,445	2,614	
- OTHER	4,735	193,592	144,735	27,718	808	1,430		
2 CASH LIABILITIES	621,064	375,446		16,527	100,014			
2.1 DUE TO CUSTOMERS	76,315	397						
- A/C	76,315	397						
-OTHER LIABILITIES								
- WITH AN OPTION FOR EARLY REDEMPTION								
- OTHER								
2.2 DUE TO BANKS	544,749	375,049		16,527	100,014			
- A/C	538,010							
-OTHER LIABILITIES	6,739	375,049		16,527	100,014			
2.3 DEBT SECURITIES								
- WITH AN OPTION FOR EARLY REDEMPTION								
-OTHER								
2.4 OTHER LIABILITIES								
- WITH AN OPTION FOR EARLY REDEMPTION								
-OTHER								
3 FINANCIAL DERIVATIVES								
3.1 WITH UNDERLYING SECURITY:								
- OPTIONS								
* LONG POSITIONS								
* SHORT POSITIONS								
-OTHER DERIVATIVES								
* LONG POSITIONS								
* SHORT POSITIONS								
3.2 W/OUT UNDERLYING SECURITY:								
- OPTIONS								
* LONG POSITIONS								
* SHORT POSITIONS								
-OTHER DERIVATIVES								
* LONG POSITIONS								
* SHORT POSITIONS								
4 OTHER TRANSACTIONS OFF BALANCE SHEET								
* LONG POSITIONS	17,369							
* SHORT POSITIONS	17,369							

EUR /000

1.B BANKING BOOK: DISTRIBUTION OF CASH FINANCIAL ASSETS/ LIABILITIES AND FINANCIAL DERIVATIVES BY RESIDUAL MATURITY (REPRICING DATE) CURRENCY: USD

EUR /000

EUR /000

		TYPE / RESIDUAL MATURITY	SIGHT	UP TO 3 MONTHS	3 TO 6 MONTHS	6 TO 12 MONTHS	1 TO 5 YEARS	5 TO 10 YEARS	OVER 10 YEARS	INDEFINITE
1		CASH ASSETS	348,484	1,409,575	180,811	35,660	403			
	1.1	DEBT SECURITIES		4,114						
		- WITH AN OPTION FOR EARLY REDEMPTION								
		-OTHERS		4,114						
	1.2	L&AS TO BANKS	324,777	1,391,288	172,638	35,660	403			
	1.3	L&AS TO CUSTOMERS	23,707	14,173	8,173					
		- A/C	23,707							
		-OTHERS L&AS		14,173	8,173					
		- WITH AN OPTION FOR EARLY REDEMPTION								
		- OTHERS		14,173	8,173					
2		CASH LIABILITIES	600,541	1,394,805	32,972					
	2.1	DUE TO CUSTOMERS	71,652	392						
		- A/C	71,652	392						
		-OTHERS LIABLITIES								
		- WITH AN OPTION FOR EARLY REDEMPTION								
		- OTHERS								
	2.2	DUE TO BANKS	528,889	1,394,413	32,972					
		- A/C	60,277							
		-OTHERS LIABLITIES	468,612	1,394,413	32,972					
	2.3	DEBT SECURITIES								
		- WITH AN OPTION FOR EARLY REDEMPTION								
		-OTHERS								
	2.4	OTHER LIABILITIES								
		- WITH AN OPTION FOR EARLY REDEMPTION								
		-OTHERS								
3		FINANCIAL DERIVATIVES								
	3.1	WITH UNDERLYING SECURITY:								
		- OPTIONS								
		* LONG POSITIONS								
		* SHORT POSITIONS								
		-OTHERS DERIVATIVES								
		* LONG POSITIONS								
		* SHORT POSITIONS								
	3.2	W/OUT UNDERLYING SECURITY:								
		- OPTIONS								
		* LONG POSITIONS								
		* SHORT POSITIONS								
		-OTHERS DERIVATIVES								
		* LONG POSITIONS								
		* SHORT POSITIONS								
4		OTHER TRANSACTIONS OFF BALANCE SHEET								
		* LONG POSITIONS	44,211							
		* SHORT POSITIONS	44,211							

1.C BANKING BOOK: DISTRIBUTION OF CASH FINANCIAL ASSETS/LIABILITIES AND FINANCIAL DERIVATIVES BY RESIDUAL MATURITY (REPRICING DATE) CURRENCY: GBP

EUR /000

TYPE / RESIDUAL MATURITY	SIGHT	UP TO 3 MONTHS	3 TO 6 MONTHS	6 TO 12 MONTHS	1 TO 5 YEARS	5 TO 10 YEARS	OVER 10 YEARS	INDEFINITE
1 CASH ASSETS	43							
1.1 DEBT SECURITIES								
- WITH AN OPTION FOR EARLY REDEMPTION								
-OTHERS								
1.2 L&AS TO BANKS	43							
1.3 L&AS TO CUSTOMERS								
- A/C								
- OTHER L&AS:								
- WITH AN OPTION FOR EARLY REDEMPTION								
- OTHERS								
2 CASH LIABILITIES	271	131						
2.1 DUE TO CUSTOMERS	48	131						
- A/C	48	131						
-OTHERS LIABILITIES								
- WITH AN OPTION FOR EARLY REDEMPTION								
- OTHERS								
2.2 DUE TO BANKS	223							
- A/C	222							
-OTHERS LIABILITIES	1	2,799						
2.3 DEBT SECURITIES								
- WITH AN OPTION FOR EARLY REDEMPTION								
-OTHERS								
2.4 OTHER LIABILITIES								
- WITH AN OPTION FOR EARLY REDEMPTION								
-OTHERS								
3 FINANCIAL DERIVATIVES								
3.1 WITH UNDERLYING SECURITY:								
- OPTIONS								
* LONG POSITIONS								
* SHORT POSITIONS								
-OTHER DERIVATIVES								
* LONG POSITIONS								
* SHORT POSITIONS								
3.2 W/OUT UNDERLYING SECURITY:								
- OPTIONS								
* LONG POSITIONS								
* SHORT POSITIONS								
-OTHER DERIVATIVES								
* LONG POSITIONS								
* SHORT POSITIONS								
4 OTHER TRANSACTIONS OFF BALANCE SHEET								
* LONG POSITIONS								
* SHORT POSITIONS								

1.D BANKING BOOK: DISTRIBUTION OF CASH FINANCIAL ASSETS/LIABILITIES AND FINANCIAL DERIVATIVES BY RESIDUAL MATURITY (REPRICING DATE) CURRENCY: CHF

EUR /000

TYPE / RESIDUAL MATURITY	SIGHT	UP TO 3 MONTHS	3 TO 6 MONTHS	6 TO 12 MONTHS	1 TO 5 YEARS	5 TO 10 YEARS	OVER 10 YEARS	INDEFINITE
1 CASH ASSETS	1,384							
1.1 DEBT SECURITIES								
- WITH AN OPTION FOR EARLY REDEMPTION								
-OTHERS								
1.2 L&AS TO BANKS	1,384							
1.3 L&AS TO CUSTOMERS								
- A/C								
- OTHER L&AS:								
-WITH AN OPTION FOR EARLY REDEMPTION								
-OTHERS								
2 CASH LIABILITIES	1,432							
2.1 DUE TO CUSTOMERS	446							
- A/C	446							
-OTHERS LIABILITIES								
-WITH AN OPTION FOR EARLY REDEMPTION								
-OTHERS								
2.2 DUE TO BANKS	986							
- A/C	986							
-OTHERS LIABILITIES								
2.3 DEBT SECURITIES								
- WITH AN OPTION FOR EARLY REDEMPTION								
-OTHERS								
2.4 -OTHER LIABILITIES								
- WITH AN OPTION FOR EARLY REDEMPTION								
-OTHERS								
3 FINANCIAL DERIVATIVES								
3.1 WITH UNDERLYING SECURITY:								
- OPTIONS								
* LONG POSITIONS								
* SHORT POSITIONS								
-OTHER DERIVATIVES								
* LONG POSITIONS								
* SHORT POSITIONS								
3.2 W/OUT UNDERLYING SECURITY:								
- OPTIONS								
* LONG POSITIONS								
* SHORT POSITIONS								
-OTHER DERIVATIVES								
* LONG POSITIONS								
* SHORT POSITIONS								
4 OTHER TRANSACTIONS OFF BALANCE SHEET								
* LONG POSITIONS								
* SHORT POSITIONS								

1.E BANKING BOOK: DISTRIBUTION OF CASH FINANCIAL ASSETS/LIABILITIES AND FINANCIAL DERIVATIVES BY RESIDUAL MATURITY (REPRICING DATE) CURRENCY: JPY

EUR /000

	TYPE / RESIDUAL MATURITY	SIGHT	UP TO 3 MONTHS	3 TO 6 MONTHS	6 TO 12 MONTHS	1 TO 5 YEARS	5 TO 10 YEARS	OVER 10 YEARS	INDEFINITE
1	CASH ASSETS	33							
1.1	DEBT SECURITIES								
	- WITH AN OPTION FOR EARLY REDEMPTION								
	-OTHERS								
1.2	L&AS TO BANKS	33							
1.3	L&AS TO CUSTOMERS								
	- A/C								
	- OTHER L&AS:								
	- WITH AN OPTION FOR EARLY REDEMPTION								
	- OTHERS								
2	CASH LIABILITIES								
2.1	DUE TO CUSTOMERS								
	- A/C								
	-OTHERS LIABILITIES								
	- WITH AN OPTION FOR EARLY REDEMPTION								
	- OTHERS								
2.2	DUE TO BANKS								
	- A/C								
	-OTHERS LIABILITIES								
2.3	DEBT SECURITIES								
	- WITH AN OPTION FOR EARLY REDEMPTION								
	-OTHERS								
2.4	OTHER LIABILITIES								
	- WITH AN OPTION FOR EARLY REDEMPTION								
	-OTHERS								
3	FINANCIAL DERIVATIVES								
3.1	WITH UNDERLYING SECURITY:								
	- OPTIONS								
	* LONG POSITIONS								
	* SHORT POSITIONS								
	-OTHER DERIVATIVES								
	* LONG POSITIONS								
	* SHORT POSITIONS								
3.2	W/OUT UNDERLYING SECURITY:								
	- OPTIONS								
	* LONG POSITIONS								
	* SHORT POSITIONS								
	-OTHER DERIVATIVES								
	* LONG POSITIONS								
	* SHORT POSITIONS								
4	OTHER TRANSACTIONS OFF BALANCE SHEET								
	* LONG POSITIONS								
	* SHORT POSITIONS								

1.F BANKING BOOK: DISTRIBUTION OF CASH FINANCIAL ASSETS/LIABILITIES AND FINANCIAL DERIVATIVES BY RESIDUAL MATURITY (REPRICING DATE) CURRENCY: CNY

EUR /000

	TYPE / RESIDUAL MATURITY	SIGHT	UP TO 3 MONTHS	3 TO 6 MONTHS	6 TO 12 MONTHS	1 TO 5 YEARS	5 TO 10 YEARS	OVER 10 YEARS	INDEFINITE
1	CASH ASSETS	22	15,247						
1.1	DEBT SECURITIES								
	- WITH AN OPTION FOR EARLY REDEMPTION								
	-OTHERS								
1.2	L&AS TO BANKS	22							
1.3	L&AS TO CUSTOMERS		15,247						
	- A/C								
	- OTHER L&AS:		15,247						
	- WITH AN OPTION FOR EARLY REDEMPTION								
	- OTHERS		15,247						
2	CASH LIABILITIES								
2.1	DUE TO CUSTOMERS								
	- A/C								
	-OTHERS LIABILITIES								
	WITH AN OPTION FOR EARLY REDEMPTION								
	OTHERS								
2.2	DUE TO BANKS								
	- A/C								
	-OTHERS LIABILITIES								
2.3	DEBT SECURITIES								
	- WITH AN OPTION FOR EARLY REDEMPTION								
	-OTHERS								
2.4	OTHER LIABILITIES								
	- WITH AN OPTION FOR EARLY REDEMPTION								
	-OTHERS								
3	FINANCIAL DERIVATIVES								
3.1	WITH UNDERLYING SECURITY:								
	- OPTIONS								
	* LONG POSITIONS								
	* SHORT POSITIONS								
	-OTHER DERIVATIVES								
	* LONG POSITIONS								
	* SHORT POSITIONS								
3.2	W/OUT UNDERLYING SECURITY:								
	- OPTIONS								
	* LONG POSITIONS								
	* SHORT POSITIONS								
	-OTHER DERIVATIVES								
	* LONG POSITIONS								
	* SHORT POSITIONS								
4	OTHER TRANSACTIONS OFF BALANCE SHEET								
	* LONG POSITIONS								
	* SHORT POSITIONS								

1.G BANKING BOOK: DISTRIBUTION OF CASH FINANCIAL ASSETS/LIABILITIES AND FINANCIAL DERIVATIVES BY RESIDUAL MATURITY (REPRICING DATE) CURRENCY: OTHERS

EUR /000

	TYPE / RESIDUAL MATURITY	SIGHT	UP TO 3 MONTHS	3 TO 6 MONTHS	6 TO 12 MONTHS	1 TO 5 YEARS	5 TO 10 YEARS	OVER 10 YEARS	INDEFINITE
1	CASH ASSETS	1,156	1,124						
1.1	DEBT SECURITIES								
	- WITH AN OPTION FOR EARLY REDEMPTION								
	-OTHERS								
1.2	L&AS TO BANKS	1,148	1,124						
1.3	L&AS TO CUSTOMERS	8							
	- A/C								
	- OTHER L&AS:	8							
	- WITH AN OPTION FOR EARLY REDEMPTION								
	- OTHERS	8							
2	CASH LIABILITIES	28							
2.1	DUE TO CUSTOMERS								
	- A/C								
	-OTHERS LIABILITIES								
	-WITH AN OPTION FOR EARLY REDEMPTION								
	- OTHERS								
2.2	DUE TO BANKS	28							
	- A/C	28							
	-OTHERS LIABILITIES								
2.3	DEBT SECURITIES								
	- WITH AN OPTION FOR EARLY REDEMPTION								
	-OTHERS								
2.4	OTHER LIABILITIES								
	- WITH AN OPTION FOR EARLY REDEMPTION								
	-OTHERS								
3	FINANCIAL DERIVATIVES								
3.1	WITH UNDERLYING SECURITY:								
	- OPTIONS								
	* LONG POSITIONS								
	* SHORT POSITIONS								
	-OTHER DERIVATIVES								
	* LONG POSITIONS								
	* SHORT POSITIONS								
3.2	W/OUT UNDERLYING SECURITY:								
	- OPTIONS								
	* LONG POSITIONS								
	* SHORT POSITIONS								
	-OTHER DERIVATIVES								
	* LONG POSITIONS								
	* SHORT POSITIONS								
4	OTHER TRANSACTIONS OFF BALANCE SHEET								
	* LONG POSITIONS	20,321							
	* SHORT POSITIONS	20,321							

2.3 - Currency risk

QUALITATIVE INFORMATION

A. GENERAL ASPECTS, RISK MANAGEMENT PROCESSES AND MEASURING METHODS

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

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

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

B. HEDGING FOR CURRENCY RISKS

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

QUANTITATIVE INFORMATION

1. DISTRIBUTION BY CURRENCY IN WHICH ASSETS/LIABILITIES AND DERIVATIVES ARE DENOMINATED

EUR /000

ITEMS		CURRENCIES					
		US DOLLAR USD	YUAN CNY	SWISS FRANC CHF	YEN JPY	BRITISH POUND GBP	OTHER
A	FINANCIAL ASSETS	1,983,233	15,387	1,384	33	43	2,280
A1	DEBT SECURITIES	12,413					
A2	EQUITIES						
A3	L&AS TO BANKS	1,924,766	140	1,384	33	43	2,272
A4	L&AS TO CUSTOMERS	46,054	15,247				8
A5	OTHER FINANCIAL ASSETS						
B	OTHER ASSETS						
C	FINANCIAL LIABILITIES	2,028,319		1,432	3	3,200	28
C1	DUE TO BANKS	1,956,274		986		3,022	28
C2	DUE TO CUSTOMERS	72,045		446	3	178	
C3	DEBT SECURITIES						
C4	OTHER FINANCIAL LIABILITIES						
D	OTHER LIABILITIES						
E	FINANCIAL DERIVATIVES	58,170	15,393		(240)		
	- OPTIONS						
	* LONG POSITIONS						
	* SHORT POSITIONS						
	-OTHER DERIVATIVES	58,170	(15,393)		(240)		
	* LONG POSITIONS	145,394			21,452	22,082	
	* SHORT POSITIONS	87,224	15,393		21,692	22,082	
	TOTAL ASSETS	2,128,627	15,387	1,384	21,485	22,125	2,280
	TOTAL LIABILITIES	2,115,543	15,393	1,432	21,695	25,282	28
	BALANCE (+/-)	13,084	(6)	(48)	(210)	(3.157)	2,252

2.4 Derivatives

A. FINANCIAL DERIVATIVES

During the 2014 financial year, UBAE bank did not carry out trading of derivative financial products for third parties; instead activity was restricted to the Bank's instruments in order to hedge market risks.
Banca UBAE mainly uses derivatives to cover its exposure on interest rates (IRS), and in particular on currency swaps in order to reduce exposure from a business point of view.
The mitigation of market risk is made possible through the use of derivative instruments intended to cover the Bank's commitments.
The strategy pursued by the Bank is in fact aimed at limiting the effects of possible fluctuations in exchange rates, interest rates, and share prices by including the following derivatives in the portfolio: currency swaps, interest rate swaps, and equity index futures.

Instead of exchange derivatives, which enable the Bank to contain risks by setting the economic component generated by Forex operations, the interest-rate derivatives are used by the Bank to mitigate the effect of any adverse fluctuations in yields compared to the value of portfolio assets (securities and loans) and to minimize the time frame of risk exposure.

Taking short positions in futures (on share indexes) reduces the impact of lower prices on long-position shareholdings held in the portfolio.
The results of analysis carried out daily by the Risk Management Department are reported quarterly to the Risk Committee, the Board Committees (Internal Control Committee and the Risk Supervision Committee) and the Board of Directors.
In addition, similar to the approach for market risk, the derivatives (IRS) are used to set up and handle hedging operations for loans and securities HTM thus limiting the bank's exposure to interest-rate risk on the banking book.
The limited exposure to various market risks – as shown by the risk indicator which remains steadily below the regulatory threshold – is also a consequence of the prudent management policies adopted by the Board of Directors.

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

EUR /000

UNDERLYING ASSETS / DERIVATIVES TYPE		31.12.2014		31.12.2013	
		OVER THE COUNTER	CORE COUNTER PARTIES	OVER THE COUNTER	CORE COUNTER PARTIES
1	DEBT SECURITIES AND INTEREST RATES	68,255		102,588	
	A) OPTIONS				
	B) INTEREST RATES SWAP	68,255		102,588	
	C) FORWARD				
	D) FUTURES				
	E) OTHERS				
2	EQUITIES AND SHARES INDICES		1,234		
	A) OPTIONS				
	B) SWAP				
	C) FORWARD				
	D) FUTURES		1,234		
	E) OTHERS				
3	EXCHANGE RATES AND GOLD	227,959		126,445	
	A) OPTIONS				
	B) SWAP				
	C) FORWARD	227,959		126,445	
	D) FUTURES				
	E) OTHERS				
4	GOODS				
5	OTHERS ASSETS				
	TOTAL	296,214	1,234	229,033	
	AVERAGE	69,130		88,593	

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

EUR /000

PORTFOLIO / DERIVATIVES TYPE		POSITIVE FAIR VALUE TOTAL 31.12.2014		POSITIVE FAIR VALUE TOTAL 31.12.2013	
		OVER THE COUNTER	CORE COUNTER PARTIES	OVER THE COUNTER	CORE COUNTER PARTIES
A	TRADING BOOK	1,998		931	
	A) OPTIONS				
	B) INTEREST RATE SWAP			453	
	C) CROSS CURRENCY SWAP				
	D) EQUITY SWAP				
	E) FORWARD	1,998		478	
	F) FUTURES				
	G) OTHERS				
B	BANKING BOOK: HEDGES				
	A) OPTIONS				
	B) INTEREST RATE SWAP				
	C) CROSS CURRENCY SWAP				
	D) EQUITY SWAP				
	E) FORWARD				
	F) FUTURES				
	G) OTHERS				
C	BANKING BOOK: OTHER DERIVATIVES				
	A) OPTIONS				
	B) INTEREST RATE SWAP				
	C) CROSS CURRENCY SWAP				
	D) EQUITY SWAP				
	E) FORWARD				
	F) FUTURES				
	G) OTHERS				
	TOTAL	1,998		931	

A.4 Financial derivatives: negative gross fair value: by instruments

EUR /000

	PORTFOLIO / DERIVATIVES TYPE	NEGATIVE FAIR VALUE TOTAL 31.12.2014		NEGATIVE FAIR VALUE TOTAL 31.12.2013	
		OVER THE COUNTER	CORE COUNTER PARTIES	OVER THE COUNTER	CORE COUNTER PARTIES
A	TRADING BOOK	2,817		2,296	
A)	OPTIONS				
B)	INTEREST RATE SWAP	1,031		1,415	
C)	CROSS CURRENCY SWAP				
D)	EQUITY SWAP				
E)	FORWARD	1,786		881	
F)	FUTURES				
G)	OTHERS				
B	BANKING BOOK: HEDGES				
A)	OPTIONS				
B)	INTEREST RATE SWAP				
C)	CROSS CURRENCY SWAP				
D)	EQUITY SWAP				
E)	FORWARD				
F)	FUTURES				
G)	OTHERS				
C	BANKING BOOK: OTHER DERIVATIVES				
A)	OPTIONS				
B)	INTEREST RATE SWAP				
C)	CROSS CURRENCY SWAP				
D)	EQUITY SWAP				
E)	FORWARD				
F)	FUTURES				
G)	OTHERS				
	TOTAL	2,817		2,296	

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

EUR /000

	CONTRACTS NOT INCLUDED UNDER NETTING AGREEMENTS	GOV'TS & CETRAL BANKS	OTHER PUBLIC ENTITIES	BANKS	FINANCIAL COMPANIES	INSURANCE COMPANIES	NON FINANCIAL COMPANIES	OTH-ERS
1)	DEBT SECURITIES AND INTEREST RATES			69,578				
	- NOTIONAL VALUE			68,256				
	- POSITIVE FAIR VALUE			0				
	- NEGATIVE FAIR VALUE			1,031				
	- FUTURE EXPOSURE			291				
2)	EQUITIES AND EQUITY INDICES							
	- NOTIONAL VALUE							
	- POSITIVE FAIR VALUE							
	- NEGATIVE FAIR VALUE							
	- FUTURE EXPOSURE							
3)	CURRENCIES AND GOLD			199,229			34,558	
	- NOTIONAL VALUE			194,848			33,111	
	- POSITIVE FAIR VALUE			1,998				
	- NEGATIVE FAIR VALUE			670			1,116	
	- FUTURE EXPOSURE			1,713			331	
4)	OTHER							
	- NOTIONAL VALUE							
	- POSITIVE FAIR VALUE							
	- NEGATIVE FAIR VALUE							
	- FUTURE EXPOSURE							

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

EUR /000

UNDERLYING ASSETS / RESIDUAL MATURITY		UP TO 1 YEAR	1 TO 5 YEARS	OVER 5 YEARS	TOTAL
TRADING BOOK		237,978	58,237		296,215
A1	FINANCIAL DERIVATIVES ON DEBT INSTRUMENTS AND RATES	10,019	58,237		68,256
A2	FINANCIAL DERIVATIVES ON EQUITIES AND SHARES INDICES				
A3	FINANCIAL DERIVATIVES ON EXCHANGE RATES AND GOLD	227,959			227,959
A4	FINANCIAL DERIVATIVES ON OTHERS INSTRUMENTS				
BANKING BOOK					
B1	FINANCIAL DERIVATIVES ON DEBT INSTRUMENTS AND RATES				
B2	FINANCIAL DERIVATIVES ON EQUITIES AND SHARES INDICES				
B3	FINANCIAL DERIVATIVES ON EXCHANGE RATES AND GOLD				
B4	FINANCIAL DERIVATIVES ON OTHERS INSTRUMENTS				
TOTAL 31.12.2014		237,978	58,237		296,215
TOTAL 31.12.2013		157,013	72,019		229,032

B. CREDIT DERIVATIVES

No data to report

C. CREDIT AND FINANCIAL DERIVATIVES

No data to report

Section 3 – Liquidity risk

QUALITATIVE INFORMATION

Regarding the liquidity risk (defined as the Bank's inability to meet payment obligations as a result of a sudden inability to raise the necessary funds on the market and/or to liquidate positions in financial instruments promptly), the banks which are allowed to use simplified accounting are not obliged to calculate an additional capital requisite (Pillar II). However, they must have an internal policy that establishes operating limits to be observed and procedures to be followed in the event of a liquidity crisis (contingency funding plan).

The financial sources of the Banca UBAE are represented by its own funds, by retail customers' deposits, by funding from the interbank market also through the Eurosystem.
Given the composition of the Bank's assets, the type of business strategies defined by the Board of Directors that limit operations on short-term loans, liquidity risk for the Banca UBAE is not critical under normal conditions of financial markets.
Also in view of interbank relations, and supporting the majority shareholder and establishing an "eligible" bond portfolio for use in operations of repurchase agreements, refinancing operations with the Eurosystem (LTRO and TLTRO), as well as the type and quality of its assets, the Banca UBAE has sufficient financial resources to meet most of its requirements.
In 2014, the Bank maintained a particularly prudent financial policy aimed primarily at fostering stability in the funding process; to this end, two security agreements have been renewed for one year for approximately USD 510 million with its parent company, the Libyan Foreign Bank.
At present the available financial resources are adequate for the volume of current and future business activities. The Bank is also constantly committed to seeking diversification of its funding sources with particular attention to volumes and costs.

The Bank's business units in charge of ensuring the correct application of liquidity policy are the Treasury Department that directly manages liquidity, the Risk Management Department which has the task of identifying the most effective risk indicators and monitoring their performance in relation to set limits, as well as supporting the activities of the Risk Committee which is responsible for making annual proposals to the Board of Directors of funding policies and liquidity risk management during the year, and suggesting any actions that will ensure carrying out the activity in full harmony with the approved risk policies.

In particular, UBAE's policy not only provides management guidelines but also assigns roles and responsibilities among the internal units involved. The contingency funding plan, linked to a system of early-warning indicators, highlights possible crisis situations, defines strategies to be implemented in the event of liquidity problems and extraordinary procedures to be adopted in order to guarantee the Bank's survival even when facing stress conditions.
Pursuant to the policy for managing liquidity risk, Risk Management Department monitors the observance of internal operating limits and early-warning threshold indicators, and performs quarterly stress tests. Furthermore, it produces a weekly liquidity signalling report (in a standard format) submitted to Banca d'Italia, whereas for internal purposes it prepares a report on monitoring activities that is submitted to the Risk Committee, Internal Control Committee/Risk Supervision Committee and the BD.

In particular, the Risk Management Department builds the maturity ladder every week (on the basis of outflows and inflows distributed by maturity breakdown) and checks that internal operative limits are respected (threshold of risk tolerance, survival limits and gap operative limits) as well as the performance trend of early warning indicators. Then every month, the Department checks the respect of the eligibility limit of financial instruments to preserve the counterbalancing capacity and ratios relating to funding concentration.

In light of the new regulatory framework (Basel 3), UBAE reports monthly to the Banca d'Italia on the Liquidity Coverage Ratio (LCR) for which European regulators will introduce a minimum level in 2015.

Risk Management carries out a quarterly stress test based on three different scenarios that cover, respectively, assets, funding and the liquidity buffer, and that analyses the effect of these scenarios on one week and one month survival limits.

In the first scenario, which indicates a difficulty to free up deposits, the assumption is a failure to recover a fixed part of lending to banks within one month, excluding overnight positions (overnight lending is assumed to be always offset by overnight deposits), that leads to an increase in negative gaps at one week and one month.

In the second scenario, which indicates a difficulty to find financing counterparties, the assumption instead is a move of funding from the over one month category to the overnight category that also in this case creates an increase in the negative gap at one week and one month. And lastly, in the third scenario the assumption is the downgrading (by an ECAI) of issuers of securities held in the Bank's portfolio (both the HFT and HTM portfolios). This downgrading creates a reduction in the liquidity buffer, or a loss of eligibility for a security or for an increase in the "haircut" applied.

QUANTITATIVE INFORMATION

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

EUR /000

	ITEMS / MATURITY LADDER	SIGHT	1 TO 7 DAYS	OVER 7 TO 15 DAYS	OVER 15 DAYS TO 1 MONTH	OVER 1 MONTH UP TO 3 MONTHS	3 TO 6 MONTHS	6 TO 12 MONTHS	OVER 1 YEAR	OVER 5 YEARS	INDEFINITE
A	CASH ASSETS	10,499	92,990	8,155	20,709	233,174	237,640	158,362	376,548	9,156	21,738
A1	GOV'T SECURITIES						1,073	563	140,500		
A2	LISTED DEBT SECURITIES		1,552			21,651	61,172	24,744	226,659		
A3	HOLDINGS IN UCIS										
A4	L&AS	10,499	91,438	8,155	20,709	211,523	175,395	133,055	9,389	9,156	21,738
	- TO BANKS	9,402	89,415	4,755	13,694	22,515	28,281	104,407	5,000	262	21,738
	- TO CUSTOMERS	1,097	2,023	3,400	7,015	189,008	147,114	28,648	4,389	8,894	
B	CASH LIABILITIES	621,064	208	4,503	196,226	174,591		16,586	20,000	80,000	
B	DEPOSITS AND A/C	621,064	208	4,503	106,215	174,591		16,586			
	- FROM BANKS	544,749		4,503	106,215	174,402		16,586			
	- FORM CUSTOMERS	76,315	208			189					
B2	DEBT SECURITIES										
B3	OTHER LIABILITIES				90,011				20,000	80,000	
C	OBS TRANSACTIONS	16,638	24,114		80,712	21,881			15,606		
C1	FINANCIAL DERIVATIVES WITH CAPITAL EXCHANGE		24,114		80,712	21,881					
	* LONG POSITIONS		10,000		14,163	17,817					
	* SHORT POSITION		14,114		66,549	4,064					
C2	FINANCIAL DERIVATIVES WITHOUT CAPITAL EXCHANGE	1,032									
	* LONG POSITIONS										
	* SHORT POSITION	1,032									
C3	DEPOSITS AND LOANS TO BE SETTLED										
	* LONG POSITIONS										
	* SHORT POSITION										
C4	IRREVOCABLE COMMITMENTS TO DISBURSE FUNDS	15,606							15,606		
	* LONG POSITIONS	1,763							15,606		
	* SHORT POSITION	17,369									
C5	FINANCIAL GUARANTEES ISSUED										
C6	FINANCIAL GUARANTEES RECEIVED										
C7	CREDIT DERIVATIVES WITH CAPITAL EXCHANGE										
	* LONG POSITIONS										
	* SHORT POSITION										
C8	CREDIT DERIVATIVES WITHOUT CAPITAL EXCHANGE										
	* LONG POSITIONS										
	* SHORT POSITION										

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

EUR /000

	ITEMS / MATURITY LADDER	SIGHT	1 TO 7 DAYS	OVER 7 TO 15 DAYS	OVER 15 DAYS TO 1 MONTH	OVER 1 MONTH UP TO 3 MONTHS	3 TO 6 MONTHS	6 TO 12 MONTHS	OVER 1 YEAR	OVER 5 YEARS	INDEFINITE
A	CASH ASSETS	348,693	419,845	202,152	79,028	705,139	181,697	35,790	8,639	4,908	
A1	GOV'T SECURITIES			142				142		4,908	
A2	LISTED DEBT SECURITIES			98				98	8,236		
A3	HOLDINGS IN UCIS										
A4	L&AS	348,693	419,845	201,912	79,028	705,139	181,697	35,550	403		
	- TO BANKS	324,791	405,572	201,912	79,028	705,139	173,362	35,550	403		
	- TO CUSTOMERS	23,902	14,273				8,335				
B	CASH LIABILITIES	600,541	392,992		260,488	742,695	33,021				
B	DEPOSITS AND A/C	600,541	392,992		260,488	742,695	33,021				
	- FROM BANKS	528,889	392,992		260,342	742,449	33,021				
	- FORM CUSTOMERS	71,652			146	246					
B2	DEBT SECURITIES										
B3	OTHER LIABILITIES										
C	OBS TRANSACTIONS	(36,415)	4,130	1,705	56,699	1,085	32,670				
C1	FINANCIAL DERIVATIVES WITH CAPITAL EXCHANGE		4,130	1,705	52,954	1,085					
	* LONG POSITIONS		28,914	1,705	81,940	32,834					
	* SHORT POSITION		24,784		28,986	31,749					
C2	FINANCIAL DERIVATIVES WITHOUT CAPITAL EXCHANGE										
	* LONG POSITIONS										
	* SHORT POSITION										
C3	DEPOSITS AND LOANS TO BE SETTLED										
	* LONG POSITIONS										
	* SHORT POSITION										
C4	IRREVOCABLE COMMITMENTS TO DISBURSE FUNDS	(36,415)			3,745		32,670				
	* LONG POSITIONS				3,745		32,670				
	* SHORT POSITION	36,415									
C5	FINANCIAL GUARANTEES ISSUED										
C6	FINANCIAL GUARANTEES RECEIVED										
C7	CREDIT DERIVATIVES WITH CAPITAL EXCHANGE										
	* LONG POSITIONS										
	* SHORT POSITION										
C8	CREDIT DERIVATIVES WITHOUT CAPITAL EXCHANGE										
	* LONG POSITIONS										
	* SHORT POSITION										

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

EUR /000

	ITEMS / MATURITY LADDER	SIGHT 1 TO 7 DAYS	OVER 1 TO 7 DAYS	OVER 7 TO 15 DAYS	OVER 15 DAYS TO 1 MONTH	OVER 1 MONTH TO 3 MONTHS	OVER 3 TO 6 MONTHS	OVER 6 T O 12 MONTHS	OVER 1 YEAR	OVER 5 YEARS	INDEFINITE
A	CASH ASSETS	43									
A1	GOV'T SECURITIES										
A2	LISTED DEBT SECURITIES										
A3	HOLDINGS IN UCIS										
A4	L&AS	43									
	- TO BANKS	43									
	- TO CUSTOMERS										
B	CASH LIABILITIES	271	2,799			131					
B1	DEPOSITS AND A/C	271	2,799			131					
	- FROM BANKS	223	2,799								
	- FORM CUSTOMERS	48				131					
B2	DEBT SECURITIES										
B3	OTHER LIABILITIES										
C	OBS TRANSACTIONS										
C1	FINANCIAL DERIVATIVES WITH CAPITAL EXCHANGE										
	* LONG POSITIONS					10,431	11,651				
	* SHORT POSITION					10,431	11,651				
C2	FINANCIAL DERIVATIVES WITHOUT CAPITAL EXCHANGE										
	* LONG POSITIONS										
	* SHORT POSITION										
C3	DEPOSITS AND LOANS TO BE SETTLED										
	* LONG POSITIONS										
	* SHORT POSITION										
C4	IRREVOCABLE COMMIT-MENTS TO DISBURSE FUNDS										
	* LONG POSITIONS										
	* SHORT POSITION										
C5	FINANCIAL GUARANTEES ISSUED										
C6	FINANCIAL GUARANTEES RECEIVED										
C7	CREDIT DERIVATIVES WITH CAPITAL EXCHANGE										
	* LONG POSITIONS										
	* SHORT POSITION										
C8	CREDIT DERIVATIVES WI-THOUT CAPITAL EXCHAN-GE										
	* LONG POSITIONS										
	* SHORT POSITION										

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

EUR /000

	ITEMS / MATURITY LADDER	SIGHT 1 TO 7 DAYS	OVER 1 TO 7 DAYS	OVER 7 TO 15 DAYS	OVER 15 DAYS TO 1 MONTH	OVER 1 MONTH TO 3 MONTHS	OVER 3 TO 6 MONTHS	OVER 6 T O 12 MONTHS	OVER 1 YEAR	OVER 5 YEARS	INDEFINITE
A	CASH ASSETS	1,384									
A1	GOV'T SECURITIES										
A2	LISTED DEBT SECURITIES										
A3	HOLDINGS IN UCIS										
A4	L&AS	1,384									
	- TO BANKS	1,384									
	- TO CUSTOMERS										
B	CASH LIABILITIES	1,432									
B1	DEPOSITS AND A/C	1,432									
	- FROM BANKS	986									
	- FORM CUSTOMERS	446									
B2	DEBT SECURITIES										
B3	OTHER LIABILITIES										
C	OBS TRANSACTIONS										
C1	FINANCIAL DERIVATIVES WITH CAPITAL EXCHANGE										
	* LONG POSITIONS										
	* SHORT POSITION										
C2	FINANCIAL DERIVATIVES WITHOUT CAPITAL EXCHANGE										
	* LONG POSITIONS										
	* SHORT POSITION										
C3	DEPOSITS AND LOANS TO BE SETTLED										
	* LONG POSITIONS										
	* SHORT POSITION										
C4	IRREVOCABLE COMMIT-MENTS TO DISBURSE FUNDS										
	* LONG POSITIONS										
	* SHORT POSITION										
C5	FINANCIAL GUARANTEES ISSUED										
C6	FINANCIAL GUARANTEES RECEIVED										
C7	CREDIT DERIVATIVES WITH CAPITAL EXCHANGE										
	* LONG POSITIONS										
	* SHORT POSITION										
C8	CREDIT DERIVATIVES WITHOUT CAPITAL EXCHANGE										
	* LONG POSITIONS										
	* SHORT POSITION										

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

EUR /000

	ITEMS / MATURITY LADDER	SIGHT 1 TO 7 DAYS	OVER 1 TO 7 DAYS	OVER 7 TO 15 DAYS	OVER 15 DAYS TO 1 MONTH	OVER 1 MONTH TO 3 MONTHS	OVER 3 TO 6 MONTHS	OVER 6 T O 12 MONTHS	OVER 1 YEAR	OVER 5 YEARS	INDEFINITE
A	CASH ASSETS	33									
A1	GOV'T SECURITIES										
A2	LISTED DEBT SECURITIES										
A3	HOLDINGS IN UCIS										
A4	L&AS	33									
	- TO BANKS	33									
	- TO CUSTOMERS										
B	CASH LIABILITIES	3									
B1	DEPOSITS AND A/C	3									
	- FROM BANKS										
	- FORM CUSTOMERS	3									
B2	DEBT SECURITIES										
B3	OTHER LIABILITIES										
C	OBS TRANSACTIONS				(241)						
C1	FINANCIAL DERIVATIVES WITH CAPITAL EXCHANGE				(241)						
	* LONG POSITIONS		14,572	1,716	3,443	1,721					
	* SHORT POSITION		14,572	1,716	3,684	1,721					
C2	FINANCIAL DERIVATIVES WITHOUT CAPITAL EXCHANGE										
	* LONG POSITIONS										
	* SHORT POSITION										
C3	DEPOSITS AND LOANS TO BE SETTLED										
	* LONG POSITIONS										
	* SHORT POSITION										
C4	IRREVOCABLE COMMITMENTS TO DISBURSE FUNDS										
	* LONG POSITIONS										
	* SHORT POSITION										
C5	FINANCIAL GUARANTEES ISSUED										
C6	FINANCIAL GUARANTEES RECEIVED										
C7	CREDIT DERIVATIVES WITH CAPITAL EXCHANGE										
	* LONG POSITIONS										
	* SHORT POSITION										
C8	CREDIT DERIVATIVES WITHOUT CAPITAL EXCHANGE										
	* LONG POSITIONS										
	* SHORT POSITION										

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

EUR /000

	ITEMS / MATURITY LADDER	SIGHT 1 TO 7 DAYS	OVER 1 TO 7 DAYS	OVER 7 TO 15 DAYS	OVER 15 DAYS TO 1 MONTH	OVER 1 MONTH TO 3 MONTHS	OVER 3 TO 6 MONTHS	OVER 6 T O 12 MONTHS	OVER 1 YEAR	OVER 5 YEARS	INDEFINITE
A	CASH ASSETS	140									
A1	GOV'T SECURITIES										
A2	LISTED DEBT SECURITIES										
A3	HOLDINGS IN UCIS										
A4	L&AS	140				15,365					
	- TO BANKS	140									
	- TO CUSTOMERS					15,365					
B	CASH LIABILITIES										
B1	DEPOSITS AND A/C										
	- FROM BANKS										
	- FORM CUSTOMERS										
B2	DEBT SECURITIES										
B3	OTHER LIABILITIES										
C	OBS TRANSACTIONS					(15,393)					
C1	FINANCIAL DERIVATIVES WITH CAPITAL EXCHANGE					(15,393)					
	* LONG POSITIONS										
	* SHORT POSITION					15,393					
C2	FINANCIAL DERIVATIVES WITHOUT CAPITAL EXCHANGE										
	* LONG POSITIONS										
	* SHORT POSITION										
C3	DEPOSITS AND LOANS TO BE SETTLED										
	* LONG POSITIONS										
	* SHORT POSITION										
C4	IRREVOCABLE COMMITMENTS TO DISBURSE FUNDS										
	* LONG POSITIONS										
	* SHORT POSITION										
C5	FINANCIAL GUARANTEES ISSUED										
C6	FINANCIAL GUARANTEES RECEIVED										
C7	CREDIT DERIVATIVES WITH CAPITAL EXCHANGE										
	* LONG POSITIONS										
	* SHORT POSITION										
C8	CREDIT DERIVATIVES WITHOUT CAPITAL EXCHANGE										
	* LONG POSITIONS										
	* SHORT POSITION										

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

EUR /000

		ITEMS / MATURITY LADDER	SIGHT 1 TO 7 DAYS	OVER 1 TO 7 DAYS	OVER 7 TO 15 DAYS	OVER 15 DAYS TO 1 MONTH	OVER 1 MONTH TO 3 MONTHS	OVER 3 TO 6 MONTHS	OVER 6 T O 12 MONTHS	OVER 1 YEAR	OVER 5 YEARS	INDEFINITE
A		CASH ASSETS	1,156		374	414						
	A1	GOV'T SECURITIES										
	A2	LISTED DEBT SECURITIES										
	A3	HOLDINGS IN UCIS										
	A4	L&AS	1,156	336	374	414						
		- TO BANKS	1,156	336	374	414						
		- TO CUSTOMERS	8									
B		CASH LIABILITIES	29									
	B1	DEPOSITS AND A/C	29									
		- FROM BANKS	29									
		- FORM CUSTOMERS										
	B2	DEBT SECURITIES										
	B3	OTHER LIABILITIES										
C		OBS TRANSACTIONS	(191)							191		
	C1	FINANCIAL DERIVATIVES WITH CAPITAL EXCHANGE										
		* LONG POSITIONS										
		* SHORT POSITION										
	C2	FINANCIAL DERIVATIVES WITHOUT CAPITAL EXCHANGE										
		* LONG POSITIONS										
		* SHORT POSITION										
	C3	DEPOSITS AND LOANS TO BE SETTLED										
		* LONG POSITIONS										
		* SHORT POSITION										
	C4	IRREVOCABLE COMMITMENTS TO DISBURSE FUNDS	(191)							191		
		* LONG POSITIONS								191		
		* SHORT POSITION	191									
	C5	FINANCIAL GUARANTEES ISSUED										
	C6	FINANCIAL GUARANTEES RECEIVED										
	C7	CREDIT DERIVATIVES WITH CAPITAL EXCHANGE										
		* LONG POSITIONS										
		* SHORT POSITION										
	C8	CREDIT DERIVATIVES WITHOUT CAPITAL EXCHANGE										
		* LONG POSITIONS										
		* SHORT POSITION										

2.Report on tied assets recorded in the Financial Statements

EUR /000

		TIED		FREE		31.12. 2014	31.12.2013
		BV	FV	BV	FV		
1	CASH AND CASH EQUIVALENT			178,892		178,892	1,504
2	DEBT SECURITIES	90,000	90,912	403,000	407,240	493,000	367,300
3	EQUITIES			786	721	786	64
4	LOANS			2,674,191		2,674,191	1,322,520
5	OTHER FINANCIAL ASSETS			2,005		2,005	931
6	NON FINANCIAL ASSETS			43,181		43,181	48,871
	TOTAL 31.12.2014	90,000	90,912	3,302,055	407,961	3,392,055	1,741,190
	TOTAL 31.12.2013	122,884	122,385	1,618,306	1,622,125	1,741,190	

Legend: BV= Book Value FV= Fair Value

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. Even though Banca UBAE has opted for the calculation method, it is implementing an operational risk management system that, over time, can evaluate and monitor exposure to operational risks and the amount for losses that could be incurred. And so, on the one hand, a move has been made to revise all processes, on the other, an internal project is underway to implement an across- the-board tool aimed at risk assessment and loss data collection.

B. HANDLING AND MEASURING PROCESSES FOR OPERATIONAL RISKS

Prior to the launching of new products or services, a thorough assessment of the risks associated with the new activity is carried out by the Finance Division jointly with the IT & Organization Division, Compliance & Anti-Money Laundering, Risk Management and Internal Auditing Departments, which is then submitted to General Management as a thorough analysis of the risks involved, together with the added value that could arise from the new initiatives.

QUANTITATIVE INFORMATION

EUR /000

		31.12.2014	31.12.2013
OPERATIONAL RISK		6,309	7,136
1	BASIC INDICATOR APPROACH	6,309	7,136
2	STANDARDIZED APPROACH		
3	ADVANCED METHOD		

Calculation of asset requirements against operational risks as of 31 December 2014 was determined with reference to the indicator described in article 316 of the CRR, instead of the gross operating income used previously. This change was also applied to the 2012 and 2013 financial years.

Section 5 – Other Risks: Counterparty and Settlement Risk

QUALITATIVE INFORMATION

A. GENERAL ASPECTS, HANDLING AND MEASURING PROCESSES FOR COUNTERPARTY RISKS

Brokerage in OTC interest and Forex derivative instruments generates the risk that, at maturity, the counterparty does not meet the commitment for payment based on contracts stipulated.

Counterparty risk is monitored both overall and as regards single types of exposure by means of the front-office ObjFin system that manages the internal operating limits system.

Each counterparty, whether bank or corporate, authorized to negotiate forward derivative instruments is granted an ad hoc credit line for this activity by the Board of Directors, the Bank's Credit Committee or other competent body.

Limits are monitored by the front-office system by means of a daily recalculation of all outstanding positions based on updated prices.

B. GENERAL ASPECTS, HANDLING AND MEASURING PROCESSES FOR SETTLEMENT RISKS

Except for transactions in OTC derivative instruments, which generate counterparty risk, the Banca UBAE negotiates both listed and unlisted financial and Forex instruments exclusively with a payment-versus-delivery clause, thereby limiting settlement risk exposure to the minimum.

PART F
INFORMATION ON SHAREHOLDERS' EQUITY

SECTION 1 - SHAREHOLDERS' EQUITY

A.QUALITATIVE INFORMATION

Managing equity concerns a set of policies and decisions necessary to establish capital levels that are consistent with the assets and risks taken by the bank that is subject to the capital adequacy requirements established by the so-called Basel Committee (CRR/CRD IV).

Ensuring that supervisory and capital adequacy requirements are met is a dynamic process based on objectives set right from the planning stage. Said objectives account for the potential evolution of risk, as well as the provisions of the Risk Appetite Framework (so-called RAF).

Also in accordance with the European Central Bank's recommendation of 28 January 2015, the Bank ensures compliance with capital adequacy through a pay-out policy linked to the achievement of the above minimum capital requirements, as well as the careful assessment of the potential impact of extra-ordinary financial operations (share capital increases, convertible loans etc.).

Thus, the Bank monitors compliance with regulatory capital ratios and ensures capital adequacy as measured under the RAF throughout the year and on a quarterly basis.

The capital adequacy is further assessed and monitored every time an extraordinary operation is planned. In these cases, based on available information regarding said operations, UBAE estimates the impact on capital adequacy ratios and considers the necessary measures, if any, to meet requirements.

B.QUANTITATIVE INFORMATION

B.1 Shareholders' equity: breakdown

EUR /000

		31.12.2014	31.12.2013
1	SHARE CAPITAL	151,061	151,061
2	SHARE PREMIUM ACCOUNT	16,702	16,702
3	RESERVES	40,619	30,466
	OF EQUITY:		30,466
	A) LEGAL RESERVE	12,018	11,510
	B) STATUTORY RESERVE	28,601	
	C) OWN SHARES		
	D) OTHER	65	18,956
	OTHER RESERVES		
4	CAPITAL INSTRUMENTS		
5	(TREASURY STOCK)		
6	VALUATION RESERVES	(68)	102
	-FINANCIAL ASSETS AVAILABLE FOR SALE	206	244
	-TANGIBLE FIXED ASSETS		
	-INTANGIBLE FIXED ASSETS		
	-HEDGING FOR FOREIGN INVESTMENTS		
	-CASH FLOW HEDGES		
	-FOREX DIFFERENTIALS		
	-NON-CURRENT ASSETS BEING DIVESTED		
	-ACTUARIAL PROFIT (LOSS) ON DEFINED-BENEFIT PLANS	(274)	(142)
	-VALUATION RESERVES BOOKED TO SHAREHOLDERS' EQUITY		
	-SPECIAL REVALUATION LAWS		
7	PROFIT (LOSS) FOR THE YEAR	9,553	10,153
	TOTAL	217,867	208,484

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

EUR /000

		31.12.2014		31.12.2013	
		POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE
1	DEBT SECURITIES	206		244	
2	EQUITIES				
3	HOLDINGS IN UCI				
4	LOANS				
	TOTAL	206		244	

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

EUR /000

			DEBT SECURITIES	EQUITY AND SHARES	HOLDINGS IN UCI	LOANS
1	OPENING BALANCE		244			
2	INCREASES		248			
	2.1	FAIR VALUE ADJUSTMENTS	75			
	2.2	INCOME STATEMENT REVERSAL OF NEGATIVE RESERVES				
		- FROM IMPAIRMENT				
		- FROM DISPOSALS				
	2.3	OTHER INCREASES	173			
3	DECREASES		286			
	3.1	FAIR VALUE ADJUSTMENTS	184			
	3.2	IMPAIRMENT WRITE-DOWNS				
	3.3	INCOME STATEMENT REVERSAL OF POSITIVE RESERVES: FROM DISPOSALS				
	3.4	OTHER DECREASES	102			
4	CLOSING BALANCE		206			

SECTION 2 – OWN FUNDS AND PRUDENTIAL RATIOS

2.1 SCOPE OF APPLICATION OF THE LAW

Consolidated own funds, risk-weighted assets and solvency ratios at 31 December 2014 were determined based on the new harmonised framework set out in Directive 2013/36/EU (CRD IV) and Regulation (EU) 575/2013 (CRR) dated 26 June 2013, as well as Bank of Italy's Circulars no. 285 and 286 (issued during 2013) and the update to Circular no. 154.

Pursuant to the provisions concerning own funds, the new regulatory framework will be gradually phased in over a transitional period extending until approximately 2017.

2.1.1 BANKING OWN FUNDS

A. QUALITATIVE INFORMATION

1. Common equity Tier 1 Capital (CET1)

A) Common equity Tier 1 Capital (CET1) This item includes:

- 151 million Euro in paid-up capital instruments;
- 16.7 million Euro in share premium;
- 42.8 million Euro in other reserves, including retained earnings ; specifically, this item includes the 2.5 million Euro profit at 30 /06/2014 recognised under Own Funds pursuant to article 26 of the CRR.
- accumulated other comprehensive income, negative to the tune of 0.17 million Euro and consisting of:
- 0.1 million Euro in the negative reserve for actuarial losses deriving from defined-benefit plans in accordance with the new IAS19;
- 0.2 million Euro in positive reserves for available for sale financial assets;

D) Items to be deducted from CET1
This item includes the following main aggregates:
1.6 million Euro in goodwill and other intangible assets.

E) Transitional regime - Impact on CET1 (+/-), including minority interests subject to transitional provisions
This item includes the following transitional adjustments:

- exclusion of unrealised gains on AFS securities, totalling 3,2 million Euro (-);
- positive filter on negative actuarial reserves (IAS 19), amounting to 0,1 million Euro.

2. Additional Tier 1 Capital (AT1)

G) Additional Tier 1 Capital (AT1) gross of items to be deducted and the effects of the transitional regime
No data to report.

3. Tier 2 Capital (T2)

M) Tier 2 Capital (T2) gross of items to be deducted and the effects of the transitional regime

This item includes subordinated loan recognition in T2, amounting to 80 million Euro;

This item includes the amount allowed by the supervisory norms relating to the compatibility of subordinated loan recognition, amounting to EUR 80 million;

O) Transitional regime - Impact on T2 (+/-), including instruments issued by subsidiaries that are giv-en recognition in T2 pursuant to transitional provisions

This item includes positive national filter introduced by Bank of Italy Circular no. 285, equal to 80% of the 50% of unre-alised gains on AFS securities, which amounts to 0,06 million Euro (+);

B. QUANTITATIVE INFORMATION

EUR /000

		31.12.2014	31.12.2013 (1)
A	COMMON EQUITY TIER 1 (CET1) BEFORE APPLICATION OF PRUDENTIAL FILTERS	210,791	208,381
	OF WHICH CET1 INSTRUMENTS SUBJECT TO TRANSITIONAL PROVISIONS		
B	CET1 PRUDENTIAL FILTERS (+/-)		
C	CET1 GROSS OF ITEMS TO BE DEDUCTED AND THE EFFECTS OF THE TRANSITIONAL REGIME (A+/- B)	210,791	208,381
D	ITEMS TO BE DEDUCTED FROM CET1	(1,647)	(1,436)
E	TRANSITIONAL REGIME - IMPACT ON CET1 (+/-)	136	102
F	TOTAL COMMON EQUITY TIER 1 (CET1) (C-D+/-E)	209,280	207,047
G	ADDITIONAL TIER 1 CAPITAL (AT1) GROSS OF ITEMS TO BE DEDUCTED AND THE EFFECTS OF THE TRANSITIONAL REGIME		
	OF WHICH AT1 INSTRUMENTS SUBJECT TO TRANSITIONAL PROVISIONS		
H	ITEMS TO BE DEDUCTED FROM AT1		
I	TRANSITIONAL REGIME - IMPACT ON AT1 (+/-),		
L	TOTAL ADDITIONAL TIER 1 CAPITAL (AT1) (G-H+/-I)		
M	TIER 2 CAPITAL (T2) GROSS OF ITEMS TO BE DEDUCTED AND THE EFFECTS OF THE TRANSITIONAL REGIME	80,000	100,000
	OF WHICH T2 INSTRUMENTS SUBJECT TO TRANSITIONAL PROVISIONS		
N	ITEMS TO BE DEDUCTED FROM T2		
O	TRANSITIONAL REGIME - IMPACT ON T2 (+/-)	98	(51)
P	TOTAL TIER 2 CAPITAL (T2) (M-N+/-O)	80,098	99,949
Q	N. TOTAL OWN FUNDS (F+L+P)	289,378	306,996

(1) DATA RECOGNISED ACCORDING TO THE PREVIOUS REGULATIONS (BASEL 2)

2.2 CAPITAL ADEQUACY

A. QUALITATIVE INFORMATION

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

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

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

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

- *prospective internal capital*, i.e. the total internal capital amount calculated on the quantity of assets approved as a result of the planning and budgeting process, and having an impact on credit risks, operating risks, concentration risk and country risk;

- *total capital*, i.e. the sum of all capital resources and hybrid capitalization tools available to the Bank for the purpose of meeting its internal capital requirement and thus the unexpected losses associated with the various types of risk.

(*) This large amount includes any additional asset requirements which, though not required by the regulations, are estimated internally to take account of UBAE's distinctive exposure to certain risks (country risk and geo-sectorial concentration risk).

B. QUANTITATIVE INFORMATION

EUR /000

CATEGORIES/VALUES			NON-WEIGHTED AMOUNT		WEIGHTED AMOUNT	
			31.12.2014	31.12. 2013 (1)	31.12. 2014	31.12.2013
A	RISK ASSETS					
A1	CREDIT AND COUNTERPARTY RISK					
	1	STANDARD METHODOLOGY	3,743,804	2,097,229	1,468,614	1,146,587
	2	METHODOLOGY BASED ON INTERNAL RATINGS				
		2.1 BASED				
		2.2 ADVANCED				
	3	SECURITIZATION				
B	REGULATORY CAPITAL REQUIREMENTS					
B1	CREDIT AND COUNTERPARTY RISK				117,489	91,727
B2	CAPITAL REQUIREMENTS					
B3	CAPITAL REQUIREMENTS					
B4	MARKET RISK				4,571	2.336
	1	STANDARD METHODOLOGY			4,571	2,336
	2	INTERNAL MODELS				
	3	CREDIT CONCENTRATION RISK				
B5	OPERATIONAL RISK				6,309	7,136
	1	BASIC INDICATOR APPROACH			6,309	7,136
	2	STANDARDIZED APPROACH				
	3	ADVANCED METHOD				
B6	OTHER CALCULATION FACTORS					
B7	TOTAL PRUDENTIAL REQUIREMENTS					
C	RISK ASSETS AND CAPITAL REQUIREMENT RATIOS				128,384	101,199
C1	RISK-WEIGHTED ASSETS				1,604,813	1,264,986
C2	COMMON EQUITY TIER 1 CAPITAL/RISK-WEIGHTED ASSETS (CET 1 CAPITAL RATIO)				13.04%	16.36%
C3	CAPITAL /RISK-WEIGHTED ASSETS (TIER 1 CAPITAL RATIO)				13.04%	16.36%
C4	TOTAL OWN FUNDS/ RISK-WEIGHTED ASSETS (TOTAL CAPITAL RATIO)				18.03%	24.27%

(1) DATA RECOGNISED ACCORDING TO THE PREVIOUS REGULATIONS (BASEL 2)

PART G
MERGERS INVOLVING CORPORATE UNITS OR LINES OF BUSINESS

SECTION 1 - TRANSACTIONS COMPLETED DURING THE PERIOD

No data to report.

SECTION 2 – TRANSACTIONS COMPLETED AFTER YEAR-END

No data to report

SECTION 3 – RETROSPECTIVE ADJUSTMENTS

No data to report

PART H
DEALINGS WITH RELATED PARTIES

In December 2011 Banca d'Italia published a new set of prudential rules governing risks, exposures and conflicts of interest arising from dealings with related parties, pursuant to and for the purposes of art. 53, paragraph 4 of the Banking Law. The provisions regulate dealings with individuals and entities that may exert a considerable influence, either directly or indirectly, over a bank's decision-making processes, thereby potentially undermining the latter's objectivity and impartiality.

In June 2012 the BD approved the Bank's Internal Regulations covering this area to ensure that its operating procedures conformed to the above mentioned rules. As stipulated by Banca d'Italia, the new rules became effective on 31 December 2012. . In addition, a procedure was issued giving a breakdown of roles and responsibilities for the various units involved as regards approval procedures and conformity with regulatory limits.

A tool has been created, with the support of external consultants, to ensure the control of exposures. It can group exposures for each related party and provide a breakdown by timeframe in order to facilitate monitoring ('grandfathering' and immediate an/five-year repayment plans).

The tables below show the Bank's outstanding economic and financial positions with related parties as at 31 December 2014.

1. Compensation of Directors, Auditors and Management

Compensation during 2014 for Directors, members of the Board of Auditors and General Management covers fiscal and social security contributions and charges gross of tax, and also includes any variable components.
The table below shows information required by IAS 24, paragraph 16 concerning executives with strategic responsibilities, intended as those officers having powers and responsibilities for planning, management and control, and also who have access to information concerning the compensation of the Bank's Directors and Statutory Auditors.

EUR /000

DESCRIPTION		
(1) SHORT-TERM BENEFITS		3,195
- DIRECTORS	1,560	
- AUDITORS	145	
- MANAGEMENT	1,490	
(2) POST-SEVERANCE BENEFITS		76
(3) OTHER BENEFITS		275

1) FIXED AND VARIABLE AMOUNTS PAYABLE TO DIRECTORS AND AUDITORS PLUS SENIOR MANAGERS' SALARIES AND SOCIAL CHARGES.
(2) ALLOCATIONS TO THE SEVERANCE FUND.
(3) OTHER BENEFITS SANCTIONED BY THE LAW OR THE INTERNAL REGULATIONS INCLUDING DIRECTORS' TRAVEL EXPENSES.

Following table depicts assets and liabilities with such individuals

EUR /000

DESCRIPTION	SENIOR CORPORATE OFFICIALS	CONNECTED PARTIES	TOTAL
FINANCIAL ASSETS	48	101	149
FINANCIAL LIABILITIES	481	1	482
GUARANTEES OUTSTANDING			

2. Dealings with related parties

As prescribed by IAS 24, the Bank's dealings with related parties are in conformity with and in application of the relevant regulations in force and especially as regards:

- provisions concerning the interests of Directors, as per art. 2391 of the Civil Code;
- art. 136 of Legislative Decree 385/93 (Banking Law);
- Section V - Chapter 5 of prudential supervisory authority instructions contained in Banca d'Italia circular No. 263/06.

In particular, following the recent introduction of the aforementioned Section V, related parties are intended as those indicated below, by virtue of their relations with an individual bank or a supervised intermediary belonging to a group, with the parent holding company:

a) company officer;
b) stakeholder;
c) a party other than a stakeholder with individual powers to appoint one or more members of the management body or strategic supervisory body, including pursuant to agreements stipulated in whatsoever form or statutory clauses for the purposes or effect of exercising such rights or powers; a company or even an entity established in a non-company form over which the bank or banking group can exercise control or exert considerable influence.

In addition to the above, related parties also include parties linked to related parties, namely:

1) companies or entities established in a non-company form controlled by a related party;
2) parties that control one of the related parties indicated in points 2 and 3 of the relative definition, that is, parties either directly or indirectly subject to joint control with the same related party;
3) close family members of a related party and companies or entities controlled by the latter.

The tables below show the Bank's equity and economic relationships with related parties that fall within the above mentioned supervisory authority instructions (Libyan Foreign Bank and entities associated with it, and Unicredit Group).

Dealings with the majority shareholder Libyan Foreign Bank (LFB) and the Unicredit shareholder and their group companies fall within the scope of the Bank's normal business operations and are conducted at the same market terms and conditions as with other non-related counterparties having the same credit standing, among which the parent entity, Central Bank of Libya.

EUR /000

DESCRIPTION	LFB	CONNECTED PARTIES	TOTAL
FINANCIAL ASSETS	151	100,538	100,689
FINANCIAL LIABILITIES	2,484,290	262,818	2,747,108
GUARANTEES OUTSTANDING	16,857	105,808	122,665

EUR /000

DESCRIPTION	UNICREDIT	CONNECTED PARTIES	TOTAL
FINANCIAL ASSETS		127	127
FINANCIAL LIABILITIES	67		67
GUARANTEES OUTSTANDING		16,430	16,430

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

COSTS

EUR /000

DESCRIPTION	LFB	CONNECTED PARTIES	TOTAL
COMM. ON LETTERS OF CREDITS	38	137	175
COMM. ON LETTERS OF GUARANTEES	703	341	1.044
INTEREST	6,021	2,264	8.285
SUBORDINATED LOANS	2,268		2,268
TOTAL	9,030	2,742	11,772

REVENUES

EUR /000

DESCRIPTION	LFB	CONNECTED PARTIES	TOTAL
COMM. ON LETTERS OF CREDITS	214	2,803	3,017
COMM. ON LETTERS OF GUARANTEES		7	7
INTEREST		251	251
TRADING IN FINANCIAL INSTRUMENTS			
TOTAL	214	3,061	3,275

COSTS

EUR /000

DESCRIPTION	UNICREDIT	CONNECTED PARTIES	TOTAL
COMM. ON LETTERS OF CREDITS	1		1
COMM. ON LETTERS OF GUARANTEES			
INTEREST			
SUBORDINATED LOANS			
TOTAL	1		1

REVENUES

EUR /000

DESCRIPTION	UNICREDIT	CONNECTED PARTIES	TOTAL
COMM. ON LETTERS OF CREDITS	72		72
COMM. ON LETTERS OF GUARANTEES	7	1	8
INTEREST			
SUBORDINATED LOANS			
TOTAL	79	1	80

Relations and dealings with related parties are not considered to be critical inasmuch as they fall within the Bank's normal credit and service activities.

No atypical or unusual transactions or dealings were conducted with related parties during the year that, in terms of significance or the amount concerned, could have given rise to doubts as regards safeguarding the Bank's equity position.

Dealings with related parties are duly conducted at market terms and conditions, and in any event always based on evaluations of economic convenience in conformity with the regulations in force, providing adequate substantiation as regards the reasons for and convenience of such dealings.

The Financial Statements do not include either provisions for or losses as a result of doubtful receivables from related parties. Concerning the latter, only an overall write-down for total receivables has been applied.

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

QUALITATIVE INFORMATION

No data to report.

QUANTITATIVE INFORMATION

No data to report.

PART L
SEGMENT REPORTING

STATUTORY AUDITORS' REPORT pursuant to and for the purposes of art.2429 of the Civil Code

To all shareholders

Pursuant to article 2429, paragraph 2, of the Civil Code, the Board of Auditors is charged with reporting to the shareholders' meeting on the supervisory activities carried out during the financial year. The Board of Auditors can make observations and proposals regarding the financial statement and its approval, as well as subjects that fall within the Board's competence.
We assure you that supervisory activities have been carried out according to the norms of the Civil Code, of legislative decree no. 385 of 1 September 1993 (Testo Unico Bancario: TUB), of legislative decree no. 39 of 27 January 2010, of the statutory regulations and the norms of the authorities charged with supervisory and control activities, also bearing in mind the principles of conduct recommended jointly by the Associations of Chartered Accountants, Business Consultants and Accounting Experts.
With reference to the financial statement of the Banca UBAE S.p.A. at 31 December 2014 showing a net profit of 9,552,846 Euros, the Board of Auditors states that it has been drawn up in compliance with international accounting principles IAS/IFRS (International Accounting Standards and International Financial Reporting Standards) currently in force, and that it has been transmitted to the Board of Auditors together with the management report, as required by law. In particular, the financial statement at 31 December 2014 has been drawn up according to the "Instructions for drawing up corporate financial statements and consolidated balance sheets for banks and financial companies in charge of banking groups" issued by the Banca d'Italia with circular no. 262 of 22 December 2005 and subsequent updates.
In addition to the specific indications required by the norms for drawing up balance sheets, the supplementary notes for the financial statement provide appropriate information regarding the corporate assets in financial and economic terms.
In our opinion, the report prepared by the Board of Directors contains complete and exhaustive information on management activities.
Regarding the ways in which institutional activities were carried out, we confirm that the Board of Auditors:

- took part in meetings of the Board of Directors, Executive Committee, Risk Supervision Committee, Remuneration and Governance Committee, Internal Controls Committee;
- held meetings with the Heads of the Internal Audit Department, as well as the Compliance and Risk Management Departments to share information on activities carried out and on control programmes;
- carried out periodic checks to ensure observation of the law, the articles of association, and respect for the principles of proper administration, as well as the adequacy of the organizational structure and the internal controls system;
- held periodic meetings with the heads of the auditing firm;
- constantly followed the events and situations that affected the company.

1. Regarding atypical and/or unusual transactions, including those with group members or affiliated parties.
During the financial year, we did not discover or receive indications from the Board of Directors, the management, the auditing firm, the Head of the Internal Audit Department, concerning the existence of atypical and/or unusual operations carried out with third parties, affiliated parties or group members. The operations with affiliated parties are outlined by the Directors in the supplementary notes.
The Board of Auditors feels that the above operations of an ordinary nature, are appropriate and in the corporate interest, linked to and forming part of the corporate objectives.

2. Adequacy of information provided in the management report, regarding atypical and/or unusual transactions with group members or affiliated parties.
In addition to the situation described in point 1, and regarding operations carried out with affiliated parties and/or related parties as per article 2391 (a) of the Civil Code, in compliance with the provisions concerning related parties as per circular no. 263 issued by the Banca d'Italia with 15th update of 3 July 2013, the Board of Auditors states that UBAE has adopted internal rules and regulations with specific procedures that ensure continuous supervision and monitoring of such operations.

3. Supervising legal auditing of accounts as per "Testo Unico Bancario".
The Board of Auditors supervised the following activities: (1) the provision of financial information; (2) the effectiveness of internal control systems, internal auditing and risk management; (3) the legal auditing of annual accounts; (4) the independence of the legal auditor of accounts, in particular concerning the provision of non-auditing services.
The Board of Auditors examined the plan for auditing activities, as well as the report drawn up by the legal auditor of accounts, whose activity broadens the overall framework of controls laid down in the regulations with reference to providing financial information.
The above report, issued on 14 April 2015 pursuant to article 14 of legislative decree 39/2010, shows that the financial statement was drawn up according to international accounting principle IAS/IFRS issued by the International Accounting Standards Board and adopted by the European Union, in force at 31 December 2014, as well as complying with the provisions laid down by article 9 of legislative decree 38/2005, and was prepared according to the instructions issued by the Banca d'Italia circular no. 242/2005 with subsequent changes and additions. Therefore, it is clearly drawn up outlining truthfully and correctly the assets and financial situation, the economic result and the cash-flows for the financial year ended on 31 December 2014. Moreover, according to the legal auditor of accounts, the management report is consistent with the financial statement documents.
The legal auditor of accounts, with whom we held periodic meetings to share information, did not discover any signs of actions or facts that were censurable nor irregularities that required specific reporting.

4. Denunciations under article 2408 and complaints.
During the 2014 financial year, the Board of Auditors did not receive any denunciations under article 2408 of the Civil Code, nor did it receive any complaints.

5. Observations on respecting the principles of proper administration.
By taking part in meetings of the Board of Directors and the Internal Controls Committee, and on the basis of information provided by or received from the Directors and the legal auditor of accounts, the Board of Auditors supervised respect for the principles of proper administration, checking that

management decisions complied with the overall criteria of economic rationality, and that the Directors were exercising due diligence in carrying out their mandate. On this subject, the Board of Auditors has no particular comment to make.

6. Observations on the adequacy of the organizational structure and the internal control system.
The Board of Auditors supervised the adequacy of the organizational structure and the corporate internal control system from the point of view of competence, through direct observation, collecting information, and holding meetings with representatives of the auditing firm BDO S.p.A.
During the 2014 financial year, the Bank underwent some non-recurring events including the transfer of the IT system to another outsourcer, and the obligation of new supervisory provisions, which significantly affected the organizational structure.

7. Information on governing bodies.
Regarding the governing bodies and with reference to the provisions set out in article 36 of legislative decree 201/2011 – taking on or exercising responsibilities in governing bodies of supervision and control with other companies or groups of competitors operating in the insurance or financial markets – the Board of Auditors reports that the directors and auditors have assessed their respective situations and taken the appropriate steps to comply with the above regulations.

8. Concluding evaluations on the supervisory activities carried out.
As a result of the supervisory activities carried out by the Board of Auditors, no censurable actions or facts were discovered, nor omissions or irregularities to be included in this report.

9. Proposals by the Board of Auditors to the Shareholders' Meeting.
Bearing in mind the above and considering the content of the legal auditor's report, the Board of Auditors sees no obstacle, in terms of its own competence, to your approval of the draft financial statement at 31 December 2014 drawn up by the Board of Directors, as well as the proposed allocation of the result.
As shareholders, once you approve the 2014 financial statement, the current Board of Auditors and Board of Directors come to the end of their terms of office; with this in mind, you are kindly requested by the undersigned to take appropriate decisions and actions regarding the governing bodies.

Rome, 14 April 2015

BOARD OF AUDITORS
Fabio Gallassi - Cosimo Vella - Francesco Rocchi

LEGAL AUDITORS' REPORT

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

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

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

1. We have audited the financial statements of Banca Ubae S.p.A. as of and fot the year ended December 31, 2014 comprising of the balance sheet, income statement, statement of comprehensive income, statement of changes in shareholders' equity, cash flow statement and notes thereto. The Directors of the company are responsible for the preparation of these financial statements in accordance with the international Financial Reporting Standards adopted by the European Union and the Italian regulations implementing Article 9 of Legislative Decree No. 38/05. Our responsability is to express an opinion on these financial statements based on our audit.

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

For the opinion on the financial statements of the preceding year, presented for comparative purposes, we refer to our report issued on April 14, 2014.

3. In our opinion, the financial statements of Banca ubae S.p.A. for the period ended December 31, 2014 comply with the international financial reporting Standards endorsed by the European Union

and the Italian regulations implementing Article 9 of Legislative Decree No.38/05; Accordingly, they have been prepared with clarity and present a true and fair view of its patrimonial and financial position, the results of operations and cash flow of the company for the ear the ended.

4. The Directors of Banca Ubae S.p.A. are responsible for the preparation of a report on operations, in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the coherence of such report on operations with the financial statements, as foreseen by the law. Accordingly, we have performed the procedures indicated in Auditing Standard No. 001 emanated by the National Board of Public Accountants referred to above and reccomended by CONSOB. In our opinion, such report on operations is coherent with the financial statements of Banca Ubae S.p.A. for the year ended December 31, 2014.

Rome, April 14, 2015

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

Felice Duca
(Partener)

RESOLUTIONS PASSED BY THE SHAREHOLDERS' ORDINARY GENERAL MEETING HELD ON 30.04.2015

AGENDA

1) Review and approval of the accounts for the financial year ended 31 December 2014 and of the Annual Report on operations.
2) Statutory Auditors' report.
3) Legal Auditors' report.
4) Proposal for the allocation of net profit, resolutions pertaining thereto.
5) Approval of the Bank's 2015 remuneration-and-incentives policy for Directors, Auditors, salaried staff and personnel not in the Bank's direct employment (cf. 7th revision of Banca d'Italia's circular directive 285/2013 containing supervisory provisions on remuneration and incentives policies and practices for banks and banking groups).
6) Approval of a bonus for the members of the Board of Directors in relation to the Bank's 2014 profit results.
7) Appointment of the Board of Directors for the period 2015-2017 and determination of their yearly emoluments in accordance with articles 15 and 21 of the Articles of Association.
8) Appointment of the Board of Auditors for the period 2015-2017 and determination of their yearly emoluments in accordance with art. 28 of the Articles of Association.
9) Appointment of the Statutory Auditors to the Oversight Body mandated by Legislative Decree 231/2001.

Having taken cognizance of the Directors' annual report, the Statutory Auditors' report and the Legal Auditors' report accompanying the financial statements for the year to 31 December 2014, the **AGM unanimously approved:**

- the annual report, the financial statements for the year to 31 December 2014 and
- the allocation of net profit suggested by the delegate representing Libyan Foreign Bank, to wit:

NET PROFIT	€ 9,552,846.00
- LESS 5% TO LEGAL RESERVE (ART.30, LETTER A OF THE ARTICLES OF ASSOCIATION	478,00.00
	€ 9,074,846.00
PLUS PROFIT RETAINED FROM PREVIOUS PERIODS	€ 65,196.56
	€ 9,140,042.56
-LESS DIVIDEND TO BE DISTRIBUTED	€ 4,570,000.00
- LESS ALLOCATION TO THE EXTRAORDINARY RESERVE	€ 4,500,000.00
PROFIT TO BE CARRIED FORWARD	€ 70,042.56

As a result, reserves will total € 62,235,848.00. Shareholders' equity (comprising share capital, reserves, profit carried forward and the share premium account) will amount to € 213,296,648.00.
Besides, the **AGM unanimously resolved**:

- **to confirm** Messrs. Omran M. Abosrewil, Mohamed Benchaaboun, Luigi Borri, Abdullatif El Kib, Abdelrazak Elhoush, Abdulhakim M. Eljabou, Omran M. Elshaibi, Ernesto Formichella, Abdusslam Gehawe, Elamari M. Mansur and Alberto Rossetti in their respective positions as Directors of Banca UBAE for the 3-year period 2015-2017;
- **to confirm** Mr. Abdullatif El Kib in his position as Chairman of the Board of Directors;
- **to confirm** Mr. Fabio Gallassi as chairman of the Board of Auditors, Mr. Francesco Rocchi as a Statutory Auditor and to appoint Mr Elenio Bidoggia as Statutory Auditor for the 3-year period 2015-2017.

Lastly, the **AGM voted unanimously** to the appointment of the Statutory Auditors as members of the Oversight Body mandated by LD 231/2001.

In winding up the AGM's deliberations, the Chairman thanked Banca UBAE's Directors, Auditors, General Management and personnel at large for working with dedication in pursuit of the Bank's goals. He thanked the shareholders and Libyan Foreign Bank in particular for constantly supporting UBAE's endeavours and for helping it meet its financial requirements.

ANNEX A

COUNTRY-BY-COUNTRY REPORTING AT 31 DECEMBER 2014

Regarding the obligations prescribed by circular no. 285 of 17 December 2013 "Supervisory Dispositions for Banks" – 4th update of 17 June 2014 on country-by-country reporting introduced by article 89 of directive no. 2013/36/EU ("CRD IV"), shown below are the details marked by letters a), b) and c) of Annex A of the First Part, Section III, Chapter 2, with reference to the situation at 31 December 2013.

A) DENOMINATION AND NATURE OF ACTIVITY

Denomination: Banca UBAE S.p.A.
Registered office: Roma, Via Quintino Sella 2
Milan branch: Piazza A. Diaz, 7
Representation office: Tripoli (Libya), O. Mukhtar Investment Complex
Corporate capital: EUR 151,060,800 fully paid up

Activity: Banca UBAE was set up in 1972 as the "Union of Arab and European Banks", as a banking institute with Italian-Arab capital. The shareholders of Banca UBAE include important banks: Libyan Foreign Bank - Tripoli, Unicredit - Rome, Banque Centrale Populaire and Banque Marocaine du Commerce Extérieur - Casablanca, Intesa Sanpaolo – Turin, and leading Italian companies: Sansedoni Siena (Monte dei Paschi di Siena Foundation) – Siena, ENI Adfin (ENI Group) – Rome, and Telecom Italia - Milan.

The current objective is to develop industrial and economic trading relations between Italy and the countries of North Africa and sub-Saharan Africa, the Middle East, the Indian sub-continent and the countries of Southeast Europe.

The main services offered to customers who work with foreign countries are: export financing, letters of credit, standby letters of credit, risk sharing, guarantees, finance, trading and financial syndications, as well as professional assistance in foreign countries through a network of local consultants. The Banca UBAE currently operates in fifty countries with the support of 500 correspondent banks occupying a position of reference and reliability in the foreign trade sector. The bank does not have branches abroad.

b) Turnover[1] = EUR 37,805,494.00

c) Number of employees on equivalent full-time basis[2] = 179

d) Pre-tax profit[1] = EUR 14,853,518.00

e) Tax on profits[1] = EUR 5,300,672

d) Public contributions received = None, not applicable

1 "TURNOVER" IS UNDERSTOOD AS THE GROSS OPERATING INCOME AS PER ITEM 120 OF THE INCOME STATEMENT.
"PRE-TAX PROFIT" IS UNDERSTOOD AS THE SUM OF ITEMS 250 AND 280 OF THE INCOME STATEMENT.
"TAX ON PROFITS" IS UNDERSTOOD AS THE SUM OF TAXES AS PER ITEM 260 OF THE INCOME STATEMENT.

2 "NUMBER OF EMPLOYEES ON EQUIVALENT FULL-TIME BASIS" IS UNDERSTOOD AS THE RATIO BETWEEN THE OVERALL NUMBER OF HOURS WORKED BY ALL THE EMPLOYEES, EXCLUDING OVERTIME, AND THE ANNUAL TOTAL LAID DOWN IN THE CONTRACT FOR A FULL-TIME EMPLOYEE.

ANNEX B

OBLIGATION TO PROVIDE INFORMATION FOR THE PUBLIC

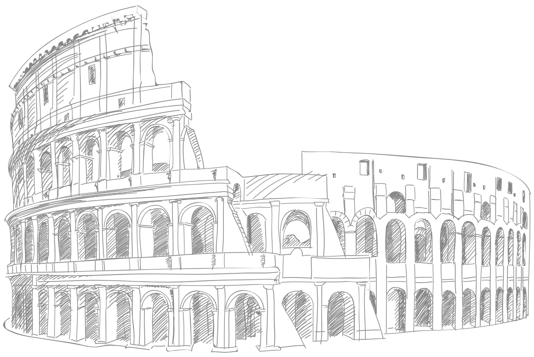
All the material required by the Banca d'Italia circular no. 285 of 17 December 2013 on the subject of providing information for the public, will be published on the Bank's website at the following address:

www.bancaubae.it

More specifically, within a month of the shareholders' meeting to approve the financial statement, the document regarding the third Pillar will be published on the website, also containing information on:

- own funds (article 437, paragraph 2, of CRR);
- own funds in the period from 1 January 2014 to 31 December 2021 (article 492, paragraph 5, of CRR);
- financial activities without constraints (article 443 of CRR);
- financial leverage (article 451, paragraph 2, of CRR).

Furthermore, also on the subject of providing information for the public and regarding the Bank's remuneration policies, the data required by article 450 of the CRR as set out in the Banca d'Italia circular, will be published in the same way as described above.



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