ANNUAL REPORT

Report and Financial Statements 2021

BANCA UBAE

مصرف اليوباي

2021

MISSION

Become the preferred advisor and partner for all Italian and International Companies or Financial Institutions willing to create or to enhance commercial, financial, industrial and economic relations with North Sub-Saharan Africa, the Middle East and the Indian Subcontinent.

VISION

Be one of the reference banks in Italy for International Business, leveraging, our close connections with emerging markets in the Middle East, North Africa and especially in Libia.

STRATEGY

Purse sustainable growth in the long run, suitable for a stable value creation for our customers, shareholders and associates.

Share Capital | Euro 261,185,870 fully paid up

List by percentage:

80.15%	Libyan Foreign Bank, Tripoli
6.60%	UniCredit S.p.A, Milan
3.30%	Eni S.p.A, Rome
2.85%	Banque Centrale Populaire, Casablanca
2.65%	Bank of Africa – BMCE Group, Casablanca
2.25%	Sansedoni Siena S.p.A, Siena
1.10%	Intesa Sanpaolo S.p.A, Turin
1.10%	Telecom Italia S.p.A, Milan

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HEAD OFFICE - ROME

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	00187 Rome, Italy
P.O Box	290
Telephone	+39 06 423771
Cable	UBAE ROMA
Swift	UBAI IT RR
Sito internet	**www.bancaubae.it**

MILAN BRANCH

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

TRIPOLI (Libya)
REPRESENTATIVE OFFICE

Address	Omar Mukhtar Street –
	Omar Mukhtar Investment Complex
Telephone	+218 21 4446598 / 4447639
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BOARD OF DIRECTORS 2019 - 2021

Appointed by Shareholders' Meeting on 18 March 2019

Chairman

Sharef S. Alwan

Vice Chairman

Antonio Piras

Directors

Mohammed K. Mokdad
Samuele Boscagli
Saleh A. M. Edbayaa
Othoman Mohamed Alnouseri*
Abdalkhalig Mohamed M. Ibrahim*
Alaeddin Mokhtar Salim Msellati*
Abdulmonam Geat Ali Tbigha*
Rauf Ibrahim Gritli**

Secretary of the Board of Directors and the Executive Committee

Lavinia Callegari

* Appointed by Shareholders' Meeting on 18 May 2021

** Appointed by Shareholders' Meeting on 3 June 2021

*** Members of the Oversight Body as per legislative decree no. 231/2001
The 282nd Board of Directors on 7 June 2021 nominated the members of the Auditing Board as members of the Oversight Body as per legislative decree no. 231/2001

**** Withdraw on 22 October 2021

BOARD OF STATUTORY AUDITORS ***

Appointed by Shareholders’ Meeting on 18 May 2021

Chair

Ersilia Bartolomucci

Statutory auditors

Angelo Pappadà
Michele Testa

Alternate auditors

Sergio Montedoro**
Valeria Fazi****

GENERAL MANAGEMENT

General Manager

Maurizio Valfrè

Deputy General Manager

Esam Elrayas

EXECUTIVE DIRECTORS

Global Head of Business Development Area

Massimo Castellucci

Head of Tripoli Representative Office

Tariq Mohammed Saed Alajeeli

YOUR BANK FOR INTERNATIONAL BUSINESS

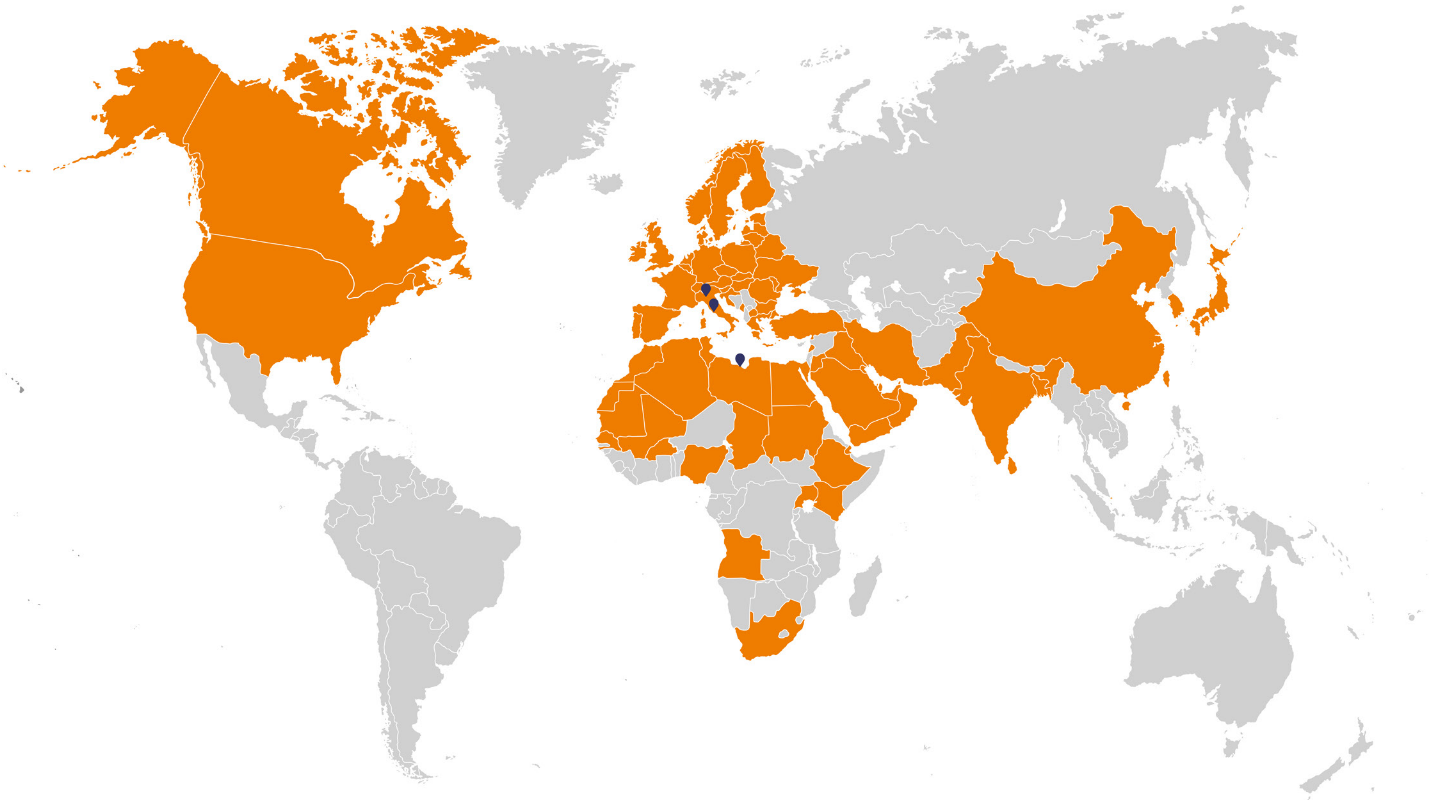
SUMMARY OF DATA, ECONOMIC AND FINANCIAL INDICES, CORPORATE GRAPHS

FINANCIAL DATA	31 DEC 2019	31 DEC 2020	31 DEC 2021
FINANCIAL ASSETS	€ 299,354,638	€ 295,784,028	€ 285,911,965
BANKS FINANCING	€405,424,879	€ 200,198,141	€ 239,144,189
DEPOSITS TO BANKS	€ 374,566,546	€ 201,738,372	€ 143,275,837
CUSTOMER FINANCING	€ 964,321,139	€ 925,548,514	€ 973,874,511
EARNING ASSETS	€ 2,043,667,202	€ 1,623,269,055	€ 1,642,206,502
TOTAL ASSETS	€ 2,107,238,061	€ 1,688,638,188	€ 1,701,828,808
DEPOSITS FROM BANKS AND A/C WITH BANKS	€ 1,612,793,316	€ 1,299,586,598	€ 1,363,206,277
SUBORDINATED LOANS	€ 100,000,000	€ 0	€ 0
CUSTOMER FUNDING	€ 222,381,362	€ 152,189,246	€ 117,007,479
TOTAL FUNDING	€ 1,835,174,678	€ 1,451,775,843	€ 1,480,213,756
RESERVES	€ 109,070,691	€ (18,615,772)	€ (76,347,000)
SHARE CAPITAL	€ 159,860,800	€ 261,185,870	€ 261,185,870
NET PROFIT / LOSS	€ (26,144,425)	€ (57,766,641)	€ 1,392,729
GROSS WORTH	€ 242,787,066	€ 184,803,457	€ 186,231,599
NET INTEREST INCOME	€ 14,704,359	€ 11,919,677	€ 18,789,882
NET COMMISSIONS	€ 14,356,765	€ 10,328,134	€ 13,304,779
NET FINANCIAL INCOME	€ (2,929,824)	€ (4,573,337)	€ 2,138,472
NET TRADING INCOME	€ 26,131,301	€ 17,674,474	€ 34,233,132
OPERATING CHARGES	€ (31,350,292)	€ (36,312,444)	€ (25,919,916)
NET OPERATING PROFIT	€ (5,218,991)	€ (18,637,970)	€ 8,313,216
NET PROFIT	€ (26,144,425)	€ (57,766,641)	€ 1,392,729
NO CASH ASSET (L/C)	€ 298,369,060	€ 216,176,643	€ 395,533,347
NO CASH ASSET (L/G)	€ 371,682,623	€ 314,053,387	€ 282,619,050
TURNOVER LETTERS OF CREDIT OIL	€ 406,334,259	€ 75,686,477	€ 84,960,572
TURNOVER LETTERS OF CREDIT NON-OIL	€ 1,144,019,218	€ 699,034,321	€ 1,293,394,575
TURNOVER GUARANTEES	€ 51,656,610	€ 27,367,400	€ 45,435,261
OUTSTANDING GUARANTEES	€ 375,971,302	€ 315,597,234	€ 297,937,690
NPL	€ 149,148,723	€ 142,764,769	€ 166,953,246
GROSS WORTH/TOTAL ASSETS	11.52%	10.94%	10.94%
LOANS/DEPOSITS RATIO	84.93%	86.62%	88.98%
INTERBANK RATIO	48.36%	30.93%	28.05%
NPL/TOTAL CASH & NO CASH ASSETS	5.24%	6.27%	6.83%
ROE NET PROFIT/PAID CAPITAL	-16.35%	-22.12%	0.53%
ROE NET PROFIT/GROSS WORTH	-10.77%	-31.26%	0.75%
ROA NET PROFIT/TOTAL ASSETS (*)	-1.24%	-3.42%	0.08%
OPERATING CHARGES/NET TRADING INCOME	109.36%	193.21%	72.24%
NET PROFIT/NUMBER OF EMPLOYEES	€ (140,561)	€ (328,220)	€ 8,928
NUMBER OF EMPLOYEES (FIXED AND NOT FIXED TERMS)	186	176	156
TOTAL CAPITAL RATIO (CAPITAL ADEQUACY RATIO)	24.43%	19.13%	19.11%
CET1/TIER I CAPITAL RATIO (EQUITY ASSET RATIO)	17.41%	19.13%	19.11%
BANKING OWN FUNDS	€ 348,265,232	€ 189,155,060	€ 213,078

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

CLOSE TO OUR CUSTOMERS WORLDWIDE

BANCA UBAE
مصرف اليوباي



Our Reference Countries

Offices

Milan Branch

ANNUAL REPORT

1 January - 31 December 2021

Mr. Sharef S. Alwan

CHAIRMAN'S STATEMENT

To all shareholders

In 2021, the recovery of the world economy was higher than expected. Although there were evident differences on a geographic basis, 2021 was a year in which most of the world, regional and local economies, while experiencing moments of economic and political tension, marked a strong revival.

The increase in world GDP (excluding the Euro Area) in real terms is expected to be around 6.0% for 2021, while the expectations for the Euro Area are around 3.7%, with a significant last quarter slowdown due to the new wave of Covid and of congestion in global supply chains. The surge in inflation in the Euro Area is worrying, where it reached a level of just over 5%, mainly due to the rise in energy prices and some raw materials.

In Italy, GDP growth was particularly strong, with +6.5% which went beyond any more optimistic forecast, despite a slowdown in the last quarter.

As regards the economies of the countries with which the Bank traditionally operates, they have benefited from significant growth, supported – especially in exporting countries – by the increase in the prices of energy raw materials.

In this context, your Bank has continued to provide the institutional activity of supporting trade flows to traditional core countries, as well as providing help and assistance for its customers, both banking and corporate.

The consequences of the Covid-19 pandemic, as well as the changed international and domestic economic scenarios have prompted the Bank to review the Business Plan, which largely saw the confirmation of previous decisions, but nevertheless represented a moment of in-depth analysis and comparison to define more precisely the new investment and employment strategies, adapting them to the prospects of economic development; on the other hand, the new Business Plan has laid the foundations for revitalizing some activities, especially in the Finance sector, which had been prudently suspended with the onset of the pandemic.

The Bank's 2021 financial statements once again show a positive result, testifying to the soundness of the strategic choices most recently made. The capital ratios "Tier 1 ratio" and "Total capital ratio", which stood at 19.11% at the end of the year, are well above the regulatory minimums, confirming a solid capital base with respect to the current scale of commitments; the cost-income ratio also returned to sustainable levels (72.24%) as a consequence of the renewed vigour of commercial activity and cost containment measures.

In the period under review, significant organizational changes affected the Bank's structures, with the aim of improving their operational efficiency, ensuring consistency with the evolution of legislation and with the renewed business strategies.

The projects brought to the attention of the Board of Directors were various, and of significant importance, also for their future implications, aimed on the one hand at strengthening corporate profitability and, on the other, at pursuing a medium and long-term balance between technical-organizational development, structure of internal controls and start-up of new business initiatives.

For our Shareholders, 2021 was a year in which most of the global, regional and local economies, despite going through moments of economic and political tension, marked a relaunch even higher than expected.

On the other hand, 2022 promises to be another year of extreme uncertainty: the explosion of the Russian-Ukrainian conflict, the effects of which on the economy are still difficult to estimate at a global level, the growth forecasts for the world economy are estimated to be down at 4.5%, while expectations for the Euro Area and Italy were respectively 4.2% and 4%. In addition to the unknowns about the evolution of the pandemic and the Russian-Ukrainian conflict, the persistent and increasingly intense geopolitical tensions and the effects that they could create on the availability and costs of raw materials, especially energy, also weigh on the growth prospects.

The actual performance of the global economy, in particular, will depend on the ability of national governments and supranational institutions to steer health, geo-political and economic evolution in the most suitable direction. From this point of view, the cessation of the Russian-Ukrainian conflict, adequate safeguards against a possible resurgence of Covid 19, control of the markets for a correct definition of the prices of raw materials (in particular, natural gas and oil), containment of inflation at levels considered sustainable and, finally, a return to stricter control of public debt levels (which have risen following *the expansionary measures implemented in the pandemic context) represent the main challenges.*

In this macro-economic context, we are confident that the Bank – supported with adequate financial and, above all, capital resources – has all the fundamentals to successfully pursue the strategic lines set out in the new Business Plan, and to face the future challenges that await it, with further progressive growth in commercial volumes while consolidating its profitability in the medium to long-term.

Sharef S. Alwan
Chairman of the Board of Directors

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

EUR/mln

COUNTRIES	2021		2020		2019	
	IMPORTS	EXPORTS	IMPORTS	EXPORTS	IMPORTS	EXPORTS
LIBYA	5,570	1,201	1,725	879	4,714	1,243
BANGLADESH	1,287	516	1,213	401	1,473	550
ALGERIA	5,579	1,763	3,142	1,941	4,341	2,921
PAKISTAN	764	754	625	509	739	685
TUNISIA	2,618	2,856	2,088	2,384	2,445	3,130
EGYPT	2,011	3,800	1,605	3,080	1,929	2,420
BAHRAIN	228	318	140	422	122	268
JORDAN	46	497	34	415	49	522
ANGOLA	119	279	248	189	472	208
ETHIOPIA	58	177	68	192	70	204
MAURITANIA	174	31	128	22	121	23
TURKEY	9,850	9,533	7,456	7,727	9,459	8,334
OMAN	116	397	51	493	107	487
YEMEN	12	71	6	76	6	73
SRI-LANKA	473	249	376	215	426	260
DJIBOUTI	0.2	16	0.1	17	0.1	26
SPAIN	24,177	25,542	19,596	20,429	21,443	24,027
QATAR	2,049	2,007	1,025	1,050	1,343	1,386
UNITED KINGDOM	8,068	23,450	8,417	22,420	10,653	24,915
MOROCCO	1,292	2,205	1,044	1,711	1,122	2,068
MALAYSIA	1,594	1,121	1,154	1,112	1,179	1,272
SUDAN	171	83	143	83	36	91
HONG KONG	295	4,815	304	4,278	333	5,757
CHINA	38,525	15,691	32,144	12,887	31,665	12,993
SAUDI ARABIA	4,849	3,339	2,959	3,217	3,796	3,279
UAE	2,073	4,821	4,550	3,867	908	4,577
KENYA	44	162	25	319	39	209
TAIWAN	2,354	1,619	1,622	1,456	1,989	1,449
FRANCE	39,186	52,766	31,316	44,660	36,629	49,824
TOTAL	153,581	160,081	123,202	136,452	137,610	153,199
UBAE' SHARE	24	1,373	20	553	6	1,436
%	0.02	0.86	0.02	0.41	0.00	0.94

Meeting room - Milan branch

THE BANK'S ACTIVITIES:

Brief Summary

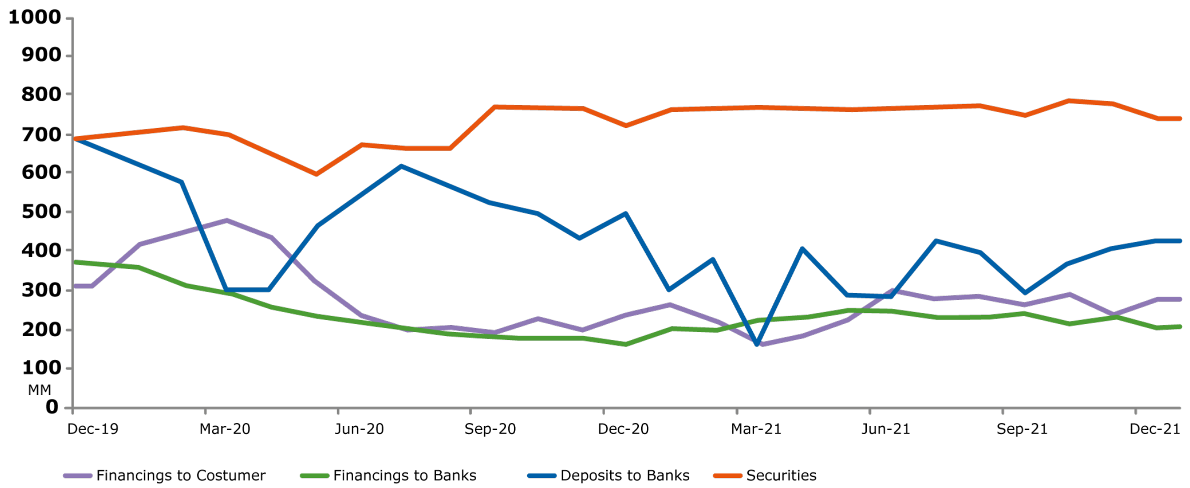
BANKING OPERATIONS IN 2021

BANKING OPERATIONS

Commitments (Loans and Advances)

The Bank's operations are aimed at offering cash and signature interventions, mainly commercial transactions with customers who carry out import/export activities or infrastructural development in the reference countries, in particular those of the MENA area.
In the year under review, despite the fact that economic growth strengthened significantly compared to the previous year, the world economy was still affected by uncertainties linked, on the one hand, to the evolution of the pandemic crisis and, on the other, to the negative consequences – still persistent – of the geopolitical crises characterizing some of the Bank's main reference countries.

In this context, having regained full stability on the funding front, it was possible to restart more energetic commercial actions with conviction, which led to a progressive and generalized growth in the volumes of financing in favour of corporate and banking customers, as can be seen from the chart below.



Short-term loans of a non-commercial nature to corporate entities, considering the risk involved and the Bank's strategic decision to focus on core activities with better risk/return profiles, confirmed their marginal volume and tend to be limited only to customers already assisted with trade finance products.

Operations on foreign markets

In 2021, commercial and financial activity in countries historically of interest to the Bank, although still partly held back by the repercussions of the pandemic crisis and, in some cases, by certain specific socio-political factors, showed a decided recovery.

The world economy has shown clear signs of revival, albeit still with great difficulties on the supply side; the growing trend in commodity prices and the spread of the Omicron variant of the Covid-19 virus, as well as some scenarios of war conflicts that could open up in some regions of the world, continue to weigh on growth prospects in the short and medium term.

An element that has certainly conditioned the year just ended and is expected to produce its effects on the next one is the volatility of the price of crude oil, which in 2021 recorded an average of over $80 per barrel; forecasts of the cost per barrel are in this sense for further rises, also in light of the latest OPEC decisions not to accelerate increases in oil production in the short term. While, on the one hand, higher price levels positively affect the financial revenues of producing countries, on the other hand, they produce a negative effect on the prices of raw materials. For 2022, the forecasts see a sustained demand for oil, despite a temporary drop in the first quarter, insofar as the Russian-Ukrainian conflict can – if protracted – significantly influence the course of the global economy.

The situation in 20021 and the estimates for 2022 are as follows:

- **In Italy,** the final estimate of GDP in 2021 stands at +6.5% compared to 2020, driven above all by a recovery in household consumption, despite the fact that rising infections and partial waning of the climate of confidence have penalized the recovery in the last quarter. The export trend was confirmed as satisfactory, while inflation reached high levels (4.2% at the end of the year) driven mainly by energy prices.
  In 2022, before the outbreak of the Russian-Ukrainian conflict, the GDP was expected to settle at pre-pandemic levels (+3.8%) and forecasts saw inflation easing to more consistent values (+3.5%).
  Uncertainty is now extremely high, both in terms of the effects of war, and the risks of a possible flare-up of the pandemic, and finally, more in the medium term, the effective risks deriving from the possible failure to fully implement the investment programs envisaged by the NRP.

- **In Europe** the GDP, on the other hand, decelerated at the end of 2021 both as a result of the rise in infections and the tensions in the supply chains that hindered manufacturing production. Inflation reached its highest value since the launch of the monetary union, due to exceptional increases in the energy component, in particular gas, which in Europe is also affected by geopolitical factors.
  According to expert projections, previous to the outbreak of the Russian-Ukrainian conflict, inflation was expected to gradually decline over the course of 2022 (with an annual average value of 3.2%) and then stabilize at 1.8% in the two-year period 2023-24.
  In the course of 2022, growth was still expected to be high. The macroeconomic projections

foresee an annual GDP growth of 4.2% (after +5.1% in 2021); certainly, at these levels of growth in the euro area, the Next Generation EU (NGEU) plan will make a significant contribution.

- As regards the **world economy**, in a scenario still free of war implications, real GDP growth (excluding the Euro area), after +6.0% in 2021, is expected to slow down to 4.5% in 2022. Compared to previous projections, however, it has been revised down for both 2021 and 2022. This mainly reflects the adverse impact of continuing supply-side reductions on global imports. These difficulties should begin to ease from the second quarter of 2022 and be fully reabsorbed by 2023.

- In **emerging countries**, the overall financial perspectives are currently estimated downwards for 2022: in fact, mainly due to a serious delay in vaccinations and inadequate social distancing, countries such as India, Russia and Brazil have been strongly affected by the resurgence of the virus for most of the year.
  International organizations, in their estimates, predicted a recovery, albeit patchy, of the economies of these countries by 2022, with the lowest-income nations barely reaching pre-pandemic production levels and the more developed ones expressing a stronger recovery, supported by further progress in vaccination campaigns and the easing of supply-chain disruptions. GDP growth in 2021 stood at 5.4%, while the expectation for 2022 – before the Russia-Ukraine conflict – was +4.1%.

- In the **countries of traditional interest to the Bank, those of the MENA area**, almost two years after the outbreak of the Covid-19 pandemic, vast threats of political, economic and social effects persist creating strong concerns. The economies of the Middle East and North Africa have experienced a strong economic recovery in the second half of 2021 and were expected to grow further to 4.4% in 2022 before the Russia-Ukraine conflict exploded in all its dramatic proportions. However, uncertainties and challenges still loom over the prospect of economic recovery in many regions. The situation of each country is unique in terms of exposure to oil price fluctuations, pandemic management capabilities through vaccinations and socio-political stability. Important asymmetries have emerged in the recovery of job markets and the region continues to face common challenges, including high unemployment, especially for young people, and limited social protection.

Within the banking sector, it is important to highlight that the deterioration rates of loans, although still slightly increasing, have remained at non-critical levels; the European banking system was still able to benefit from the expansive monetary policy measures implemented by the ECB, including those for discounting financial assets, those strictly connected to the pandemic emergency and finally those for longer-term refinancing operations, which greatly improved the liquidity risk profile of intermediaries and their profitability, also contributing in part to loosening the credit offer criteria which benefited companies mainly.

Although the fight against high inflation remains one of the main objectives for 2022, the Russia-Ukraine conflict has intervened to reinforce uncertainties regarding the evolution of Central Banks' monetary policies, with strong risks of an induced increase in energy prices and new limits on the movement of people and goods.

The duration of the war in Ukraine, and even more so, the possible extension to other countries, could lead the main central banks to intervene even more vigorously in order to stabilize the price of currencies on global markets as far as possible and thus drive economic trends.

However, it is extremely difficult to make reliable forecasts for the future in this context, which is so strongly marked by unexpected, sudden and high-impact events.

The Bank has prepared a new strategic plan 2021/2024 drawn up in October 2021, a plan that took into account the changed international economic and financial scenarios and redefined commercial and operational strategies as well as new targets in terms of volumes and profitability.

This strategy, illustrated extensively in the aforesaid new plan, confirms the objectives of a strong increase in the trade finance activity as well as the development of interesting prospective volumes of financing in the geographical areas of historical interest of the Bank, all guided by the logic of appropriate diversification of both credit and concentration risk.

Despite an objectively complicated pandemic and macroeconomic context, the Bank, thanks to its market position, has been able to operate with increasing efficiency and effectiveness, addressing new commercial opportunities and laying the foundations for important developments in the coming years. The Bank continued to work to ensure its services and adequately support its consolidated customers, not failing in its historical mission of supporting commercial flows in particular towards the countries of the MENA area, and towards Libya in particular, which represent the most consolidated operational area.

Revenues from commercial activities amounted to 22.5 million euros (previously 20.1 million euros), of which 54% deriving from commissions on letters of credit and guarantees, 42% from interest on financing transactions and commercial discounts, and 4% from Factoring Desk activities.

With particular reference to geographical origin, it should be noted that 88% of revenues were generated from abroad, and 12% from Italy.

At the end of the 2021 financial year, the counterparties entrusted were 403, of which 254 banks (Italian and foreign) and 149 companies with an international vocation.

Below, the main qualitative and quantitative information on the Bank’s operations during 2021; for more details, please refer to the explanatory note.

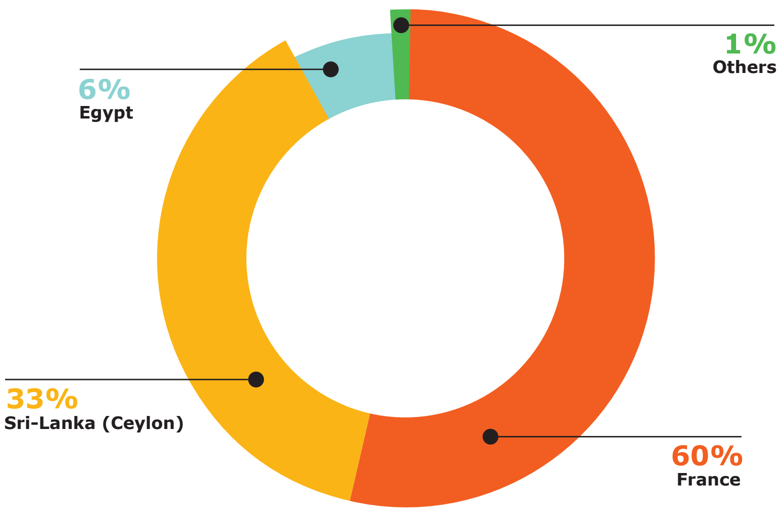
In 2021, the turnover on Letters of Credit (see table) reached the amount of 1.3 billion euros, above the forecast in the Business Plan, with a significant increase compared to 2020.

At 31 December 2021, the stock of Letters of Guarantee issued by the Bank amounted to 298 million euros, higher than the forecast data, albeit down compared to the 2020 figure.

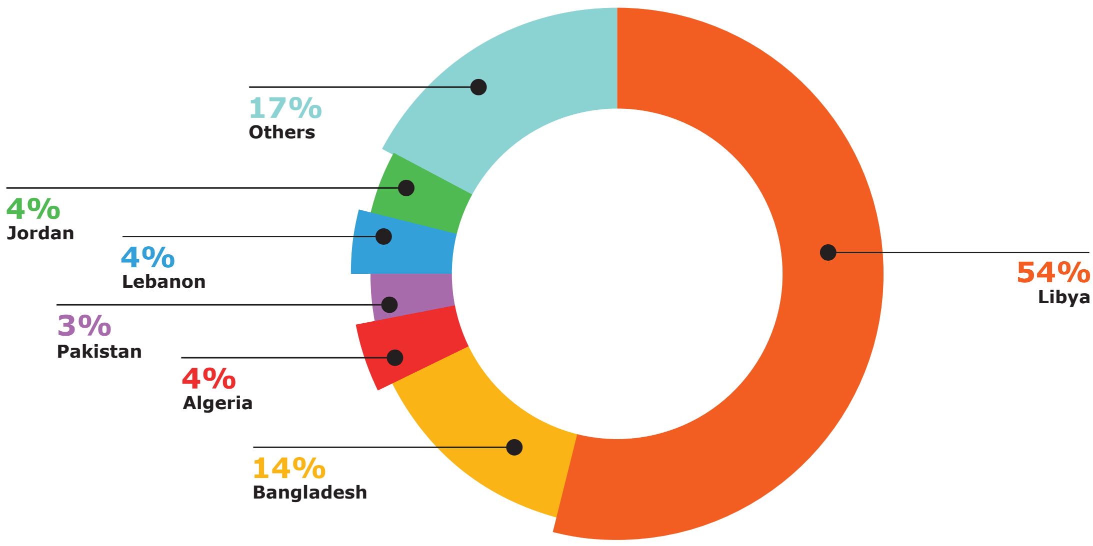
The composition by country of origin of the business from received and intermediated letters of credit can be represented as follows:

Geographic distribution

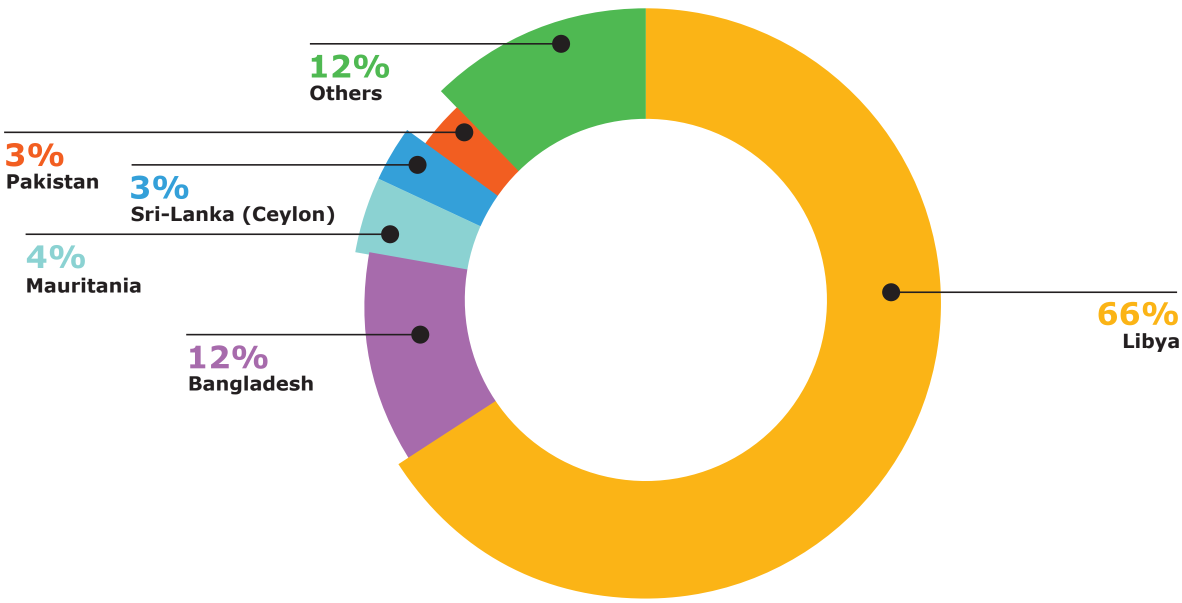
OIL L/C - TURNOVER 2021



NON OIL L/C - TURNOVER 2021



L/C - COMMISSIONS 2021



Examining the annual data shows the following evolution:

EUR/000

	2021		2020		2019	
	VALUE/NO.	+/- %	VALUE/NO.	+/- %	VALUE/NO.	+/- %
LETTERS OF CREDIT: NUMBER	2,641	41.46	1,867	(35.84)	2,910	(2.19)
NON OIL LETTERS OF CREDIT: TURNOVER	1,293,390	85.03	699,030	(38.90)	1,144,020	(8.26)
OIL LETTERS OF CREDIT: TURNOVER	84,960	12.25	75,690	(81.37)	406,330	138.56
COMMISSIONS ACCRUED	9,938	45.53	6,829	(32.84)	10,169	0.17

The values recorded in 2021 confirm the effects of the renewed commercial drive expressed by the Bank in the year in question, with a significant increase in the volumes of letters of credit especially in the markets where Banca UBAE has historically operated.

Examining the data of the guarantees sector shows the following trend:

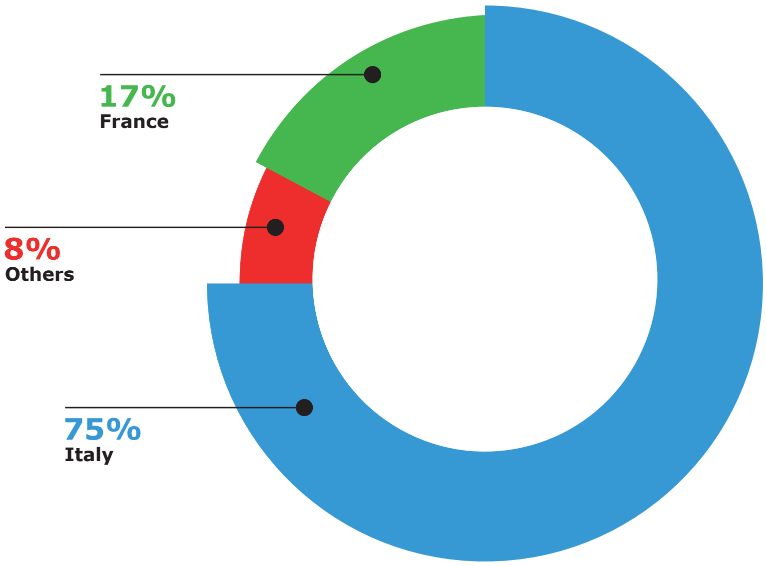
EUR/000

	2021		2020		2019	
	VALUE	+/- %	VALUE	+/- %	VALUE/NO	+/- %
GUARANTEES ISSUED IN YEAR	45,435	66.02	27,367	(47.02)	51,657	(58.76)
GUARANTEES: OUTSTANDING AT EOY	297,939	(5.60)	315,597	(16.06)	375,971	(7.88)
COMMISSIONS RECEIVED	2,221	(22.19)	2,855	(10.50)	3,190	(13.20)

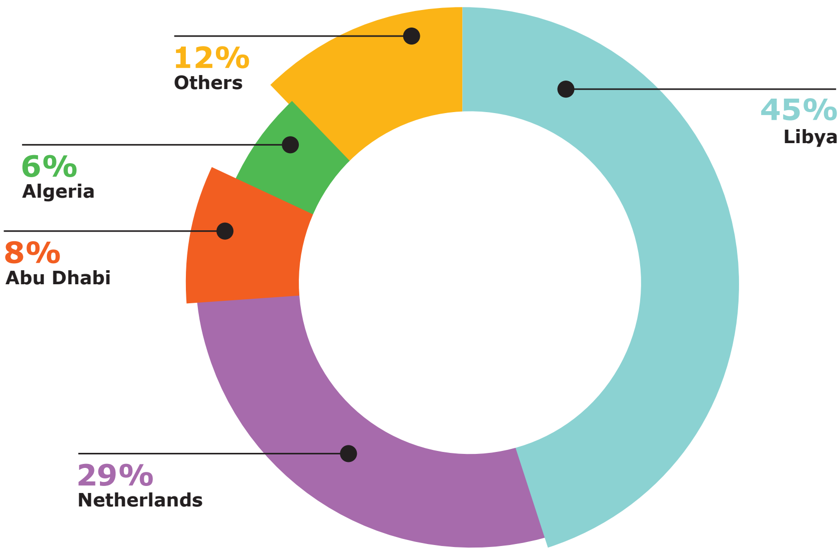
The guarantees – issued primarily on behalf of Italian companies with high credit standing in relation to exports and/or significant orders in foreign markets of interest – showed a significant increase in turnover against an exposure substantially in line with the data of the previous year. The revenues, although they decreased (approximately -22%) compared to the previous year, were confirmed at values in line with expectations. This contraction is to be considered physiological since the infrastructure sector – closely linked to international contracts – is the one that has been most affected by the slowdown/blockage of activities, caused by the pandemic events. However, growth forecasts in 2022 for this sector of economic activity remain positive, especially if the pandemic effects continue to regress and the effects of the Russia-Ukraine conflict remain contained, at least for this geographical area.

Geographic distribution

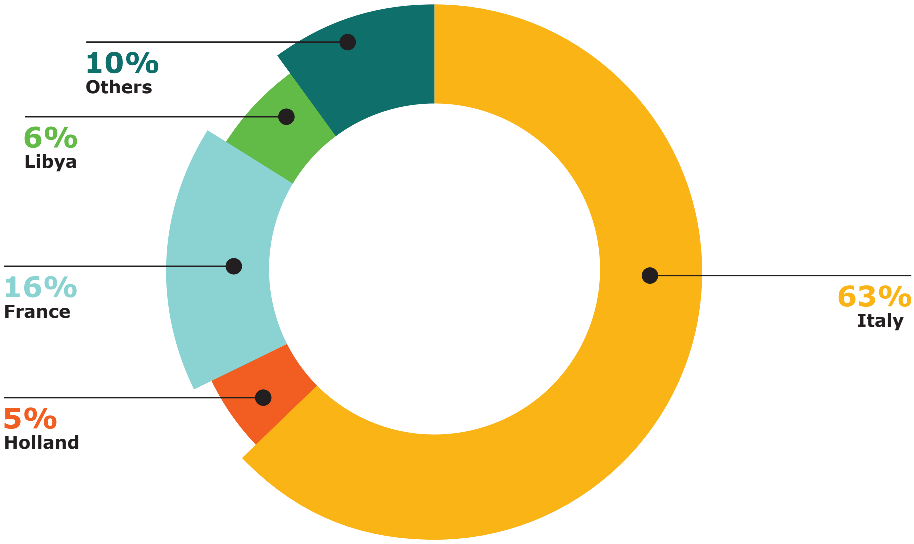
L/Gs APPLICANT 2021



L/Gs BENEFICIARY 2021



L/G COMMISSIONS 2021



Activities on financial markets

The year 2021 saw the Bank active in the search for more profitable forms of commitment against the financial resources raised by institutional counterparties as well as by corporate customers.

The average volumes managed during the year recorded slightly higher values compared to those of the previous period.

During the 2021 financial year, deposits had a fairly regular trend, maintaining continuity (especially in the second half) at values consistent with the expected commercial developments; this trend is the confirmation of the confidence – especially of the main shareholder – in the Bank's ability to determine risk/return targets oriented both towards the correct and prudent administration of available funds and their remunerative management.

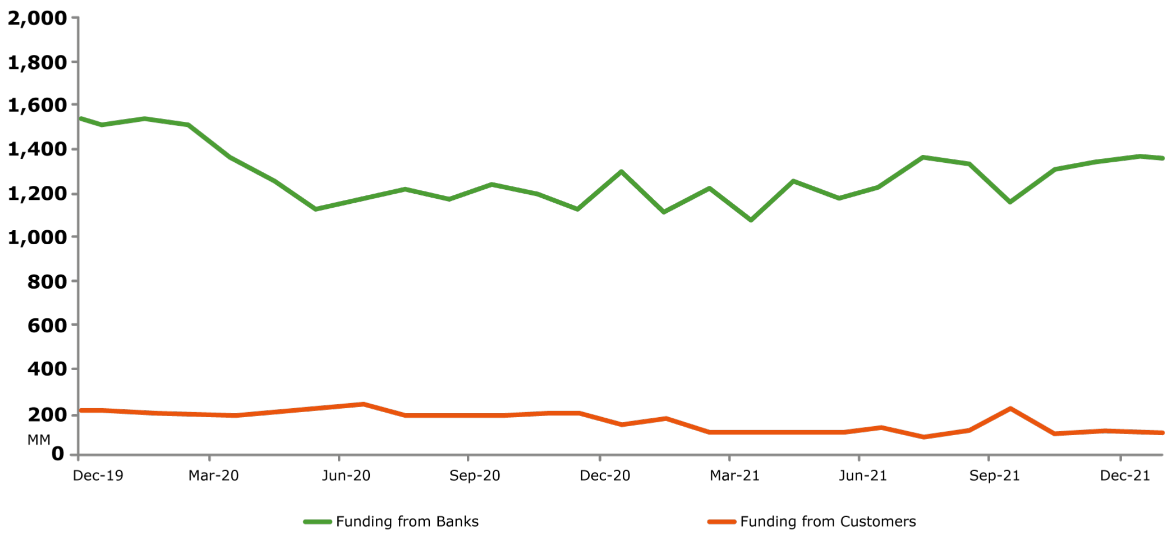
Symptomatic in this sense is the "Security Agreement" under which the Libyan Foreign Bank (LFB) renewed two deposits, respectively of USD 300 million and EUR 100 million, over a period of one year, aimed at consolidating the Bank's deposits as well as supporting the business aimed at counterparties referable to Libyan Foreign Bank, in full compliance with the current Banca d'Italia legislation on large exposures and related parties.

The average balance of total deposits in the period (payable to banks and customers) and the percentage change compared to the previous quarter 2021 are summarized in the following table:

FUNDING 2021 EUR/000

FIRST QUARTER		SECOND QUARTER		THIRD QUARTER		FOURTH QUARTER	
VALUE	+/- %	VALUE	+/- %	VALUE	+/- %	VALUE	+/- %
1,272,862	(8.86)	1,285,775	1.01	1,423,803	10.74	1,451,399	1.94

The trend of the main collection items over the last three years (2019-2021) is shown below:



Managing financial assets

The securities portfolio owned by the Bank is mainly made up of Government Bonds, in particular those issued by the Italian Republic; it supports the management of liquidity commitments and follows approaches based on medium and long-term time spans.

During the 2021 financial year, the Bank confirmed its search for more stable loans, aimed at generating returns deemed appropriate in a medium-long term scenario and, at the same time, guaranteeing an asset quality compatible with an adequate level of the Liquidity Coverage Ratio (LCR) which has always remained well above the minimum requirement.

In 2021 – after a block due to the economic crisis of 2020 – there was also a satisfactory recovery in trading activities, which led to the achievement of results in line with (prudential) expectations. Dealing with interest rate derivatives was effective, with a view to safeguarding financial margins.

The composition of the portfolio at the end of the year reflects investments made, with a very low risk profile, mainly in bonds issued by supervised intermediaries, Italian government bonds and bonds issued by foreign governments or central institutions – including non-EU ones – with an average residual maturity of 2.92 years (average duration 1.01 years) for the investment portfolio and 2.85 years (average duration 2.19 years) for the more residual trading portfolio. The use of derivative products, aimed at mitigating the interest rate risk from a managerial point of view, has brought the average duration to 0.56 years for the investment portfolio.

The Bank's policy, always taking into account its limited risk propensity, was to limit investments in the stock market, favouring investments in the bond segment, both in variable and fixed rate issues, linking the latter to derivative instruments suitable for limiting the risks deriving from the volatility of interest rates. In more detail:

a) Investment portfolio (i.e. to be held until maturity or available for sale):

- floating rate issues with attractive profitability, to be held in the portfolio until maturity or available for sale, originating mainly from the Italian State, with the primary objective of ensuring compliance with the regulatory threshold set for the LCR (Liquidity Coverage Ratio);

- fixed rate issues, with maturities mostly attributable to the short term (also due to hedging instruments) and issued by sovereign countries (also by the Italian State), with the primary objective of ensuring compliance with the regulatory threshold set for the LCR.

The Bank has chosen not to use, so far, new and additional technical forms of investment or management tools for the proprietary portfolio, such as harmonized products and undertakings in collective investment - UCIT (Italian OICR).

Interbank activity

Activities in this area continued to be strongly influenced by the expansionary monetary policies that the ECB conducted also in 2021.

The main objective of these monetary policies has been, and continues to be, aimed at expanding the money supply and, therefore, at encouraging an increase in credit to businesses and households, at sustainable economic conditions, with the ultimate aim of feeding economic recovery.

The main refinancing rate of the ECB remained at an all-time low of 0%, while that on bank deposits stood at -0.50% and the marginal lending rate at 0.25%.

In the last quarter of 2021, the ECB decided to gradually reduce the pace of asset purchases, in light of an objectively more solid economic recovery and the strengthening inflationary effects. Before the outbreak of the Russia-Ukraine conflict the ECB had reassured everyone that, in the course of 2022, in light of the many areas of global uncertainty, monetary policy would continue to be flexible and ready for various options in relation to the evolution of the international macroeconomic framework with the aim of guiding inflationary pressures in the medium term towards around 2% considered adequate to maintain a satisfactory level of growth.

The result of the Bank's Finance Area, despite being affected by the very low marginality of the interbank deposit segment, has reached a satisfactory level that exceeds budget forecasts, while always ensuring absolute compliance with regulatory limits (NSFR and LCR).

The overall amount managed by the Treasury Sector in various currencies has remained at an average value of 1.5 billion euros.

Main results of the financial year

The net economic result for the year in question, equal to approximately **1.4 million euros** (previously -57.7 million euros in 2020), returned to a positive sign after three consecutive years characterized by significant losses.

In more detail:

- the **"interest margin"** amounted to circa **18.7 million euros**, with an increase of 57.6% compared to 2020; the upswing is due to the significant increase in commercial activity and, consequently, in the average cash exposures in the year 2021. This is the result of the Bank's commitment to research, despite the contextual difficulties of the financial markets, and includes forms of diversified lending and having a satisfactory risk/return profile.

- **"Intermediation income"** amounted to circa **15.4 million euros** (previously 5.7 million euros); the increase is attributable to the commitment of the commercial structure, the post-pandemic recovery of international trade and the restarting of business in the Bank's core countries. The result of income from trading activities was also significant.

- The item **"value adjustments and provisions for risks"** reflects the prudential approach in assessing the effective repayment expectations on non-performing positions, in compliance with the current credit policy. Provisions in the period under review amounted to circa **8.4 million euros**, as a combined effect of new analytical net write-downs of circa **6 million euros** on positions classified as non-performing (stage 3) and circa **2.4 million euros** of additional write-downs deriving from the application of the international accounting standard IFRS9 on positions classified as performing loans and securities (stages 1 and 2).

- **"Personnel costs"**, equal to approximately **15.6 million euros**, decreased mainly as a result of a collective early-retirement procedure completed during the financial year without negatively affecting operational processes.

The result also incorporated the effects of Banca d'Italia's decision, which took place in the first half of 2021, to request substantial economic contributions – ordinary and extraordinary – from the entire national credit sector, to be paid respectively to the Single Resolution Fund (FRU) and to the National Resolution Fund (FNR). The total amount of these compulsory contributions, allocated to administrative expenses, was approximately **1.5 million euros.**

The Bank, in agreement with the auditing firm, has prudently postponed to future years the recognition in the financial statements of "deferred tax assets" from tax losses, potentially equal to approximately **30 million euros**.

Other aspects

It should be noted that the Bank was the subject of an ordinary audit by the Revenue Agency in the period January-February 2020. This activity, in light of the measures to combat the spread of Covid-19, was interrupted and will resume as soon as the health emergency is over.

Furthermore, the Bank is awaiting the outcome of the dispute with the Revenue Agency relating to VAT for years 2007-2008, at the Supreme Court set for the end of April 2022. In the previous year the Bank prudently made a full provision for these years; consequently, in the event of an adverse decision, there will be no impact on the income statement.

As reported in the 2020 Financial Statements (see subsequent events section) UBAE was subjected during the 2021 financial year to an inspection by Banca d’Italia pursuant to art. 54 of legislative decree no. 385 dated 1 September 1993, which was completed in April 2021.
This inspection did not reveal any significant critical aspects; the attention of the Supervisory Authority focused on some aspects for improvement which the Bank has adequately implemented by planning a series of interventions in accordance with Banca d’Italia instructions.

ORGANIZATION AND PERSONNEL

1. PERSONNEL

During 2021, the Bank continued to aim at gradually building over time a reality based on people (and for people), on professional skills and qualifications, on their spirit of collaboration and on their corporate identity, with the objective of maximising benefits for stakeholders, in particular to guarantee adequate levels of service to customers and thus ensure satisfactory profitability in the medium-long term. In this context, the strategic drivers that make Banca UBAE oriented towards, and committed to, the enhancement of its human capital must be borne in mind.

Therefore, the Bank's Management is responsible for a process of continuous change based on the close interdependence between Environment-Strategy-Structure, through the activation of all the necessary levers for the care and development of its employees, in order to create added value for the Bank as a whole and for its shareholders.

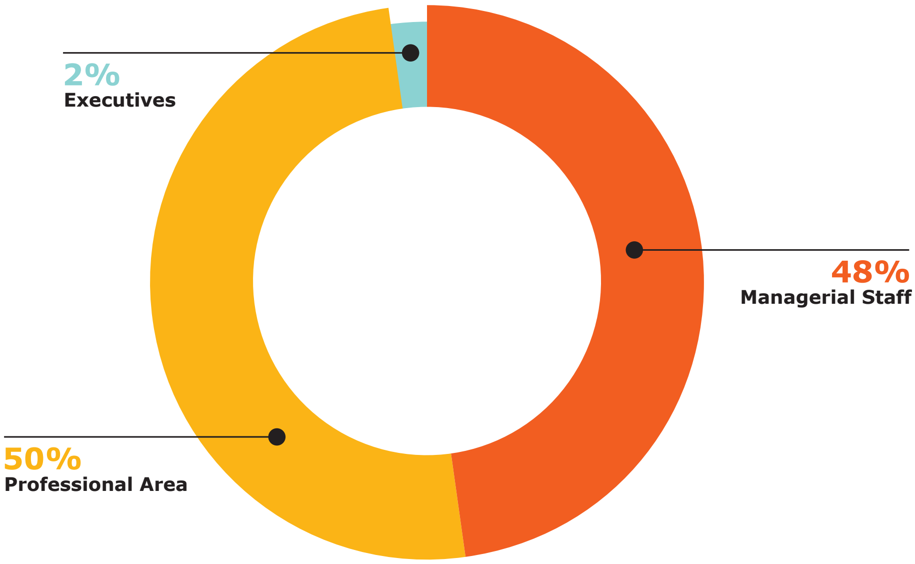
In 2021, the Bank had to continue to deal with the Covid-19 epidemic, reinforcing all the controls and taking appropriate measures to counter the spread of the virus, including the use of smart working. The choices made from time to time have been inspired by the protection of the health of the Bank's personnel, at times following more prudent approaches than those required by law.

An important aspect of the year 2021 was certainly the initiation and conclusion of the trade union information and consultation procedure pursuant to article 20 of the National Collective Agreement (CCNL) for managers and staff of professional areas dependent on banking institutions, aimed at finding solutions to deal with a situation of surplus staff. The aforesaid procedure was concluded on 10 June 2021 with the signing of an agreement with the trade union counterparts.

During the trade union discussions, the parties – having verified the number of personnel eligible for access to forms of retirement (with and without recourse to the benefits of the solidarity fund in the credit sector) – agreed on a number of redundancies of 23 people. The parties examined the possible tools for dealing with the effective employment tensions, agreeing as a priority on access to the extraordinary benefits of the solidarity fund for the support of employment income and professional qualification of banking personnel, and on the recognition of redundancy incentives for those who are entitled to access other forms of early retirement in accordance with current legislation.

The workforce, therefore, amounted to 156 employees at the end of 2021, distributed as follows in relation to the main categories:

- 1.9% executives
- 48.1% middle managers
- 50% professional areas



The dynamics of the composition of the workforce by qualification for 2021 and 2020.

	31.12.2021		31.12.2020	
	N°	INCIDENCE	N°	INCIDENCE
EXECUTIVES	3	1.9%	3	1.7%
MIDDLE MANAGERS	75	48.1%	86	48.9%
PROFESSIONAL AREAS	78	50.0%	87	49.4%
	156		176	

The Management is also committed to dealing with the following activities:

1. **adjusting the Bank's organizational structure**, aimed at reducing the fragmentation of business units and at the same time improving the efficiency of organizational processes. The underlying objective was, therefore, to streamline the current organizational structure, by operating some reasoned amalgamations between interdependent units;

2. **maintaining and updating the performance management system**, aimed at a greater understanding and evaluation of professional performance; the focus was therefore on orienting the action of management on objectives and behaviours that directly govern UBAE's business (identifying the critical factors of the Bank's success and translating them into organizational objectives and behaviours to be managed);

3. **promoting the culture of safety in the workplace** through training and information initiatives; in addition to the activities governed by decree-law 81/2009 (for example annual meetings, risk assessment, etc). The Bank has therefore implemented all the necessary measures to combat the spread of Covid 19, described in the specific corporate protocol;

4. **strengthening the Bank's welfare system**, aimed at making available to employees goods and services related to the needs of their working, personal and family life. This initiative has set itself as qualifying objectives: improving the workplace atmosphere, boosting productivity, increasing staff satisfaction and motivation;

5. **maintaining an integrated training system**; for some years now, Banca UBAE has been defining and implementing training actions aimed at the growth of its internal resources. These activities were activated in order to strengthen the individual's knowledge and skills necessary to implement the quality of customer relations, to optimise internal operational processes and to respond to the most recent regulatory interventions. Specifically, training activities were carried out related to the compulsory training programme (inherent, that is, to the necessary updating relating to the regulations on handling personal data, safety in the workplace, as well as privacy and anti-money laundering) and specialized issues (financial, credit process). These initiatives were carried out using remote training methods.

2. ORGANIZATION, IT SYSTEMS, SECURITY AND PRIVACY

The Organization and IT systems Sector deals with activities aimed at improving business operations, organizational structures, ICT security, regulations and business processes.

With regard to procedural developments on significant management aspects, the impact deriving from the adaptation of systems to new regulations and IT security was strong in the past year.

During 2021, the Bank carefully followed the updates to the IT system of the outsourcer CEDACRI and the Arcares factoring platform, continuously monitoring the quality of the IT solutions released.

The periodic analyses of the performance indicators have constantly highlighted service levels in line with the contractual terms of the service level agreements (SLA). Furthermore, there were no incidents with a critical impact on the IT system, nor were there any incidents that jeopardized its safety. The Bank carried out periodic security tests on its Internet and Corporate Banking applications, from which no critical issues emerged.

In particular, **home and corporate banking** are monitored through a specific service provided by a leading company in the security sector, while the Bank's institutional site and network traffic are constantly monitored by an Operational Security Centre.

In terms of security, specific attention focused on payment systems. In September 2021, as required by Banca d'Italia, a specific analysis was conducted on the operational risks inherent in the payment system, from which no significant critical issues emerged. The Bank has integrated its corporate website by entering the information requested on anti-fraud issues in a specific section, in a transparent and timely manner

On the subject of network messaging, the launch of the T2-T2S Consolidation project, which will be completed in November 2022, will have among the most significant innovations the use and implementation of the RNI messaging to the ISO 20022 communication standard. Consequently the RNI messages (820 and 331) have been withdrawn. This solution, which will impact on the BE, PrEMIA and the Bank's credit transfer subsystems, as well as making the management of this messaging more efficient, introduces important security mechanisms on a par with what has already been adopted for the SWIFT component.

With regard to security and controls, close attention was paid to the adaptations of the technological infrastructures and, in particular, to the analysis of IT risks, updated to include in the library of controls also those relating to payment systems.

The Bank has enhanced the **Operational Security Centre** which makes it possible to analyze events that have an impact on IT infrastructures using systems that include sophisticated predictive analysis tools and artificial intelligence.

Periodic vulnerability checks of IT infrastructures took place in 2021 and will be rescheduled in 2022. The **ICT control library** will also be updated by extending the ISO 27001.

The Bank continues its collaboration with ABILab on various active websites; in particular, in terms of safety, the Bank participates in the RedFin workplan and has successfully performed the Table Top tests and Red Teaming Exercises during the year. For the future, the Bank intends to adopt the TIBER framework in the version that will be released in Italy, as well as proceeding with the regular tests indicated by the framework.

On the subject of **Privacy**, in 2021 the implementation of the application relating to the management of the electronic data processing register was completed, the compendium of documents required by the legislation was revised and updated, such as the methodology and process for managing impact assessments on the processing of personal data, the methodology and process for managing data breaches, the procedure for managing privacy by design and by default, the procedure for dealing with requests for the rights of data subjects, and the ADS Regulation.

In terms of **architecture and IT infrastructure**, during 2021 the Bank consolidated the activities carried out in the previous year, which led to greater resilience of systems within highly reliable architecture.

In addition, specific projects were launched and partially completed, through cloud solutions, aimed at reducing the load on the IT infrastructure (corporate intranet, email and data warehouse) according to principles of proportionality and risk containment.

With regard to **disaster recovery and business continuity**, the tests indicated in the annual business continuity plan were performed, without any significant critical issues being encountered. The Bank, with the support of the outsourcer, has prepared the implementation of the virtualization component in 2021, in particular to access the IT system directly from the laptop workstations, via VPN, without passing through the Bank's infrastructure.

With regard to the **development and maintenance of business applications**, various projects were completed in 2021, including the new SWIFT standard release on international guarantees, aimed at complying with the various regulations and implementing the credit control procedures. More specifically, the Bank focused on the areas of a new definition of default, loan & origination monitoring (LOM), payment traceability, anti-fraud PSD2 and payment cards, T2T2s consolidation, third-party regulations, FATCA and anti-money laundering. For the latter area, in particular, the Bank has proposed itself as the main pilot role in the Cedacri area for carrying out the tests and checking production of the new Gianos4D platform.

In the field of **data governance and data quality**, the main event was the completion of the data governance project. This led to an assessment of the architecture currently in operation and to identifying a workplan which involved the release of a new data infrastructure (Data Lake) using a production tool to prepare credit and concentration risk reports for ICAAP purposes.

With regard to **anti-money laundering**, the procedures for monitoring and controlling suspicious transactions and for dealing with unexpected events have been improved; the developments used the internal data infrastructure fed by the IT system and subjected to preventive data quality checks. This database is also used for the self-assessment component required by law.

Particular focus was placed on **adequate verification** (with due diligence), for which the processes were reviewed and the specifications for the development of a new application were released; in addition, for the know-your-customer component, the procedure developed by SWIFT was released.

With regard to **transparency**, working with the compliance sector, the document structure of the information sheets and summary documents was revised and, in compliance with the PSD2 regulation, letters were sent to customers with the news regarding the possibility of third parties accessing information about their accounts, and the release of new tokens in accordance with the introduction of strong customer authentication using due diligence.

In the field of **governance**, with the reference of IT risk, the IT Register of data processing (EU Reg. 679/16) was updated and the Cloud Policy, the Annexes to the Guidelines for the management of third parties and the Incident Management policy were also updated. In the course of 2022, a project to rationalize the ICT operational procedure will be launched which includes, among the various components, changes, assets, backups, and incident management.

3. EXTERNAL AND INSTITUTIONAL RELATIONS

The main activities of the External and Institutional Relations Development Sector are:

- although with the limitations of the pandemic context, developing and consolidating institutional relations with Italian and foreign counterparties such as embassies, consulates and multinational development banks;
- planning of strategic marketing, communication and product development projects.

The objectives underlying the activity of the Sector are aimed at innovation and the quality of the products and services offered to customers, whether represented by correspondent banks or corporate entities, at the preservation of corporate reputation and the correct dissemination of its image, also through the monitoring and constant updating of the corporate website.

The driving forces that guided activities throughout the year are focused on the following areas:

A. Development of External and Institutional Relations

The projects related to this sector of activity play an important role within the Sector and provide for the development of synergies with bodies and institutions through the establishment of partnerships, with the common goal of offering concrete support to Italian companies with interests in the markets where UBAE operates.

B. Corporate Identity and external communications

Managing the corporate identity, coordinated image and external communication is also an integral part of the Sector’s activities. Communicative consistency makes it possible to consolidate and increase the brand awareness of the Bank towards the market, customers and competitors.

To this end, the most significant activities carried out by the sector refer to:

- preparation of press releases and articles;
- creation and production of brochures and sales materials;
- content and graphics management for the corporate website;
- revising and updating corporate documentation based on input from the offices concerned;

- coordinating the process of graphic layout, printing and compliance control of the financial statements;
- managing membership fees and relations with Associations and Chambers of Commerce of which UBAE is a member;
- publication updates (Bankers Almanac, ABI Yearbook, etc) based on input from the business units concerned;
- analysis of advertising and sponsorship proposals, only if in line with corporate values, communication strategies and commercial objectives.

C. Business Development

Activities carried out in collaboration with the Commercial Area and the Finance Area, aimed at increasing the strategic opportunities of our Bank and consolidating relations with the main Italian and foreign customers.

The initiatives implemented in 2021 focused mainly on the organization of Webinar training sessions for Italian customers.

The main seminars organized were as follows:

- **Libya 2021: re-launching Italian exports** – 14 May
  On the occasion of the Webinar, the General Manager, Maurizio Valfrè, highlighted Banca UBAE's role as a specialty bank, able to offer a unique specialization in Trade Finance; in addition to broad expertise for operations in the field of trading crude oil, gas and derivatives.

- **Libyan coastal highway – an opportunity for Italian companies?** – July 16
  The focus of the initiative was to promote the participation of Italian companies in this important infrastructure project, illustrating the support that a bank such as UBAE is able to offer.
  The event, inaugurated by the General Manager, Maurizio Valfrè, continued with the participation of the Deputy General Manager, Esam Elrayas, who presented the products and services of Banca UBAE, an institution with a strong international vocation, to the numerous companies present.

D. Strategic analyses

Preparation of reports and analyses aimed at providing a clear and concise framework to the General Management and the Commercial Management on issues of interest to support strategic decisions, such as: preliminary analysis on business potential with new products and with new countries (Country Reports), presentations at conferences, round tables, workshops.

4. RISK MANAGEMENT

The Bank continued to apply the procedures and methods for calculating the overall internal capita, as described in the ICAAP (Internal Capital Adequacy Assessment Process) reports. It also operated in compliance with national and international regulations, maintaining careful monitoring of the company's exposure to risks, strengthening, in particular, the liquidity risk management process also in the light of ILAAP (Internal Liquidity Adequacy Assessment Process) and continuing to articulate the analyses of capital adequacy on the basis of the various types of risk.

From an organisational point of view, the ICAAP/ILAAP reports, in addition to defining the roles and responsibilities of the various internal structures involved in the process, outline the management phases for each type of risk (measurable or not) and regulates the methods of calculating the internal capital, stress testing methodologies and prospective analysis techniques. With reference to the ILAAP process, stress scenarios are also defined, quantifying the impact of a liquidity crisis in terms of capital ratio, thus achieving the integration between ICAAP, ILAAP and RAF.

It should be emphasised that, for the purposes of applying the prudential regulations issued by Banca d'Italia, and in particular of the risk measurement methods required by Pillar II, Banca UBAE falls within class 3 of intermediaries, characterised by the adoption of simplified methodologies for measurable risks and mitigation policies and procedures for non-measurable risks.

For the purposes of the capital adequacy analysis, the three additional prudent requirements are also considered in relation to country risk, geo-sectoral concentration risk and strategic risk. These requirements are not required by law, but have been included in internal capital adequacy assessments with the aim of considering all the risks relevant to the Bank's business. In particular, the country risk, estimated according to an internal calculation method, is considered precisely to take into account the Bank's exposure generated by the specific operations carried out in certain geographic areas. It should be emphasized that the regulatory framework on the internal control system also provides for the inclusion of country risk (and transfer risk) among the risks to be analysed in the ICAAP context.

The definition of a risk management process, consistent with the strategic choices adopted, represents a prerequisite for the risk policies adopted by the competent corporate bodies.

The prudent control process aims to continuously ensure compliance with the capital requirements (with reference to the risks considered in Pillar I and the quantifiable risks considered in Pillar II, as well as the risks deemed relevant by the Bank) and to provide the Board of Directors and the General Management with the information necessary to set up the Bank's capital strengthening policies in an efficient and effective way.

This process contributes to the pursuit of the following specific objectives:

- raising the awareness of senior management about issues relating to risk and capital planning;
- making the Bank aware of the exposure to the various types of risk deriving from the conduct of corporate business;
- introducing additional types of risk in the measurement field (such as concentration, interest rate on the banking book, as well as country risk, geo-sectoral and strategic concentration risks);
- strengthening the organisational controls and management tools for other risks (liquidity risk, risk of excessive financial leverage and reputational risk);
- stressing the need for increasingly efficient and adequate risk measurement and monitoring tools;
- broadening the time period of internal analyses (prospective analysis) and the reference scenario (stress testing);
- improving the strategic planning process by introducing capital policies strictly connected to the Bank's risk profile and therefore to the results emerging from the ICAAP and ILAAP reports, as well as to the levels of risk appetite established by the strategic Oversight Body (Risk Appetite Framework - RAF).

As regards the change in the regulatory context, during the period under review, the Bank initiated study activities, impact analyses and internal development projects, sometimes also taking advantage of specialised external support.

In particular, the following issues were addressed:

- **Risk Appetite Framework** the system of risk appetite limits was revised, taking into consideration the strategic guidelines outlined in the 2020-2024 Business Plan, the historical and prospective trend of the Bank's risk profiles, as well as the asset situation and at the same time ensuring compliance with the current capitalisation limits set by the Oversight Authority in the Supervisory Review and Evaluation Process (SREP).
- **With regard to IT risk,** in renewing the outsourcing policy with the adoption of the full outsourcing model for banking operations, specific projects were launched and partially completed to lighten the IT infrastructure (corporate intranet, email and data warehouse) by adopting cloud solutions. Other important projects expected in 2022 concern the trade finance platform, the expansion of factoring operations through the use of online platforms and reverse factoring, the completion of data governance/data quality and operational risk projects, as well as reviewing, rationalizing and updating internal policies, processes and regulations.

Periodic vulnerability checks of IT infrastructures took place in 2021 and will be rescheduled

in 2022, and the ICT control library. In particular, the Bank foresees participation in the 2022 security field with initiatives and exercises organized by the national CERTFin-REDFin of ABI (e.g. testing RED Team and Table Top exercises). The Bank also intends to adopt, configured to its own needs, the Cyber Security framework created by the European Central Bank called TIBER (Threat intelligence-based ethical RED-team) and periodically carry out the tests defined by the framework.

Regarding privacy, in 2021 the introduction of the application related to managing the electronic data-processing register was completed and the compendium of the documents required by the legislation was revised and updated, such as the methodology and process for managing the assessment of impact on personal data processing, methodology and process for managing data breaches, procedure for managing privacy by design and by default, procedure for managing requests for data subjects' rights and the ADS Regulation.

- **IFRS9** – quarterly activities continued regarding the determination of impairment based on forward-looking PD and LGD data and, in March 2021, the macroeconomic model was revised. At the management level, the expected credit loss information was processed for each counterparty subject to credit and review, in order to complete the information intended for the decision-making bodies. In light of the Covid-19 emergency, during the third quarter, the calculation model of the risk parameters was analysed in order to take into account the contingent situation. In particular, on the PD forward-looking side, a different calibration of the weightings connected to the scenarios was carried out in order to determine the combined scenario; while on the forward-looking LGD side, the post-pandemic levels were assumed. While the Covid effects are captured by the quantitative models through the level of the macroeconomic variables selected in them which, reflecting the current international situation, are directly influenced by the pandemic crisis.

- **Recovery plan** – on the basis of the indications received from the Oversight Body in May 2021, the Recovery Plan was revised and integrated, in particular by providing for the redefinition of the stress scenarios and a different calibration of the attention thresholds in line with the new Strategic Plan 2020-2024. The new version of the Plan was approved by the 285th BoD on 27 July 2021. At the same time, the implementation of an automatic tool for monitoring the recovery indicators is being finalized.

- **Stress testing** – in 2021, for the ICAAP / ILAAP Report, the Bank perfected the stress testing techniques by expanding the scope and time horizon, introducing the concept of capital stress test, and also including specific Covid stress scenarios.

- **Shadow Banking System** – in the last quarter of 2021, the cluster review activities were started by administering a specific questionnaire to some banking counterparties for each non-equivalent country. During 2022, the answers provided will be evaluated in order to confirm or vary the current allocation of countries among the various SBE clusters.

- **Credit risk** – in 2021, periodic reporting was introduced for managing bodies and functions involved in the credit process.

- **Liquidity risk and interest rate on banking book** – starting from June 2021 the regulatory limit for the Net Stable Funding Ratio (NSFR) indicator came into force; the reporting and control processes have been appropriately adjusted and the ratio now integrates the recovery indicators belonging to the "liquidity" category.

- **Strategic Plan 2021-2024** – following the changed operating context, during the third quarter of 2021 the strategic objectives outlined in the previous planning were revised. The new version of the Business Plan was approved by the Board of Directors and submitted to the attention of the Shareholders' Meeting on 7 October 2021; at the same time, the budget for the year 2022 was also revised. The sustainability of the strategic guidelines outlined was also verified in terms of ICAAP and RAF, in order to ensure the necessary integration between the most important strategic corporate processes.

- **Remuneration policies** – during the annual policy review, the Bank outlined a new method for determining the bonus pool based on the risk-adjusted RARORAC performance indicator.

• Managing Credit Risk and Counterparty risk

Credit risk represents the risk of suffering losses in value of assets due to the worsening of the counterparty's creditworthiness.

Counterparty risk, on the other hand, represents the risk that a trading counterparty will not fulfil its obligations upon expiry of the contract; once the contractual deadline is exceeded, in the event of non-fulfilment, the counterparty risk is transformed into settlement risk.

The criteria of sound and prudent credit risk management have an impact on the granting, monitoring and review of credit lines.

In particular, with regard to credit risk, the following are envisaged:

- the systematic issue of entry scoring, both for banking and corporate counterparties;

- periodic monitoring of credit trends with evidence of internal anomalies (overdrafts) and external ones (Risk Centre);

- periodic stress testing.

Exposure to credit and counterparty risk is constantly monitored, both in terms of compliance with operating credit limits (performance control) – by a specific Sector of the Credit and Control Sector – and of deterioration in the quality of the portfolio in terms of capital absorption (credit risk control) – by the Risk Management Sector.
The measurement of internal capital against credit risk is carried out by applying the standardised method as required by current prudent regulations.

Furthermore, for ICAAP purposes, the Risk Management Sector carries out scenario analyses from a stress testing perspective by simulating the impact on the capital requirement generated by certain information shocks such as the default of sovereign states, certain economic sectors or the deterioration of the domestic or international economic situation.

The Bank is also improving the performance monitoring phases by implementing an early-warning system.

With regard to counterparty risk, the Risk Management Sector, in collaboration with the Finance Sector, periodically monitors the exposures re-valued at the mark-to-market level, in order to verify compliance with the lines of credit granted to each individual counterparty.

The measurement of internal capital against counterparty risk is carried out by applying the current value method, as required by current legislation. In compliance with the existing regulatory framework, the capital requirement is also calculated against the risk of adjustment of creditworthiness assessment, known as Credit Valuation Adjustment (CVA).

• Managing Market Risks

The following risks are included in the category of **market risks:**

- **exchange rate risk:** this represents the risk of suffering losses due to adverse changes in the prices of foreign currencies on all positions held by the Bank regardless of the allocation portfolio;

- **position risk:** this risk derives from fluctuations in the price of securities due to factors relating to market trends (generic position risk) and the situation of the issuing company (specific position risk). In particular, the interest rate risk (on the trading book) concerns the risk of suffering losses in value of assets or increases in the value of liabilities due to adverse movements in market interest rates;

- **settlement risk:** transactions in debt securities, equities, derivative contracts, currencies and commodities, regardless of the portfolio to which they belong, not yet settled after their maturity date, expose the Bank to the risk of loss deriving from the failure to settle the transaction.

The operations of the Finance Sector and compliance with the operating limits set by internal regulations are constantly monitored by the first and second level control functions through access and use of the ObjFin front-office platform.
The reports, produced on a daily basis, are broken down by relevant desk and relate to the composition of positions, performance and the trend of the various risk and sensitivity indicators (VaR, Stop Loss).

Compliance with the internal operating limits is monitored daily and any anomalies are promptly reported to the structures involved to allow for appropriate corrective actions and/or the initiation of the authorisation process governed by internal regulations.

The Risk Management Sector prepares a monthly report for the Risk Committee and the Board of Directors regarding the monitoring activities conducted, the exceptions found and the performance analyses carried out.

The measurement of internal capital against market risks is carried out by applying the standard methods provided for by the prudential regulations in force.

The Bank has not requested the recognition of internal models for the purpose of calculating the capital requirement in relation to market risks.

• Managing operational risks

Operational risks represent the risk of losses resulting from the inadequacy or malfunction of procedures, human resources, internal systems or external events (this definition includes legal risks but not strategic and reputational risks).

Although having opted for the basic calculation method (Basic Indicator Approach) in determining the capital requirement envisaged by prudential regulations, the Bank has started the implementation of an operational risk management system capable of assessing and monitoring exposure to operational risks and the extent of the losses that could derive from them. To this end, in 2021, the Bank continued its project activities aimed at implementing a "transversal" tool which, containing a common mapping (processes and standards), can be used in an "integrated" perspective for risk assessment and loss data collection activities. At the end of the project activities, the internal policy regarding the operational risk management process will be defined.

• Managing other risks

- Liquidity risk

Liquidity risk represents the risk of not meeting requests for repayment of liabilities, unexpected in terms of volume and/or time maturity, due to an inability to find funds (funding liquidity risk) or limits on the disposal of assets (market liquidity risk).

Exposure to liquidity risk is constantly monitored by the Treasury desk, while the Risk Management Sector is entrusted with the second-level monitoring of the operating limits provided for by internal and external regulations, as well as the processing of the report to Banca d'Italia on a weekly basis.
The process of managing this risk is governed by the internal policy and provides for a Contingency Funding Plan. The system of internal operating limits currently involves various internal thresholds of attention for the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) in line with the current Recovery Plan. Performance monitoring for early-warning indicators, concentration funding ratios, and liquidity monitoring tools are also provided.

The internal policy has been updated to ensure its integration with the Recovery Plan, the escalation process governed therein and the ILAAP process.

From the point of view of instruments, the Bank uses the JCompass tool connected to the system of the IT provider Cedacri and an automatic handling tool for the daily processing of the LCR.

- Concentration risk

Concentration risk arises from exposures to counterparties, groups of related counterparties and counterparties belonging to the same economic sector or carrying out the same activity or belonging to the same geographical area. Basically it is the risk of suffering losses due to the correlation between the counterparties in question.

The prudential regulations in force (Pillar II) provide for a specific capital requirement to take into account the concentration by counterparty or by groups of connected counterparties (for the corporate portfolio). For the quantification of internal capital (according to the simplified methodology envisaged by the regulations), the Bank made use of a calculation tool fed with data from the Oversight Body reports. With a view to stress testing, the Risk Management Sector conducted internal simulations on a quarterly basis to assess the impact of any strategic-operational changes.

The Bank also integrated internal measurements, providing for an additional capital requirement for the Geo-Sectoral Concentration risk determined according to the quantitative methodology developed by the trade association (ABI) applied to the portfolio of Italian corporate entities.

As regards the "single name" concentration risk vis-à-vis banking counterparties, the Bank has in place a system of internal operating limits subject to quarterly monitoring and reporting and designed to contain this risk exposure.

With regard to concentration risk by economic sector and by geographical area, for which the legislation does not require any quantification, at the moment, the Bank has opted for the qualitative assessment of the credit portfolio as a whole.

With reference to countries deemed "non-equivalent", the Bank has a system of internal limits set for Shadow Banking Entities (SBE) according to a clustering mechanism and on the basis of the legislation on Large Exposures.

In 2020-21, the tool dedicated to the automatic monitoring of internal and external limits was made operational with reference to both the legislation on large exposures and the legislation on SBEs, simultaneously launching the related internal reporting process.
Lastly, with the aim of limiting the concentration risk towards corporate counterparties, the Bank has introduced an internal operating limit that is prudentially lower than the regulatory lending limit (25% of Eligible Capital) and equal to the identification threshold of Major Risks (10% of Eligible Capital).

- Interest rate risk on the banking book

The **interest rate risk on the banking book** represents the risk of suffering impairment of assets due to adverse movements in market interest rates.
Compliance with the internal operating limit prudentially set below the regulatory threshold is monitored by the Risk Management Sector, through the integrated treasury product (JCompass).

For ICAAP purposes, for the quantification of internal capital (according to the calculation algorithm required by law), in 2021 the Bank adjusted the quantification processes in compliance with the new regulatory method. Stress tests were also conducted assuming parallel and non-parallel shifts in the interest rate curve. In compliance with the relevant regulatory obligations, the measurement of the effects produced by a shift in the interest rate curve is not quantified only in terms of changes in the economic value but also in terms of changes in the interest margin.

Lastly, the internal policy that governs the process of managing the interest rate risk on the banking book, provides, in addition to the regulatory limit (risk indicator) and the limits established from an RAF perspective (risk appetite framework) for operating limits on cumulative amounts, the related warning thresholds and any internal authorisation thresholds to be activated if the limit is exceeded.

- Country Risk and Transfer Risk

Country risk represents the risk of losses caused by events that occur in a country other than Italy. The concept of country risk is broader than that of sovereign risk as it refers to all exposures regardless of the nature of the counterparties, be they individuals, companies, banks or public administrations.

Transfer risk represents the risk that a bank, exposed to a party that finances itself in a currency other than that in which it receives its main sources of income, will realize losses due to the debtor's difficulty in converting its currency into the currency in which it is called to show. For the purposes of internal analysis, this regulatory description is expanded to include the risk associated with restrictions, issued by the Authorities, on capital movements and the repatriation of dividends and profits.

In light of the prevailing international character of the operations carried out by Banca UBAE, the political risk associated with some countries on which the business is concentrated deserved growing attention also in 2021.

From the management point of view, the granting of a ceiling or plafond of use for each country is envisaged, which is the responsibility of the Board of Directors, and which regulates loans to those countries that have a rating lower than BBB or that do not have any rating.

From the point of view of quantifying the exposure to risk, the Risk Management Sector has already introduced an internal estimation methodology for several years aimed at determining

an additional capital absorption against country risk and which integrates internal analyses in terms of capital adequacy. Although this capital requirement is not prescribed by law, it is calculated according to an internal estimation method based on exposure data for the purposes of reporting by the Oversight Body and on the probability of a banking or currency crisis differentiated by country.
In order to understand the supervisory guidelines on stress testing, the Bank has decided to include country risk in the category of risks subjected to stress tests (credit risk, concentration risk and interest rate on the banking book). Therefore, on the basis of the internal methodology already in use for the quantification of internal capital in ordinary conditions, adverse hypotheses are assumed consistent with credit risk stress testing. The introduction of country risk during stress testing was also reflected in the RAF area with the provision of a risk tolerance appropriately calibrated to the new calculation method.

With regard to transfer risk, the Bank has decided to include, from a quantitative point of view, this risk in the overall context of the country risk; while from a qualitative point of view, the material nature of this risk was assessed by analysing the composition of the loan portfolio and determining the relevance of the exposures to countries belonging to the transfer risk classes provided by the trade association (ABI).

- Risk of Excessive Financial Leverage

The **risk of excessive financial leverage** represents the risk that a particularly high level of indebtedness with respect to the endowment of its own means makes the Bank vulnerable, making it necessary to adopt corrective measures to its business plan, including the sale of assets with recognition of losses that could lead to value adjustments also on the remaining assets.

The risk of excessive leverage is included among the risks to be subjected to assessment in the ICAAP report, and the minimum thresholds to be respected have been established in 2021 by the Oversight Authority, as well as a specific leverage ratio.

The internal policy governs the methods for identifying, assessing, measuring and monitoring the risk itself. In particular, the Bank has decided to monitor the level of the leverage ratio by providing for compliance with an internal limit and defining an early-warning threshold, as well as providing for its inclusion among the recovery indicators defined in the recovery plan.

- Strategic risk

Strategic risk represents the risk of not achieving the objectives in terms of expected economic results due to the volatility of market scenarios (business risk) and errors made in setting up and executing the strategy (pure strategic risk).

Strategic risk has always represented a high level of management complexity and required qualitative and scenario assessments in order to quantify the possible impacts deriving from changes in the operating and/or regulatory context. The Bank is institutionalizing a process for the formulation of scenarios necessary for the construction of the annual budget and the three-year strategic plan and for the measurement of the variability of the intermediation margin intended as an approximation of the risk and as a measure of an additional capital requirement that integrates and completes analyses in terms of capital adequacy. This risk is also included as being subject to internal limits (Risk Appetite Framework).

- Reputational risk

Reputational risk represents the current or future risk of a decline in profits or capital resulting from a negative perception of the bank's image by the various stakeholders (customers, counterparties, shareholders, investors, supervisory bodies, the market in general).

This risk requires, due to the complexity inherent in its treatment, qualitative assessments and mitigation policies especially preventive with respect to the manifestation of the injurious event.

Although the quantification of capital absorption is not envisaged, he Bank has defined its own internal policy for the management of reputational risk which, in addition to defining the roles and responsibilities of the various internal structures involved, outlines the model of prejudicial events, identifies the mitigation policies necessary to contain any negative effects and/or prevent the occurrence of the harmful event and finally establishes the intervention strategies in the event that a "reputational crisis" should actually occur.

5. MANAGEMENT REPORTING

During the 2021 financial year, the Bank continued to implement the internal management reporting systems, with the aim of making a well-articulated, complete and comprehensive set of information available to the governance bodies, management bodies and the entire structure, having the appropriate time-to-market.

In order to standardize and improve the corporate processes of data production and analysis, the management control unit, in collaboration with the organizational development sector, was involved in improving and strengthening the Bank's IT procedures, with the aim of increasing the validity of the system currently in use and therefore to ensure intact and certified data as far as possible on an ongoing basis.

During 2021, in order to understand the consequences of the pandemic effects and the changed context, a new business plan 2021-2024 was prepared, as a synthesis of market forecasts, in particular those relating to the countries of interest of the Bank, and new updated strategies.

6. LOGISTICS

The Bank, in addition to the normal maintenance of its assets, continued to improve efficiency measures regarding the offices in Rome and Milan (branch) and Morena (archive), aimed at ensuring optimal use of corporate premises, with particular attention to safety and security, energy saving, respect for the environment, and cost containment. During the year, significant works were carried out in full compliance with the relevant laws and regulations.

During 2021, the Bank decided to make use of an external company to manage the paper archive, and to provide custody services. A partner of high standing and specialized in the field was chosen for this activity. The contractual agreements were formalized in the early months of 2022, in compliance with the laws, the regulatory indications and best market practices. Transferring documents from the current Morena archive will be completed within the first half of 2022.

RECLASSIFIED BALANCE SHEET

EUR/000

	BALANCE AS AT :		CHANGE	
	31.12.2021	31.12.2020	AMOUNT	%
ASSETS				
CASH AND CASH EQUIVALENTS	285,912	295,784	(9,872)	(3.34)
LOANS AND ADVANCES				
- TO CUSTOMERS	285,288	246,961	38,327	15.52
- TO BANKS	349,404	367,404	(18,000)	(4.90)
FINANCIAL ASSETS HELD FOR	17,353	9,583	7,770	81.08
FIXED ASSETS				
- FINANCIAL (1)	721,603	713,120	8,483	1.19
- TANGIBLE	21,181	21,818	(637)	(2.92)
- INTANGIBLE	234	264	(30)	(11.36)
OTHER ASSETS (2)	20,854	33,704	(12,850)	(38.13)
TOTAL ASSETS	**1,701,829**	**1,688,638**	**13,191**	**0.78**
LIABILITIES				
ACCOUNTS PAYABLE				
- TO CUSTOMERS	117,008	152,190	(35,182)	(23.12)
- TO BANKS	1,363,206	1,299,587	63,619	4.90
FINANCIAL LIABILITIES HELD FOR	1,804	4,079	(2,275)	(55.77)
EARMARKED PROVISIONS (3)	19,114	20,708	(1,594)	(7.70)
OTHER LIABILITIES (4)	14,466	27,271	(12,805)	(46.95)
SHAREHOLDERS' EQUITY				
- CAPITAL AND RESERVES	184,838	242,570	(57,732)	(23.80)
- NET PROFIT (LOSS) FOR THE YEAR	1,393	(57,767)	59,160	(102.41)
TOTAL LIABILITIES	**1,701,829**	**1,688,638**	**13,191**	**0.78**

Inclusive:

(1) of financial assets HTC and HTC&s
(2) of tax assets and other assets
(3) of staff severance fund and provisions for risks and charges
(4) of tax liabilities and other liabilities

RECLASSIFIED INCOME STATEMENT

EUR/000

	BALANCE AS AT :		CHANGE	
	31.12.2021	31.12.2020	AMOUNT	%
NET INTEREST INCOME	18,790	11,920	6,870	57.63
NET NON-INTEREST INCOME (1)	15,443	5,755	9,688	168.34
GROSS OPERATING INCOME	**34,233**	**17,675**	**16,558**	**93.68**
PERSONNEL EXPENSES	(15,656)	(24,755)	9,099	(36.76)
ADMINISTRATION EXPENSES AND OTHER OPERATING EXPENSES/INCOME	(6,996)	(11,850)	4,854	(40.96)
GROSS OPERATING RESULT	**11,581**	**(18,930)**	**30,511**	**(161.18)**
NET ADJUSTMENTS TO TANGIBLE AND INTANGIBLE FIXED ASSETS	(1,176)	(1,134)	(42)	(102.41)
PROVISIONING, WRITE-DOWNS AND WRITE-UPS (2)	(8,635)	(37,703)	29,068	n.a.
PRE-TAX PROFIT (LOSS) FROM CONTINUING OPERATIONS	**1,770**	**(57,767)**	**59,537**	**(103.06)**
INCOME TAX FOR THE YEAR	(377)			
NET PROFIT (LOSS) FROM CONTINUING OPERATIONS	**1,393**	**(57,767)**	**59,160**	**(102.41)**
NET PROFIT (LOSS) FOR THE YEAR	**1,393**	**(57,767)**	**59,160**	**(102.41)**

Inclusive:

(1) of net commissions, dividends and net trading income and profits (losses) on disposal or repurchase of financial assets (HTC&S).
(2) of net impairment adjustments and net provisioning for risk and charges.

COMMENTS ON BALANCE SHEET ITEMS

Credits

The credit disbursement process is based on the involvement of the structure at the various organizational levels, so as to enable the prompt processing of requests from the counterparties concerned. During the year 2021, this process underwent some changes from both a structural and operational point of view, also linked to the entry into force of the EBA/GL/2020/06 guidelines on the granting and monitoring of loans, and the advance information on the new rules relating to the "Code of business crisis and insolvency in implementation of law no. 155 dated 19 October 2017."

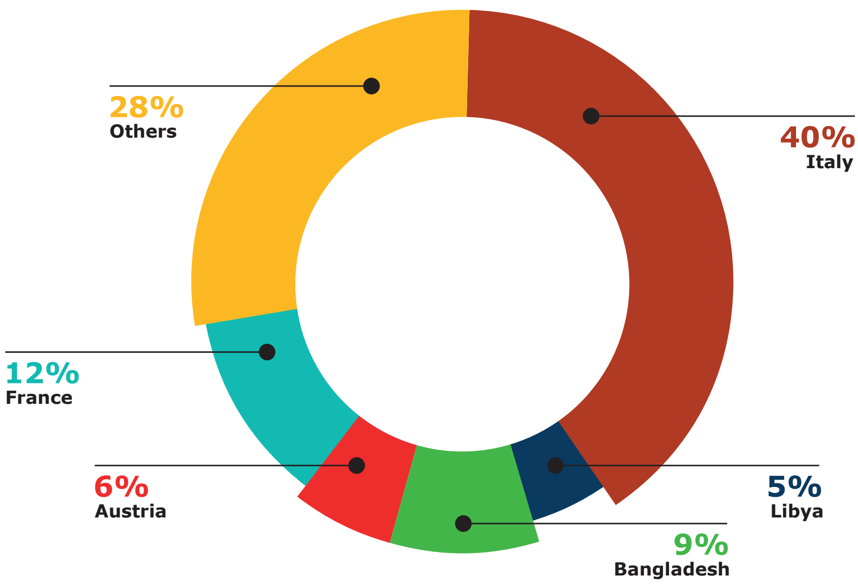
The following table shows the amounts of receivables at the end of the financial year:

EUR/000

	BALANCE AS AT :		VARIATION	
	31.12.2021	31.12.2020	AMOUNT	%
LOANS AND ADVANCES TO CUSTOMERS:				
IN EUROS	200,312	182,651	17,661	9.67
IN OTHER CURRENCIES	84,975	64,310	20,665	32.13
LOANS AND ADVANCES TO BANKS:				
IN EUROS	55,768	55,413	355	0.64
IN OTHER CURRENCIES	293,636	311,991	(18,354)	(5.88)
TOTAL	634,692	614,365	20,327	3.31

Below is the graphic representation by country of the loans granted by Banca UBAE as at 31 December 2021:

Percentage distribution loans by country in 2021



During the year, the Bank confirmed its vocation in the field of trade finance (letters of credit and letters of guarantee) and financing (loans and discounts) to support the commercial activity of its customers, in particular from/towards the countries of historical interest. The factoring business was also, according to plans, subject to strengthening.

As of 31 December 2021, loans to customers amounted to approximately Euro 285 million, an increase of over 15% on the figure for 2020; this increase is the effect of the commercial policies put in place and of a more general recovery of international trade flows.

Due to the high liquidity present on financial markets, especially for shorter durations (which the Bank has traditionally used) and for the Euro currency, loans to banks at the end of the year were, on the other hand, substantially in line (-5%) with the previous year, at around €18 million.

Activities in securities and derivatives

The consistency of financial assets including securities, minority stakes in equity investments and other financial instruments, amounted to circa Euro 737 mln and represents, compared to the previous year, an increase of Euro 19 mln.

The Own Funds securities portfolio, invested mainly in securities issued by the Italian Republic and in non-eligible government securities denominated in USD, also supports the management of the Bank's liquidity commitments.

The fair-value trend of the securities portfolio was characterized by significant volatility throughout 2021, following the political and economic uncertainties that have characterized the world economy.

At 31 December 2021, the nominal value of the securities in the HTC&S portfolio amounted to approximately Euro 3.7 mln (compared to Euro 3.8 mln at 31 December 2020), while the securities portfolio at amortized cost (HTC) was equal to Euro 718 mln (previously Euro 709 mln), consisting mainly of government bonds issued by countries of interest to UBAE, and Italian government bonds.

During the year, the Bank, in consideration of the yield levels offered, preferred to adopt a policy of maintaining the volumes of the HTC portfolio, without making any further new investments of a significant amount.

The Bank's policy in this sector was based not only on keeping the quota of securities in the Held-to-Collect (HTC) portfolio and the volume of High Quality Liquid Assets (HQLA) at optimal levels, but also, to maintain in the portfolio an optimal level of securities eligible for any open market operations, in the event of investment opportunities of particular interest or of necessity.

In 2021, there was also a resumption of trading activities, whose volumes at the end of the year amounted to Euro 17.3 mln (formerly Euro 9.5 mln in 2020), with a satisfactory economic return.

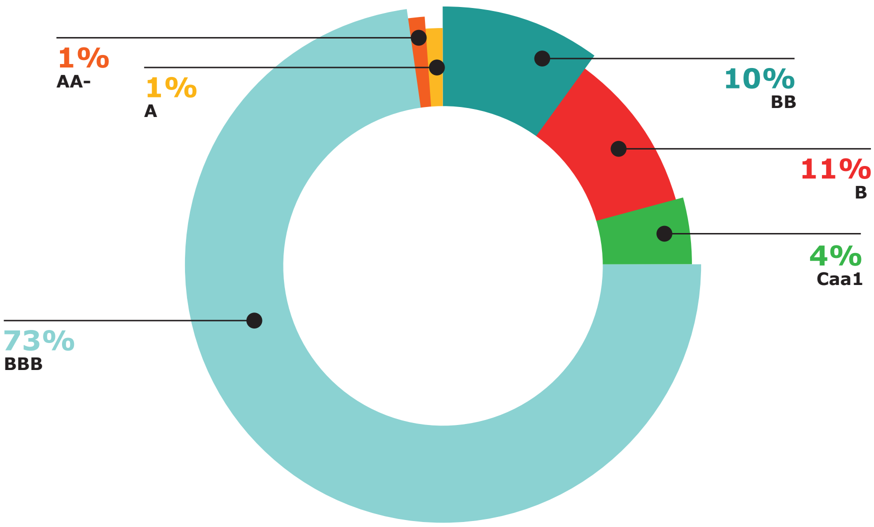
The table below shows information on the composition of the portfolio of financial assets held:

EUR/000

	BALANCE AS AT :		VARIATION	
	31.12.2021	31.12.2020	AMOUNT	%
FINANCIAL ASSETS				
ASSETS HELD FOR TRADING	17,353	9,583	7,770	81.08
LIABILITIES HELD FOR TRADING	(1,804)	(4,079)	2,275	(55.77)
ASSETS HTC&S	3,695	3,809	(114)	(2.99)
ASSETS HTC	717,908	709,311	8,597	1.21
TOTAL	737,152	718,624	18,528	2.58

Below is the graphic representation of the assets to be held to maturity, and of the HTC&S portfolio divided by rating at the end of the financial year.

HTC - HTC&S Rating 2021



For the criteria followed in the valuation of the securities, as well as for those adopted for the purpose of distinguishing between trading and investment securities, please refer to what is described in the explanatory notes to the accounts, Part A - Accounting Policies.

Impaired financial assets (cash, signature and securities)

The tables below provide graphic information on impaired exposures:

EUR/000

	31.12.2021			
	GROSS EXPOSURE	WRITE-DOWNS	NET EXPOSURE	COVERAGE %
IMPAIRED ASSETS	166,950	(101,709)	65,241	60.9%
BAD DEBTS	32,796	(30,668)	2,127	93.5%
PROBABLE IMPAIRMENTS	134,154	(71,041)	63,113	53.0%
NON IMPAIRED ASSETS	2,163,483	(11,674)	2,151,809	0.5%
CASH AND NON CASH ASSETS (DEPOSITS EXCLUDED)	2,330,433	(113,383)	2,217,049	4.9%

EUR/000

	31.12.2020			
	GROSS EXPOSURE	WRITE-DOWNS	NET EXPOSURE	COVERAGE %
IMPAIRED ASSETS	142,765	(101,243)	41,521	70.9%
BAD DEBTS	35,457	(33,041)	2,416	93.2%
PROBABLE IMPAIRMENTS	107,307	(68,202)	39,105	63.6%
NON IMPAIRED ASSETS	2,163,483	(11,674)	2,151,809	0.5%
CASH AND NON CASH ASSETS (DEPOSITS EXCLUDED)	2,306,248	(112,917)	2,193,330	4.9%

Managing impaired loans involves the activation of interventions consistent with the level of severity of each exposure, with the aim of bringing it back to performing status or, where this is impossible due to the subjective situation of the counterparty, of activating adequate recovery or sale processes to maximize return flows.

The overall level of impaired loans, gross of adjustments to loans, amounted to Euro 166 mln, an increase of Euro 24.2 mln compared to the previous year. This increase represents the effect of the reclassification among the probable defaults of two positions referring to Italian corporate customers with only signature exposure.

During the year, new value adjustments were made for a total of Euro 6 mln to cover potential losses on loans to customers and on securities classified as non-performing, gross of the effects deriving from write-backs on previous write-downs, from written-off exposures due to the absence of recovery expectations as well as from any sales.
As part of the prudential write-downs on the performing portfolio (stages 1 and 2, towards customers and banks, for cash and signature, as well as towards securities classified in the HTC and HTC&S portfolios) recorded in compliance with the provisions of the IFRS9 standard, write-downs amounting to Euro 2.4 mln circa.

The ratio between gross non-performing loans and loans (cash and signature) is equal to 1.34% (previously 1.56%), while that between non-performing loans net of write-downs and loans amounts to 0.09% (formerly 0.11%).

The ratio of gross impaired loans to gross loans to customers (NPL ratio) went from 6.27% to 6.83%, while the overall coverage percentage of impaired loans moved from 70.92% to 60.92%. Both indices are at good levels compared to those of the national banking system. In particular, the NPL ratio at the end of the year fell below the provisions of the activation threshold of the Recovery Plan, as approved by the UBAE Board of Directors, and communicated to Banca d'Italia.

A summary picture of the Bank's non-performing loan indices, both for cash and for signature, is contained in the table below:

HEDGING OF CREDITS BY STATUS	31.12.2021	31.12.2020	31.12.2019
BAD DEBTS	93,51%	93,19%	90,85%
PROBABLE IMPAIRMENTS	52,96%	63,56%	51,52%
OVERALL IMPAIRMENTS	60,92%	70,92%	64,43%
"IN BONIS"	0,60%	0,54%	1,02%
OVERALL OF CREDITS	4,73%	4,96%	4,35%

PERCENTAGE COMPOSITION OF CREDITS TOWARDS CUSTOMERS (CASH AND SIGNATURE)	31.12.2021	31.12.2020	31.12.2019
CREDITS "IN BONIS"	99,66%	99,46%	97,83%
IMPAIRED CREDITS:	2,80%	1,92%	2,17%
- BAD DEBTS	0,09%	0,11%	0,18%
- PROBABLE IMPAIRMENTS	2,71%	1,81%	1,99%

RISK RATIOS	31.12.2021	31.12.2020	31.12.2019
GROSS IMPAIRED CREDITS/GROSS CREDITS	6,83%	6,27%	5,24%
GROSS BAD DEBTS/GROSS CREDITS	1,34%	1,56%	1,72%
NET IMPAIRED CREDITS/NET CREDITS	2,80%	1,92%	2,17%
NET BAD DEBTS/NET CREDITS	0,09%	0,11%	0,18%

TEXAS RATIO	31.12.2021	31.12.2020	31.12.2019
IMPAIRED CREDITS/ SHAREHOLDERS' EQUITY	35,15%	22,47%	21,85%

Debts

EUR/000

	BALANCE AS AT :		VARIATION	
	31.12.2021	31.12.2020	AMOUNT	%
PAYABLE TO CUSTOMERS				
IN EUROS	76,121	64,608	11,513	17.82
IN OTHER CURRENCIES	40,886	87,582	(46,696)	(53.32)
PAYABLE TO BANKS				
IN EUROS	618,216	639,192	(20,976)	(3.28)
IN OTHER CURRENCIES	744,990	660,395	84,595	12.81
TOTAL	1,480,214	1,451,777	28,437	1.96

Payables to banks and customers are shown in the financial statements, in accordance with current legislation, at amortized cost.

The table above shows the amounts and changes in deposits in Euro and foreign currency, from customers and correspondent banks.
In 2021 funding from banking counterparties on the whole showed an average stable trend as regards the Euro component, while for the currency component (USD) there was a significant increase.

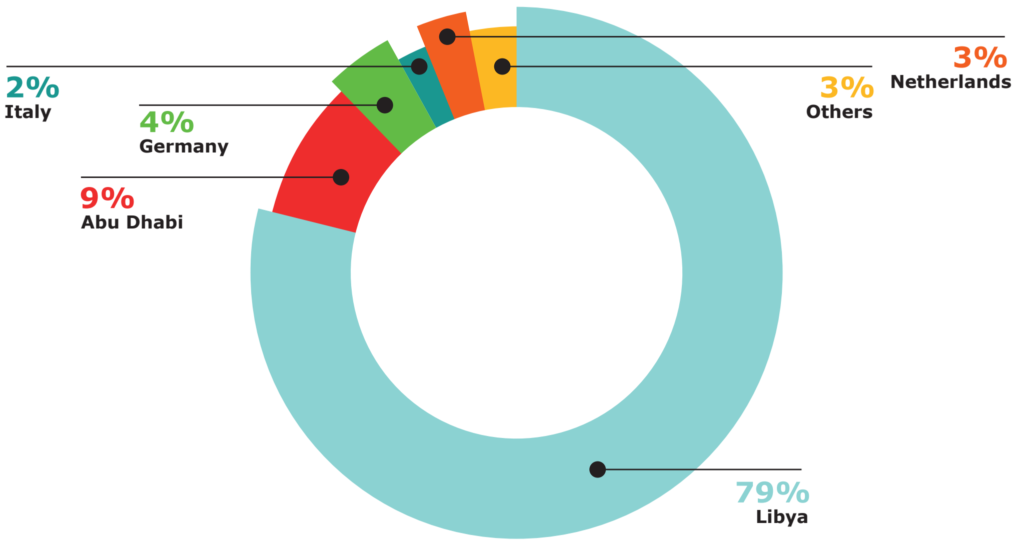
The amounts concerning deposits showed satisfactory results though still conditioned by the reduction of "oil" flows mainly due to the socio-economic conditions, in the first half of 2021, that impacted the economies of some producing countries (primarily Libya).

The volumes of deposits from corporate customers – especially in foreign currency, by counterparties resident in the countries of interest to the Bank – showed a significant slowdown.

Overall, total deposits were substantially in line with the previous year (+2%), going from Euro 1,452 mln to Euro 1,480 mln.

The following graph shows the division of debts by country.

Funding by country 2021



Equity

Net Equity is a fundamental element for assessing the solidity of a financial intermediary, from the perspective of the Supervisory Body, the rating agencies and any other stakeholder, as it is useful for measuring the expected stability (short / medium / long-term) and to parameterize all risk requirements (concentration risk, limits on uses, etc).

The following table shows the changes in the Bank's assets:

EUR/000

	CAPITAL	SHARE PREMIUM	RESERVES	NET PROFIT	TOTAL
31.12.2020	261,186	870	(19,486)	(57,767)	**184,803**
CHANGE IN OPENING BALANCE					
APPROPRIATION OF PROFIT: - RESERVES					
- DIVIDENDS					
- OTHER RESERVES			(57,731)	57,767	**36**
VALUATION RESERVE					
NET PROFIT				1,393	**1,393**
31.12.2021	**261,186**	**870**	**(77,217)**	**1,393**	**186,232**

Net Equity, including valuation reserves and the result for the period as at 31 December 2021, amounted to circa Euro 186.2 mln and showed a slight increase compared to the previous year (Euro 184.8 mln) due to the allocation of the profit for the year.

The shareholders' ordinary meeting, in approving the 2020 financial statements, resolved to postpone coverage of the losses for the year to the future.

At the end of the 2021 financial year, Banca UBAE had a CET1/Tier1 and Total Capital Ratio of 19.11% (compared to 19.13% as of 31 December 2020).

In addition, as a result of the review and prudential assessment process carried out by Banca d'Italia (SREP), the Supervisory Bodies determined, in 2020, the additional capital requirements that UBAE must comply with, in addition to the minimum required by current legislation; as of 31 December 2021, Banca UBAE was fully in line with the requirements established by the Supervisory Body (see table).

COEFFICIENT OF:	31/12/2021	LIMIT EXPECTED BY BANCA D'ITALIA
CET 1	19.11%	8.82%
CLASS 1	19.11%	10.93%
TOTAL CAPITAL	19.11%	13.74%

Since September 2021, the Bank has been using a new option for calculating Own Funds in accordance with IFRS9, introduced on a transitional basis by the European authorities in response to the Covid-19 pandemic crisis.
This methodology has an impact on Own Funds – as of September 2021 – of 27 million euros; this impact reduces to approximately 13 million euros as of 1 January 2022.

Shares

The share capital of the Bank at 31 December 2021 amounted to Euro 261,185,870 and is divided into 2,374,417 ordinary shares with a value of Euro 110 each.

COMMENTS ON BALANCE SHEET DATA

Interest margin

EUR/000

	BALANCE AS AT :		VARIATION	
	31.12.2021	31.12.2020	AMOUNT	%
10. INTEREST INCOME AND RELATED REVENUE	24,371	25,804	(1,433)	(5.55)
20. INTEREST CHARGES	(5,581)	(13,884)	8,303	(59.80)
NET INTEREST INCOME	18,790	11,920	6,870	57.63

Although market interest rates remained at minimum levels in 2021, efficient management of liquidity, loans and deposits resulted in an increase of 57.6% in net interest compared to the previous year.

The evaluation of the result achieved is certainly positive especially in consideration of the high liquidity profile from which the financial markets benefited during the year, as a consequence of the accommodating monetary policies adopted by the Central Banks.

BROKERAGE AND OTHER INCOMES

The revenues from brokerage and financial intermediation are shown below:

EUR/000

	BALANCE AS AT :		VARIATION	
	31.12.2021	31.12.2020	AMOUNT	%
30. DIVIDENDS AND OTHER PROCEEDS				
40. COMMISSIONS RECEIVED	16,374	13,639	2,735	20.05
50. COMMISSIONS PAID	(3,069)	(3,311)	242	(7.31)
NET COMMISSIONS	13,305	10,328	2,977	28.82
80. PROFITS (LOSSES) ON TRADING	1,987	(5,603)	7,590	(135.46)
100. PROFITS (LOSSES) ON DISPOSAL OR REPURCHASE HTC&S	151	1,030	(879)	n.a.
NET NON-INTEREST INCOME	15,443	5,755	9,688	168.34

Income from intermediation and other sources grew by 168% compared to the previous year, with an increase from Euro 5.8 mln to Euro 15.4 mln.

In particular, the net commissions amounted to Euro 13.3 mln, with an increase of 28.8% compared to Euro 10.3 mln of the previous year, as a result of the significant increase in the volumes of Letters of Credit and Letters of Guarantee.
The positive result from trading activities amounted to approximately Euro 2 mln, compared to the loss of Euro 5.6 mln in 2020.

The overall result of the Finance Area, which saw the reactivation during 2021 of some operational areas (e.g. trading) previously blocked in the context of the crisis, returned to being positive, albeit in a context of objectively difficult markets.

ADMINISTRATIVE EXPENSES AND OTHER OPERATING INCOME AND CHARGES

EUR/000

	BALANCE AS AT :		VARIATION	
	31.12.2021	31.12.2020	AMOUNT	%
A) PERSONNEL EXPENSES:				
WAGES AND SALARIES	(9,775)	(10,277)	502	(4.89)
SOCIAL SECURITY CONTRIBUTIONS	(2,925)	(3,251)	326	(10.02)
STAFF SEVERANCE PAYMENTS	(690)	(693)	3	(0.50)
OTHER EXPENSES	(831)	(9,205)	8,374	(90.97)
TOTAL EMPLOYEE EXPENSES	**(14,221)**	**(23,426)**	**9,205**	**(39.30)**
ADMINISTRATORS	(1,195)	(1,160)	(35)	3.05
STATUTORY AUDITORS	(101)	(91)	(10)	10.67
NON-STAFF ASSOCIATES	(139)	(77)	(62)	79.40
TOTAL PERSONNEL EXPENSES	**(15,656)**	**(24,755)**	**9,099**	**(36.76)**
B) OTHER ADMINISTRATION EXPENSES	(10,264)	(11,558)	1,294	(11.19)
C) OTHER OPERATING EXPENSES/ INCOME	3,268	(293)	3,561	n.a.
TOTAL	**(22,652)**	**(36,605)**	**13,953**	**(38.12)**

Administrative expenses and other operating income and expenses decreased by 38% compared to the previous year, from approximately Euro 36.6 mln to circa Euro 22.7 mln.

Personnel expenses, amounting to circa Euro 15.6 mln, decreased by 35% compared to Euro 24.7 mln the previous year. It should be remembered that the 2020 figure included provisions allocated to cover the estimated costs for accessing the Extraordinary Fund for early retirement and voluntary early-retirement incentives, scheduled for 2021. However, net of these extraordinary items, in 2021, this cost shows decreasing values compared to the previous year.

The cost of the Board of Directors (slightly up from Euro 1.16 mln to Euro 1.19 mln), and the Board of Statutory Auditors, were in line with the previous year; other administrative expenses amounted to Euro 10.3 mln (previously Euro 11.6 mln). This result includes the cost of the compulsory contribution (ordinary and extraordinary) of Euro 1.5 mln (formerly 1.9 mln) in favour of the Single Resolution Fund and the National Resolution Fund.

The decrease in administrative expenses (even net of extraordinary 2020 items) compared to the previous year reflects the particular and continuous attention that the Bank has focused and continues to focus on cost containment and the quest for operational efficiency.

Significant results were shown by Other Income, which includes both the recovery of costs and expenses for activities inherent to the Bank’s core business and the partial release of funds set aside prudently in previous years against risks that, in the course of 2021, have been redefined.

FORMATION OF OPERATING PROFIT

EUR/000

	BALANCE AS AT :				VARIATION	
	31.12.2021		31.12.2020		AMOUNT	%
GROSS OPERATING PROFIT		11,581		(18,930)	30,511	n.a.
NET ADJUSTMENTS TO TANGIBLE AND INTANGIBLE FIXED ASSETS		(1,176)		(1,134)	(42)	3.70
NET IMPAIRMENT ADJUSTMENTS:						
- TO LOANS	(7,201)		(32,678)			
- TO FINANCIAL ASSETS AVAILABLE FOR SALE	13		2,001			
- TO FINANCIAL ASSETS HELD TO MATURITY						
- TO OTHER FINANCIAL OPERATIONS	(1,214)		94			
- NET PROVISIONING FOR RISKS AND CHARGES	(233)		(7,120)			
TOTAL	0	(8,635)	0	(37,703)	29,068	
PROFIT (LOSS) BEFORE TAX		1,770		(57,767)	59,537	(103.06)
INCOME TAX FOR THE YEAR		(377)				
NET PROFIT (LOSS)		1,393		(57,767)	59,160	(102.41)

The write-downs and provisions, as a whole, contributed negatively to the formation of the operating result for Euro 8.6 mln (-77.1% compared to Euro 37.7 mln in 2020).

The comparison at the respective closing dates shows a positive 2021 result of Euro 1.39 million, compared to a loss of Euro 57.7 million in the previous year.

For further information on the above data, refer to the explanatory notes Part c) Information on the Income Statement.

SIGNIFICANT EVENTS AFTER THE END OF THE YEAR

As shown in the Report on Operations, the Libyan Foreign Bank renewed, in January 2022, the two "Security Agreements" for a value of Euro 100 million and USD 300 million, to guarantee transactions with it and with the companies of the Group.

These instruments will therefore continue to ensure broader levels of business for the Bank in full compliance with the stringent regulations issued by the supervisory authority, both in terms of credit relationships with associated parties and compliance with capital ratios.

As part of a third party foreclosure, activated against the Libyan State by "historical creditors", an assignment order was issued by the Court of Rome on 22.12.2021, which required Banca UBAE to pay sums by drawing on the accounts held by certain Libyan diplomatic missions.

Given the substantial inadequacy of the aforesaid accounts and pending procedural initiatives initiated by the debtor, Banca UBAE waited to proceed with the payment – becoming, as a result, the recipient of specific expropriation procedures, currently opposed.

Against such expropriation, in February 2022, bank drafts were subjected to foreclosure to the extent corresponding to the amounts prescribed – in compliance with the regulations in force – and at the same time debiting the accounts held by the diplomatic corps and deemed eligible to attachment by the Judicial Authority. Legal actions are currently pending aimed at reforming the aforesaid judicial rulings.

However, this event has no impact on the Bank's available funds.

- **Banca UBAE does not conduct R&D activities.**

- **Banca UBAE's portfolio does not hold its own shares.**

- **Information regarding rapports with related parties are contained in section "H" of the Explanatory Notes.**

THE FORESEEABLE EVOLUTION OF MANAGEMENT

The path undertaken of operational efficiency, refocusing of commercial activity and caution in the approach to credit risk places the Bank in the position of facing future challenges with a certain degree of serenity, also in a context of international markets that are still extremely volatile and complex.

In fact, after the resumption of economic activity that began in the spring of 2021, then gradually strengthened and continued unabated until the beginning of autumn, there was a significant slowdown in growth, as a combined effect of a new increase in Covid-19 infections, soaring prices for energy products and growing problems in the supply of raw materials.

For 2022, following the outbreak of the Russia-Ukraine conflict, the global recovery was expected to be moderately weakened compared to the year left behind, facing the uncertainty dictated by possible new variants of Covid-19, by inflation phenomena likely to be stronger and more lasting than initially feared (in 2022 to 3.9% in advanced economies and 5.9% in emerging ones), as well as by a high debt that could lead to particular difficulties for those emerging countries that would suffer from the declared reduction of expansionary monetary policies by central banks, and in particular by the FED.

There also remains the great unknown deriving from the fact that only 4% of the population of low-income countries has completed the vaccination cycle, compared to 70% of the well-to-do countries.

In this context, the strategies for the definitive relaunch of Banca UBAE included in the 2021-2024 Business Plan approved in October 2021 and already launched seem to be adequate for the current economic context and (on the basis of estimates available today) for the future; these strategies are aimed at deriving maximum benefits from the expected development of commercial traffic, in order to confirm Banca UBAE in its institutional role of support for the development of commercial, industrial and economic relations between Italy and numerous countries in Africa (especially North Africa) and the Middle East.

In particular, it is expected and strongly hoped that, in 2022, Libya will be able to regain its own political, social and institutional stability, which will help to facilitate and strengthen the support – which has never completely failed – that the majority shareholder Libyan Foreign Bank is able to offer the Bank.

PROPOSAL TO THE SHAREHOLDERS

Approval of the financial statements at 31 December 2021 and the allocation of the profit for the year.

To all Shareholders,

- having examined the Bank's draft financial statements closed on 31 December 2021;
- having viewed the Board of Directors' Management Report;
- bearing in mind the amount of capital resources available at 31 December 2021;

We propose

- to approve the financial statements of Banca UBAE at 31 December 2021, accompanied by the Directors' Management Report, which shows a profit for the year of **Euro 1,392,729**;
- to approve the proposal to allocate 5%, amounting to **Euro 69,636** to the legal reserve (article 30 letter A of the Articles of Association) and the remainder, amounting to **Euro 1,323,093**, to a reserve "Profit surplus for year 2021".

Following this decision, the total assets of the Bank as at 31 December 2021 will amount to Euro 186,231,600 divided as follows:

	EURO
SHARE CAPITAL	261,185,870
LEGAL RESERVE	13.563.736
SHARE PREMIUM ACCOUNT	870,226
IFRS9 FTA RESERVE FROM 2018 LOSS	(7,757,798)
IAS FTA RESERVE FROM 2005 IAS PROFIT	305,239
REVALUATION RESERVES	652.300
PREVIOUS YEARS' LOSSES	(83.911.066)
PROFIT SURPLUS FOR YEAR 2021	1.323.093
	186.231.600

Rome, 29 March 2022 **THE CHAIRMAN**


Boardroom

FINANCIAL STATEMENTS 2021

(Amounts in Euros)

BALANCE SHEET: ASSETS

ITEMS		31.12.2021	31.12.2020
10	CASH AND CASH EQUIVALENTS	285,911,966	295,784,028
20	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	17,353,433	9,582,821
	A) FINANCIAL ASSETS HELD FOR TRADING	17,353,433	9,582,821
30	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	3,694,995	3,809,399
40	FINANCIAL ASSETS MEASURED AT AMORTISED COST	1,352,599,542	1,323,675,628
	A) DUE FROM BANKS	382,420,026	401,936,513
	B) LOANS TO CUSTOMERS	970,179,516	921,739,115
80	PROPERTY AND EQUIPMENT	21,180,750	21,818,400
90	INTANGIBLE ASSETS	234,212	264,287
100	TAX ASSETS	16,752,912	17,477,376
	A) CURRENT	9,276,558	9,458,245
	B) DEFERRED	7,476,354	8,019,131
120	OTHER ASSETS	4,100,999	16,226,249
TOTAL ASSETS		1,701,828,809	1,688,638,188

BALANCE SHEET: LIABILITIES AND SHAREHOLDERS' EQUITY

ITEMS		31.12.2021	31.12.2020
10	FINANCIAL LIABILITIES MEASURED AT AMORTISED COST	1,480,213,756	1,451,775,843
	A) DUE TO BANKS	1,363,206,277	1,299,586,597
	B) DUE TO CUSTOMERS	117,007,479	152,189,246
20	FINANCIAL LIABILITIES HELD FOR TRADING	1,803,328	4,078,443
60	TAX LIABILITIES	1,856,783	1,709,276
	A) CURRENT	1,431,898	1,296,897
	B) DEFERRED	424,885	412,379
80	OTHER LIABILITIES	12,609,200	25,562,214
90	EMPLOYEE TERMINATION INDEMNITIES	575,691	851,428
100	ALLOWANCES FOR RISKS AND CHARGES	18,538,451	19,857,526
	A) COMMITMENTS AND GUARANTEES GIVEN	6,227,145	5,013,371
	C) OTHER ALLOWANCES FOR RISKS AND CHARGES	12,311,306	14,844,155
110	VALUATION RESERVES	652,300	616,887
140	RESERVES	(77,869,525)	(20,102,884)
150	SHARE PREMIUM RESERVE	870,226	870,226
160	SHARE CAPITAL	261,185,870	261,185,870
180	NET INCOME (LOSS) (+/-)	1,392,729	(57,766,641)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,701,828,809	1,688,638,188

INCOME STATEMENT

ITEMS		31.12.2021	31.12.2020
10	INTEREST AND SIMILAR INCOME	24,371,171	25,803,509
	OF WHICH: INTEREST INCOME CALCULATED USING THE EFFECTIVE INTEREST RATE METHOD	23,970,430	25,351,403
20	INTEREST AND SIMILAR EXPENSE	(5,581,290)	(13,883,832)
30	INTEREST MARGIN	18,789,881	11,919,677
40	FEE AND COMMISSION INCOME	16,373,472	13,639,524
50	FEE AND COMMISSION EXPENSE	(3,068,693)	(3,311,390)
60	NET FEE AND COMMISSION INCOME	13,304,779	10,328,134
70	DIVIDEND AND SIMILAR INCOME		0
80	PROFITS (LOSSES) ON TRADING	1,987,362	(5,602,975)
100	PROFITS (LOSSES) ON DISPOSAL OR REPURCHASE OF:	151,110	1,029,638
	B) FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH	151,110	1,029,638
120	NET INTEREST AND OTHER BANKING INCOME	34,233,132	17,674,474
130	NET LOSSES/RECOVERIES FOR CREDIT RISKS ASSOCIATED WITH:	(7,188,479)	(30,676,861)
	A) FINANCIAL ASSETS MEASURED AT AMORTISED COST	(7,200,894)	(32,677,608)
	B) FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH	12,415	2,000,747
150	NET INCOME FROM BANKING ACTIVITIES	27,044,653	(13,002,387)
160	ADMINISTRATIVE EXPENSES:	(25,919,916)	(36,312,444)
	A) PERSONNEL EXPENSES	(15,656,281)	(24,754,894)
	B) OTHER ADMINISTRATIVE EXPENSES	(10,263,635)	(11,557,550)
170	NET PROVISIONS FOR RISKS AND CHARGES	(1,447,206)	(7,025,735)
	A) COMMITMENTS AND GUARANTEES GIVEN	(1,213,774)	94,131
	B) OTHER NET PROVISIONS	(233,432)	(7,119,866)
180	NET ADJUSTMENTS TO / RECOVERIES ON PROPERTY AND EQUIPMENT	(1,074,485)	(1,058,673)
190	NET ADJUSTMENTS TO / RECOVERIES ON INTANGIBLE ASSETS	(101,895)	(74,603)
200	OTHER OPERATING EXPENSES (INCOME)	3,268,261	(292,799)
210	OPERATING EXPENSES	(25,275,241)	(44,764,254)
260	INCOME (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	1,769,412	(57,766,641)
270	TAXES ON INCOME FROM CONTINUING OPERATIONS	(376,683)	
280	INCOME (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	1,392,729	(57,766,641)
300	NET INCOME (LOSS)	1,392,729	(57,766,641)

STATEMENT OF COMPREHENSIVE INCOME

ITEMS		31.12.2021	31.12.2020
10	NET INCOME (LOSS)	1,392,729	(57,766,641)
	OTHER COMPREHENSIVE INCOME (NET OF TAX) THAT MAY NOT BE RECLASSIFIED TO THE INCOME STATEMENT		
70	DEFINED BENEFIT PLANS	10,101	3,648
	OTHER COMPREHENSIVE INCOME (NET OF TAX) THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT		
140	FINANCIAL ASSETS (OTHER THAN EQUITIES) MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	25,312	(200,615)
170	TOTAL OTHER COMPREHENSIVE INCOME (NET OF TAX)	35,413	(196,967)
180	TOTAL COMPREHENSIVE INCOME (CAPTIONS 10 + 170)	1,428,142	(57,963,608)

STATEMENT OF CHANGES IN EQUITY - 01.01.2021 - 31.12.2021

	BALANCE AS AT 31.12.2020	CHANGE IN OPENING BALANCE	BALANCES AS AT 01.01.2021	ALLOCATION OF PROFIT FROM PREVIOUS YEAR		INTERVENING VARIATIONS								SHAREHOLDERS' EQUITY AS AT 2021
				RESERVES	DIVIDENDS AND OTHERS	CHANGES TO RESERVES	CHANGES TO EQUITY						COMPREHENSIVE NET INCOME 2021	
							NEW SHARES ISSUED	TREASURY STOCK BOUGHT	EXTRAORDINARY DIVIDENDS PAID	CHANGES TO CAPITAL INSTRUMENTS	DERIVATIVES ON TREASURY STOCK	STOCK OPTIONS		
SHARE CAPITAL														
A) ORDINARY SHARES	261,185,870		261,185,870											261,185,870
B) OTHER SHARES														
SHARE PREMIUM ACCOUNT	870,226		870,226											870,226
RESERVES														
A) FROM PROFITS	6,041,541		6,041,541											6,041,541
B) OTHER	(26,144,425)		(26,144,425)	(57,766,641)										(83,911,066)
REVALUATION RESERVES (1)	616,887		616,887										35,413	652,300
CAPITAL INSTRUMENT														
TREASURY STOCK														
NET PROFIT FOR THE YEAR (1)	(57,766,641)		(57,766,641)	57,766,641									1,392,729	1,392,729
SHAREHOLDERS' EQUITY	184,803,458		184,803,458										1,428,142	186,231,600

STATEMENT OF CHANGES IN EQUITY - 01.01.2020 - 31.12.2020

	BALANCE AS AT 31.12.2019	CHANGE IN OPENING BALANCE	BALANCES AS AT 01.01.2020	ALLOCATION OF PROFIT/LOSS FROM PREVIOUS YEAR		INTERVENING VARIATIONS								SHAREHOLDERS' EQUITY AS AT 2020
							CHANGES TO EQUITY							
				RESERVES	DIVIDENDS AND OTHERS	CHANGES TO RESERVES	NEW SHARES ISSUED	TREASURY STOCK BOUGHT	EXTRAORDINARY DIVIDENDS PAID	CHANGES TO CAPITAL INSTRUMENTS	DERIVATIVES ON TREASURY STOCK	STOCK OPTIONS	COMPREHENSIVE NET INCOME 2020	
SHARE CAPITAL							101,325,070							
A) ORDINARY SHARES	159,860,800		159,860,800											261,185,870
B) OTHER SHARES														
SHARE PREMIUM ACCOUNT	870,226		870,226											870,226
RESERVES														
A) FROM PROFITS	6,041,541		6,041,541	(26,144,425)										6,041,541
B) OTHER	101,325,070		101,325,070			(101,325,070)								(26,144,425)
REVALUATION RESERVES	833,854		833,854										(216,967)	616,887
CAPITAL INSTRUMENT														
TREASURY STOCK														
NET PROFIT FOR THE YEAR	(26,144,425)		(26,144,425)	(26,144,425)									(57,766,641)	(57,766,641)
SHAREHOLDERS' EQUITY	242,787,066		242,787,066										(57,983,608)	184,803,458

CASH FLOW STATEMENT

	INDIRECT METHOD	31.12.2021	31.12.2020
A	OPERATING ACTIVITIES		
1	OPERATIONS	9,345,897	(10,683,000)
	PROFIT (LOSS) FOR THE PERIOD (+/-)	1,392,729	(57,766,641)
	NET IMPAIRMENT ADJUSTMENTS	7,188,479	30,676,861
	NET IMPAIRMENT LOSSES/REVERSALS ON PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS (+/-)	1,176,380	1,133,276
	NET ALLOCATIONS TO PROVISIONS FOR RISKS AND CHARGES AND OTHER EXPENSES/INCOME (+/-)	(1,319,075)	13,441,632
	UNPAID TAXES, DUTIES AND TAX CREDITS (+/-)	871,971	2,048,839
	OTHER ASSETS	35,413	(216,967)
2	LIQUIDITY GENERATED (ABSORBED) BY FINANCIAL ASSETS	(31,643,351)	381,380,500
	FINANCIAL ASSETS HELD FOR TRADING	(7,770,612)	685,319
	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	114,404	4,456,163
	FINANCIAL ASSETS MEASURED AT AMORTISED COST	(36,112,393)	381,694,513
	OTHER LIABILITIES	12,125,250	(5,455,495)
3	LIQUIDITY GENERATED (ABSORBED) BY FINANCIAL LIABILITIES	12,934,047	(373,948,891)
	FINANCIAL LIABILITIES MEASURED AT AMORTISED COST	28,437,913	(383,398,833)
	FINANCIAL LIABILITIES HELD FOR TRADING	(2,275,115)	1,643,350
	OTHER LIABILITIES	(13,228,751)	7,806,592
	NET LIQUIDITY GENERATED (ABSORBED) BY OPERATING ACTIVITIES	(9,363,407)	(3,251,391)
B	INVESTMENT/DIVESTMENT ACTIVITIES		
2	LIQUIDITY ABSORBED BY:	(508,655)	(319,219)
	PURCHASE OF TANGIBLE FIXED ASSETS	(436,835)	(107,172)
	PURCHASE OF INTANGIBLE FIXED ASSETS	(71,820)	(212,047)
	NET LIQUIDITY GENERATED (ABSORBED) BY INVESTMENT/DIVESTMENT ACTIVITIES	(508,655)	(319,219)
C	FUNDING		
	ISSUE (PURCHASES) OF CAPITAL INSTRUMENTS		
	DISTRIBUTION OF DIVIDENDS AND OTHER	0	
	NET LIQUIDITY GENERATED (ABSORBED) BY FUNDING ACTIVITIES		100,522,311
	NET LIQUIDITY GENERATED (ABSORBED) DURING THE YEAR	9,872,062	(3,570,610)
	RECONCILIATION	31.12.2021	31.12.2020
	CASH AND CASH EQUIVALENTS AT START OF YEAR	**295,784,028**	**299,354,638**
	NET LIQUIDITY GENERATED/ABSORBED DURING THE YEAR	(9,872,062)	(3,570,610)
	CASH AND CASH EQUIVALENTS: EFFECT OF EXCHANGE RATE VARIATIONS		
	CASH AND CASH EQUIVALENTS AT THE YEAR END	285,911,966	295,784,028

Rome Headquarters

NOTES TO THE FINANCIAL STATEMENTS

1 January - 31 December 2021

PART A: ACCOUNTING POLICIES

A.1 – GENERAL INFORMATION

The Financial Statements for the year ended 31 December 2021 of Banca UBAE S.p.A., in application of legislative decree no. 38 dated 28 February 2005, have been prepared in accordance with international accounting standards – International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) – issued by the International Accounting Standards Board (IASB) and related interpretations of the International Financial Reporting Interpretations Committee (IFRIC) approved by the European Commission, pursuant to EU Regulation no. 1606 of 19 July 2002. The application of IFRS was also carried out with reference to the "systematic framework for the preparation and presentation of financial statements" (Framework).

In addition to the instructions contained in the Banca d'Italia circular no. 262 of 22 December 2005 "bank balance sheet: layout and compilation rules" (7th update of 2 November 2021), on an interpretative level, both the documents on the application of IFRSs in Italy prepared by the *Organismo Italiano di Contabilità* (O.I.C.), and the Banca d'Italia Communication of 15 December 2020 - Integrations to the provisions of Circular no. 262 "Bank financial statements: formats and compilation rules" concerning the impact of COVID-19 and the measures to support the economy and amendments to IAS/IFRS on this subject.

On 29 March 2022, the Directors approved the Financial Statements Draft and their availability to the shareholders under the terms provided for by article 2429 of the Civil Code. These Financial Statements will be submitted for approval to the Shareholders' Meeting on 28/04/2022 (first call) and 10/05/2022 (second call) and will be filed within the terms set by article 2435 of the Civil Code. The Shareholders' Meeting has the power to make changes to these Financial Statements. For the purposes of the provisions of IAS 10.17, the date taken into consideration by the Directors in preparing the financial statements is 29 March 2022, the date of approval by the Board of Directors.

Section 1 - Declaration of Conformity with International Accounting Standards

In accordance with the provisions of IAS1 to §14, we certify that the balance and financial statements for the year ended 31 December 2021 of Banca UBAE comply with all the IAS/IFRS international accounting standards, including the Standing Interpretations Committee (SIC) and International Financial Reporting interpretative documents Interpretations Committee (IFRIC), in force on the date of approval of the balance sheet and endorsed by the European Commission.

For the interpretation and application of the new international accounting standards, reference was also made to the Framework for the Preparation and Presentation of Balance Sheets, i.e. the "Systematic framework for the preparation and presentation of balance sheets", issued by the IASB.

On an interpretative level, the documents on the application in Italy of the IAS/IFRS accounting standards prepared by the Italian Accounting Body (OIC) and by the Italian Banking Association (ABI) were also taken into consideration.

Section 2 - General drafting principles

The Financial Statements are made up of the balance sheet, the income statement, the statement of overall profitability, the statement of changes in equity, the cash flow statement and these explanatory notes and is accompanied by the directors' report on management performance and the situation of Banca UBAE. The accounts in the financial statements are matched in the Bank's accounting books.

The Financial Statements have been drawn up with a view to business continuity and referring to the general drafting principles listed below:

- principle of truth and correctness and completeness in the presentation of the equity, economic and financial situation;
- principle of economic competence;
- principle of consistency of presentation and classification from one year to another;
- principle of the prevalence of the substance over the form;
- principle of prudence in the exercise of the judgments necessary for making the estimates requested in conditions of uncertainty, so that the assets or revenues are not overestimated and the liabilities or costs are not underestimated, without this leading to the creation of hidden reserves or excessive provisions;
- principle of information neutrality;
- principle of relevance/significance of information.

In preparing the Financial Statements, the layouts and compilation rules set out in Banca d'Italia Circular no. 262 of 22/12/2005, updated on 2 November 2021, as well as further requests for information indicated in the subsequent clarifications of Banca d'Italia. In addition, complementary information deemed appropriate to supplement the representation of the Financial Statement data was provided, although not specifically required by law.
The balance sheet and profit and loss account schedules, the statement of comprehensive income, the statement of changes in shareholders' equity and the cash flow statement are drawn up in euro units, while the explanatory notes, when not otherwise indicated, are expressed in thousands of euros. For comparative purposes, the financial statement schedules and, where required, the tables in the explanatory notes also show the data relating to the previous year.
The assets and liabilities, costs and revenues are not compensated for each other, unless this is permitted or required by international accounting standards or by the provisions contained in the latest update of Circular no. 262.

In the balance sheet, in the income statement and in the statement of comprehensive income, the accounts that do not present amounts for the year to which the financial statements refer, or for the previous one, are not indicated. If an element of the assets or liabilities falls under several items of the balance sheet, its explanatory note also highlights its traceability to items other than the one in which it is entered, if this is necessary for the purposes of understanding the financial statements.

In the income statement and in the relative section of the explanatory notes, revenues are indicated without a sign, while costs are indicated in parentheses. In the statement of comprehensive income, negative amounts are indicated in parentheses.
The explanatory note does not show the items and tables given by Banca d'Italia's provision no. 262/2005 relating to items not applicable to Banca UBAE.

The criteria adopted for the preparation of the financial statements have remained unchanged with respect to those used for the financial statements of the previous year.
Following consultations at international level between Regulators, Governments and Bodies responsible for preparing and interpreting the accounting rules, in March 2009 the IASB approved an amendment to IFRS 7 in order to improve the disclosure of fair value measurement and reinforce previous disclosure requirements regarding liquidity risk associated with financial instruments.

Very briefly, with reference to:

- the criteria for determining the fair value of financial instruments, the changes introduce disclosure obligations, on the basis of what is already provided in SFAS 157, in terms of hierarchy of fair values on three levels determined on the basis of the significance of the inputs to the valuations;

- liquidity risk; a new definition is introduced (such as "risk that an entity may find it difficult to fulfil the obligations associated with financial liabilities that are settled through the delivery of cash or other financial assets") as well as more quantitative information on the methods of managing the liquidity of derivative instruments.

The main innovation referred to in the amendment to IFRS7 is the introduction of the concept of fair value hierarchy (Fair Value Hierarchy, hereinafter also "FVH") divided into three different levels (Level 1, Level 2 and Level 3) in descending order of observability of the inputs used to estimate fair value. For the criteria for determining fair value, reference is made to what is indicated in the specific notes in relation to section 4 below.

Section 3 - Events subsequent to the balance sheet date

With reference to events subsequent to the balance sheet date, please refer to the paragraph "Significant events after the end of the financial year".

Information on business continuity

As regards the "going concern" assumption, it should be noted that, in compliance with the indications provided in document no. 4 of 3 March 2010 issued jointly by Banca d'Italia, Consob and Isvap, concerning "Information to be provided in the financial reports on the verifications for the impairment of assets (impairment test)", on the contractual clauses of the financial debts, on the restructuring of payables, and on the "fair-value hierarchy" which refers to the corresponding document no. 2 again issued jointly by the three Authorities on 6 February 2009, the Bank has the reasonable expectation of continuing with its operational existence in the foreseeable future and has therefore prepared the financial statements on the assumption of business continuity as a "going concern".
More detailed information on the main problems and variables existing on the market is published in the Directors' Management Report.

Section 4 - Other aspects

The financial statements are subject to the statutory audit of the firm KPMG S.p.A, pursuant to articles 14 and 16 of legislative decree no. 39 of 27 January 2010, to which the assignment for the period 2021-2029 was conferred by the shareholders' meeting of 18/05/2021. The annual remuneration set upon the assignment amounts to 57 thousand euros plus VAT.

4.1 Amendment of the Accounting Standards approved by the European Commission

4.1.1 Information to the public

In line with the communication of Banca d'Italia of 30 June 2020 - "Guidelines of the European Banking Authority relating to the reporting and disclosure obligations to the public on exposures subject to measures applied in the light of the Covid-19 crisis", implementing the guidelines of the European Banking Authority (EBA) relating to the reporting and disclosure obligations to the public on exposures subject to measures applied in the light of the Covid-19 crisis (EBA/GL/2020/07) information is provided on:

- loans subject to moratoriums that fall within the scope of the EBA guidelines on legislative and non-legislative moratoriums regarding loan payments applied in the light of the Covid-19 crisis (EBA/GL/2020/02);

- loans subject to forbearance measures applied following the Covid-19 crisis, defined internally and assessed on a case-by-case basis, intended for customer companies not coming within the scope of the decree "Cura Italia" and/or the ABI agreement.

4.1.2 Impact of regulatory changes

As of 1 January 2020, the following changes have taken place in terms of banking and accounting regulations, and in terms of taxation:

- Decree 17/03/2020, no. 18 (Decree on "Cura Italia"), promulgated by the Council of Ministers as an emergency measure following the spread of the Covid-19 pandemic and then converted into Law no. 27/2020, introduced the following:

    - Article 49 provides, with reference to the "SME guarantee fund" which grants free state guarantees to professionals or micro, small and medium-sized enterprises in cases of difficulty in accessing credit, the extension of this fund to loans disbursed by banks to pay off previous debt positions of the company;
    - Article 54 established the right for customers to request, without any negative consequences, the suspension of the mortgage payments for the purchase of the first home without any negative consequences for the customer, through the support of the so-called "Gasparrini" fund which will compensate the banks for the greater extension granted to the customer;
    - At the tax level, Article 55 provides for the possibility of converting "DTA (Deferred Tax Assets)" into tax credits, even if not recorded in the financial statements, referable to certain predetermined tax assets for an amount proportional to the nominal value of the impaired loans (NPLs) that are transferred to third parties;
    - Article 56 introduced a series of concessions for micro, small and medium-sized enterprises that self-declare that they have undergone a partial or total reduction in activity due to Covid-19, provided that the debt exposure is not already considered impaired, including the impossibility for banks to revoke credit lines or advance invoices on the amounts granted up to 30 September 2020, the extension of the deadlines of the non-instalment loans as well as the suspension of instalments and loan fees until 30 September 2020;
    - Article 58 provided, in favour of companies that have obtained loans for internationalization projects, the possibility of requesting the suspension for up to twelve months of the payment of the principal amount and the interest of the instalments due during the year 2020, with consequent translation of the amortisation plan for a corresponding period.

- **the liquidity Decree (legislative Decree no. 23 dated 8 April 2020)**, converted into Law no. 40 dated 5 June 2020, enhanced the Guarantee Fund to meet the immediate liquidity needs of companies and professionals who are facing the consequences of the Covid-19 epidemic, as summarised below:

    - the coverage of the guarantee has been increased: on small loans up to 30 thousand euros, the intervention of the Fund covers 100% of the loans with a maximum duration of 10 years without the evaluation of creditworthiness for the purpose of granting the guarantee of credit. The guarantee covers all loans at 90% up to a maximum amount of 5 million euros per single beneficiary. For amounts up to 800,000 euros, the guarantee of an overdraft can be added, up to covering 100% of the loan.

- the range of beneficiaries has been expanded: to small and medium-sized enterprises (SMEs) and individuals carrying out business activities, arts or professions, brokers, insurance agents and sub-agents, as well as third sector entities have been added;
- the access procedures have been simplified: the guarantee is granted automatically and the loan can be disbursed by banks without waiting for a response from the Fund.

4.1.3 Entry into force of new accounting principles

Below is an indication of the new accounting standards and changes made to existing accounting standards approved by the EU, underlining that such changes had no material impact on the data reported in UBAE's financial statements as at 31 December 2021.

During 2021, the following accounting principles or amendments to existing accounting principles came into force:

- amendments to IFRS9, IAS39, IFRS7, IFRS4 and IFRS16 reform of the reference indices for determining interest rates - phase 2 (EU Regulation 2021/25);

- amendments to IFRS4 insurance contracts – postponement of IFRS9 (EU Reg. 2020/2097).

As of today, the document "amendments to IFRS3 business combinations; IAS16 property, plant and equipment; IAS37 provisions, contingent liabilities and assets as well as the annual cycle of improvements" (EU Reg. 2021/1080), applicable to reporting with entry into force starting from or after 1 January 2022, was approved by the European Commission.

Lastly, the IASB has issued the following accounting standards, interpretations or amendments to existing accounting standards, the application of which is however subject to completion of the approval process by the competent bodies of the European Union:

- IFRS17 insurance contracts (May 2017) including amendments to IFRS17 (June 2020);

- amendments to IAS1: presentation of financial statements: classification of liabilities as current or non-current and classification of assets as current or non-current – deferral of the date of entry into force (January and July 2020 respectively);

- amendments to IAS1: presentation of financial statements and changes to IFRS practice statement 2: disclosure of accounting policies (February 2021);

- amendments to IAS8: accounting policies, amendments and errors in estimates: definition of estimates (February 2021);

- amendments to IFRS16 leases: concessions on leases relating to Covid-19 beyond 30 June 2021 (March 2021);

- amendments to IAS12 income taxes: deferred taxes relating to assets and liabilities deriving from a single transaction (May 2021).

New European rules for the definition of default

Starting from 1 January 2021, the new European rules on the classification of defaulting counterparties came into force, which provide for more stringent criteria and methods than those adopted so far in order to standardise the existing regulations between the various countries of the European Union. The main changes introduced require the banks to define as defaulting (in a state of default) the customer who has a backlog of more than 90 days, the amount of which is, at the same time:

- for individuals and small and medium-sized enterprises: above 100 euros (absolute component) and above 1% of total exposures to the bank-related component);

- for companies: higher than 500 euros (absolute component) and higher than 1% of the total exposures to the bank (relative component). It is also noted that:

- overdue amounts cannot be offset with open and unused credit lines (known as available margins);

- the default status will remain for at least 90 days starting from the moment in which the customer settles the payment arrears with the bank or returns from the current account overrun.

- in the case of joint credit obligations (e.g. joint headings), the default of a debtor does not automatically extend to joint headings. In the event that all debtors exposed jointly are classified in default, the joint obligation is also automatically considered in default. In the event that the joint obligation is classified in a state of default, the obligations of all individual debtors are also considered in default.
  The relevant legislation is as follows:
  - EBA/GL/2016/07 "Guidelines on the application of the definition of default pursuant to art. 178 of EU Regulation no. 575/2013.
  - EBA/RTS/2016/06 "New regulatory techniques relating to the relevance threshold of overdue credit obligations" which supplement the EU Delegated Regulation no. 171/2018 of the European Commission dated 19 October 2017.

4.2 Statement of overall profitability

The statement of comprehensive income, introduced in 2009 and prepared in light of the amendments to IAS 1, includes revenue and cost items which, in accordance with international accounting standards, are not recognised in the income statement but recognised in equity.
Comprehensive profitability therefore expresses the change that equity has had in a year deriving from both business transactions that currently form the result for the year and from other transactions net of the tax effect, such as changes in the value of securities classified in the FVOCI portfolio, tangible and intangible assets, hedges of foreign investments and cash flows, exchange differences and actuarial gains or losses on defined benefit plans for employees, charged to shareholders' equity on the basis of a specific accounting principle.

4.3 Use of estimates and assumptions in the preparation of the Financial Statements (with specific reference to the provisions of IAS 1 paragraph 125 and document no. 2 of 6 February 2009 issued jointly by Banca d’Italia/Consob/lvass)

The preparation of the financial statements also requires the use of estimates and assumptions that can have significant effects on the values recorded in the balance sheet and in the income statement, as well as on the information relating to potential assets and liabilities shown in the financial statements.
The preparation of these estimates implies the use of available information and the adoption of subjective assessments, also based on historical experience, used for the purpose of formulating reasonable assumptions for the recording of management facts.
By their nature, the estimates and assumptions used may vary from period to period; it cannot therefore be ruled out that in subsequent years the current values recorded in the financial statements may also differ significantly following changes in the subjective assessments used.

The main cases for which the use of subjective assessments by the Board of Directors is most required are:

- the quantification of losses due to impairment of receivables and, in general, of other financial assets;
- the determination of the fair value of the financial instruments to be used for the purposes of financial statement disclosure;
- the use of valuation models for measuring the fair value of financial instruments not listed on active markets;
- the quantification of personnel provisions and provisions for risks and charges;
- estimates and assumptions on the recoverability of deferred tax assets.

The description of the accounting policies applied to the main balance sheet aggregates provides the information necessary to identify the main assumptions and subjective assessments used in the preparation of the financial statements.
For further detailed information regarding the composition and the relative book values of the items affected by the estimates in question, please refer to the specific sections of the explanatory notes.

4.4. Information to be provided in the financial reports on the impairment tests of the assets (with specific reference to the provisions of 14539 and the joint Banca d'Italia/Consob/Ivasp document no. 4 dated 3 March 2010)

With reference to the criteria used for the valuation of securities classified as HTC&S, the Board of Directors assesses the existence of objective evidence of non-temporary impairment.

4.5 Contributions to deposit guarantee systems and resolution mechanisms

With the Directives 2014/49/EU (Deposit Guarantee Schemes Directive "DGSD") of 16 April 2014 and 2014/59/EU (Bank Recovery and Resolution Directive "BRRD") of 15 May 2014 and the establishment of the Mechanism of Single Resolution (EU Regulation no. 806/2014 of 15 July 2014), the European legislator has made significant changes to the regulation of banking crises, with the strategic objective of strengthening the single market and systemic stability. Following the transposition of these directives into Italian law, starting from 2015, credit institutions are obliged to provide the financial resources necessary for the financing of the Interbank Deposit Protection Fund (FITD) and the National Resolution Fund, merged into the Single Resolution Fund (FRU), starting in 2016, through the payment of ordinary contributions and extraordinary contributions if required.

In compliance with the DGSD directive, the FITD has established that Italian banks must pay ordinary annual contributions until the target level is reached, equal to 0.8% of the total protected deposits of Italian banks participating in the FITD. This level must be compulsorily reached by 3 July 2024. The amount of the contribution requested from individual banks is proportional to the size of its own protected deposits existing on 30 September of each year with respect to the total of protected deposits of Italian banks participating in the FITD and the degree of risk relating to the consortium bank having protected deposits with respect to the degree of risk of all the other banks participating in the FITD.

According to the provisions of the BRRD, Italian banks must pay ordinary annual contributions to provide the FRU with financial resources equal to at least 1% of the total protected deposits of all credit institutions authorised in all participating Member States. This level must be compulsorily reached by 1 January 2024. The contributions of each institution are calculated on the basis of the ratio between the amount of its liabilities (net of protected deposits and own funds and, for entities belonging to a group, net of intra-group liabilities) compared to the total liabilities (net of protected deposits and own funds) of Italian banks and the degree of risk relating to each credit institution with respect to the degree of risk of all the other Italian banks.

It should be noted that if the available financial means of the FITD and/or the FRU are not sufficient respectively to guarantee the repayment to the depositors or to finance the resolution, it is envisaged that the credit institutions must provide by paying extraordinary contributions.

In the 2021 financial statements, ordinary and extraordinary contributions were recognised – on an accrual basis – under item 160. Other administrative expenses "in application of the

interpretation IFRIC21"Taxes", according to which the liability relating to the payment of a tax (the contributions in question were considered comparable to a tax from an accounting point of view), arises at the time of the so-called "binding fact", i.e. when the obligation to pay the annual fee arises.
The ordinary contribution of Banca UBAE to the FRU, paid in the first half of the year, for the year 2020 amounted to approximately **1.1 million euros** (1.4 million euros in 2020).

In 2020, the extraordinary contribution to the National Resolution Fund paid in the first half of the year was approximately **359 thousand euros** (approximately 465 thousand euros relating to 2020).

4.6 Information on the ECL

Foreword

Using the RiskCalc tool provided by Moody's, internal scores are processed for each counterparty (= alphanumeric score assigned internally to each counterparty) and **PDPIT**. These parameters are calculated at the time of assignment/renewal of credit by the Credit Assessment and Processing Department on the basis of financial data (balance sheets) and qualitative considerations (qualitative overlay).

The **LGDPIT** data are differentiated by debt seniority (the prevalent debt seniority for the Bank is "unsecured term loan"), by type of counterparty (bank or corporate) and by geographical area (Eurozone, US, MENA, Asia) and provided by Moody's.

For the purposes of calculating the expected loss, or the accounting provision, macroeconomic scenarios are applied to these risk parameters to allow their recalculation in a "forward-looking" perspective.
The first PDFL data processed using the CreditEdge tool (Moody's) had highlighted the following methodological weaknesses such as excessive volatility (due to the low number of the reference sample) and flattening of the output data (due to the excessive concentration of the counterparties within the last remaining decile).
For this reason, the Bank has decided to start a project to customise macroeconomic scenarios in order to take due account of the geographical peculiarities of the credit portfolio.
Moody's has therefore customised scenarios and models (MAKS - Moody's Analytics Knowledge Services team) according to geographical areas (Europe, USA, MENA and Asia).

Three statistical regression models were selected (one for Europe/US, one for MENA and one for ASIA) based on statistical performance, the predictive capacity of macroeconomic variables and their explanatory power from an economic point of view. It should be noted that in light of the statistical validation tests, Moody's deemed these models adequate for IFRS9 purposes. The model validation process, within Moody's, follows the best practices in the sector and is entrusted to a different team than the one that developed the model.

With regard to the macroeconomic scenarios to be applied in order to foresee the point-in-time parameters over time and transform them into forward-looking data, the Bank has decided to

apply the following of the type:
40% baseline scenario + 30% upside + 30% downside, now partially revised (30% baseline scenario + 60% upside + 10% downside) in order to consider the contingent emergency situation and avoid a double counting of the Covid effect in terms of impairment (see dedicated section).

Description of UBAE statistical models

PD MODEL

The models customised by Moody's for UBAE are differentiated by geographic area, in particular:

1. Europe and USA
2. MENA
3. ASIA

The models were selected on the basis of the predictive capacity of the macroeconomic variables, their explanatory power, the statistical performance and the validation tests carried out.
With these models it is possible to estimate the 12-month PDs connected to a future time horizon and based on macroeconomic scenarios.

Using the data provided by UBAE, Moody's has elaborated a ten-year historical series of CCAEDF or PIT PD (probability of default adjusted according to the economic cycle) and FSOEDF or TTCPD (probability of default calculated only on financial data) and, using EDF data, has modelled the Z index (standard indicator that measures the change in credit quality).

The macroeconomic variables capable of explaining the trend of the historical Z index are then selected. The regression model based on these macroeconomic variables enables us, on the basis of future estimates of the variables, to estimate the projections of the Z index. Based on the future Z index and the TCCPD, the projections of the PIT PD can be derived.

An SFA (Single Factor Analysis) is then conducted to select the macro variables with greater predictive power on the Z index (highest R-square, ρ value less than 5%, stationary)[1].

From the data processed at portfolio level we move on to data differentiated by score class or by individual counterparty using a logistic spreading approach.

Once the model has been constructed, on the basis of the individual PDPITs for each counterparty, it is possible to calculate the model predicted PD and, by "offset for scaled PD", to obtain the

1) More than 33,000 combinations of variables (2 and more variables) were tested and subsequently, following the application of the criteria of multivariate analysis (based on statistical principles), the selected models turned out to be about 7,500. A further exclusion was made taking into account the following factors: assumption of one variable per category, optimisation of model performance, greater significance in economic terms. At the end of these technical analyses the candidate models were 13 (5 for EU US, 5 for ASIA, 3 for MENA). For each region, the best performing model was selected. The level of R-squared (predictive ability) found for these models in the Moody's team's experience is in line with past projects and above the industry average for this type of model.

forward-looking PD including the qualitative component to be used for the purposes of the provisions.

LGD MODEL

The initial situation consists of **LGD PIT** data deriving from RiskCalc and differentiated by:

- **type of counterparty** (banks and corporate);
- **type of debt seniority** (unsecured term loan, secured term loan, unsecured revolving loan); from the mapping of Moody's debt seniority and UBAE's technical form, the "unsecured term loan" debt seniority emerged as prevalent, and was therefore used as a reference in the quantitative analyses conducted);
- geographic area (US, MENA, EUROZONE, ASIA).

From the estimate of the historical series of LGD PIT for the ten-year time horizon, a linear regression model is developed according to macroeconomic variables that ensure greater predictive capacity and that perform better from a statistical point of view.

From the single factor analysis, the macroeconomic variables differentiated by geographical area are selected and three models are constructed:

1. Europe and USA
2. MENA
3. ASIA

The predicted LGD values[2] are calculated based on the model and estimates of the macroeconomic variables.

Methodological approach for applying the IFRS9 models in light of the Covid-19 crisis and pandemic for the purpose of the 2020 balance and financial statements

The current international crisis had a particularly negative impact last year on the Bank's impairment data, due to the effect of some macroeconomic variables (e.g. GDP, unemployment, etc) considered statistically predictive by quantitative models.
In order to guarantee ECL data effectively applicable in the management field as a useful indication for business units and decision-making bodies when assessing risks, the Bank initiated technical investigations and introduced the application of corrective measures appropriate to the contingent economic context.

2) More than 60,000 variable combination models (with 2 and more variables) were tested and subsequently, following the application of multivariate analysis criteria (based on statistical principles), about 6,800 models were selected. A further exclusion was made taking into account the following factors: assumption of one variable per category, optimisation of model performance, greater significance in economic terms. At the end of these technical analyses, there were 13 candidate models (5 for EU US, 5 for ASIA, 3 for MENA). For each region, the model that performed best and passed the statistical validation tests was selected.

During 2021 the international situation gradually improved and therefore the effect of the corrective measures introduced in 2020 has been mitigated.

In particular, the approach to the impairment of 2021 financial statements is summarized below:

- forward-looking PD data (adjusted scenario) - application of a different weighting calibration to determine the combined scenario: 60% upside - 30% baseline - 10% downside (formerly 70% upside - 25% baseline - 5% downside);

- forward-looking LGD data - adoption of data from the models to replace the application of data prior to the Covid crisis (2019).

The Bank will continue to monitor the international macroeconomic trend and will consider restoring the initial parameters for the forward-looking PD models in order to determine the combined scenario during the year 2022.

4.7 Contractual modifications following COVID-19

With regard to contractual modifications and possible accounting cancellation, the Bank has proceeded to assist a limited number of small and medium-sized enterprises which requested to postpone the maturity of certain financial transactions in the context of the provisions of the "Decreto Cura Italia" of March 2020 and subsequent additions/modifications. This intervention had an insignificant impact on the 2021 budget. As of 31 December 2021, no derecognition has been made.

A.2 MAIN BALANCE SHEET ITEMS

1 - Financial activities assessed at fair value with impact on income statement (FVTPL)

(a) Classification criteria

Financial assets held for trading are classified in this category as financial instruments held with the intent of generating short-term profits deriving from changes in the prices of such instruments and derivative contracts not designated as hedging (HTS business model), in particular:

- debt securities (listed/not listed);
- capital securities (listed);
- capital securities (not listed) only when their fair value can be determined reliably;
- derivative contracts (except for those designated as hedging instruments) which have a positive fair value at the balance sheet date; if the fair value of a derivative contract subsequently becomes negative, it is accounted for under financial liabilities held for trading. This item also includes financial assets that are mandatorily valued at fair value, represented by financial assets that do not meet the requirements for measurement at amortised cost or at fair value with an impact on the overall profitability (i.e. SPPI test not passed) or that are not held as part of an HTS business model, and financial assets designated at fair value, i.e. financial assets as defined at the time of initial recognition. In relation to this case, an entity can irrevocably designate an entry for a financial asset as measured at fair value with an impact on the income statement if, and only if, an appreciable inconsistency is significantly reduced accordingly.

  The derivative is a financial instrument (or another contract) having all three of the following characteristics:

a) its value changes in response to changes in a specific interest rate, the price of a financial instrument, the price of a commodity, the exchange rate of a foreign currency, a price or rate index, a credit rating or a credit index or other variables;

b) does not require an initial net investment or requires an initial net investment lower than what would be required by other types of contracts from which similar responses can be expected to varying market factors;

c) will be settled at a future date.

The category consists of financial and credit derivatives.

The financial derivatives category includes forward purchase and sale contracts for securities and currencies, derivative contracts with underlying security and those without underlying security linked to interest rates, indices or other assets, as well as derivative contracts on currencies. Derivative contracts also include those that may be incorporated in other complex financial instruments, and have been recognised separately from the host instrument as such:

- the economic characteristics and risks of the embedded derivative are not strictly correlated with the economic characteristics and risks of the primary contract;
- the embedded instruments, even if separated, satisfy the definition of a derivative;
- the hybrid instruments to which they belong are not valued at fair value with changes in value shown in the income statement.

The item also includes equity investments subject to significant influence or joint control (respectively, IAS 28 and IFRS 10) which enable them to be assigned to this portfolio.

Reclassifications to other categories of financial assets are only possible if the entity changes its business model for the management of financial assets. In such cases, which are likely to be very infrequent, financial assets may be reclassified from the category measured at fair value with impact on the income statement into one of the other two categories envisaged by IFRS 9 ("financial assets valued at amortised cost" or "financial assets measured at fair value with an impact on total profitability"). The transfer value is represented by the fair value at the time of the reclassification. The reclassification date and its value will be considered for the calculation of the effective interest rate of the reclassified asset and for the allocation activity in the various stages of credit risk during the assignment stage.

(b) Registration criteria

The initial recognition of debt and equity securities occurs at the "settlement date" while the derivative instruments are recognised at the "registration date".
The initial value is equal to the cost (purchase price) understood as the fair value of the instrument, without considering any transaction costs or income directly attributable to the instrument itself, which are recorded in the income statement.

(c) Valuation criteria

Subsequent to initial recognition, financial assets held for trading are measured at fair value with recognition of the changes found in the income statement under item 80 "Net result from trading activities.
For the determination of the fair value of financial instruments listed on an active market, market quotations are used.
An active market is defined as one where the prices, which reflect normal market transactions, are promptly and regularly available through stock exchanges, brokers, intermediaries, companies in the sector, listing services or authorised bodies, and express the price of effective and regular market transactions taking place in a normal reference period.

With regard to securities, the Bank has identified two conditions for a security to be considered listed on an active market, namely:

- the security must be traded on a regulated market or in an alternative trading system; the listing on a regulated market, therefore, is not in itself a condition that is necessary or sufficient to define an active market;

- the price expressed by that market must be “significant”, that is the result of regular and effective transactions between counterparties who freely decide to buy and sell and are not forced to do so by their particular stressful conditions.

In the absence of an active market, for the purposes of determining the fair value of the securities, all relevant market information is considered that are in some way available especially, where possible, parameters directly observable on the market such as: prices of recent transactions or contributions and/or market quotations available at the valuation date, even if related to a market considered not active; valuations provided by the issuer or a calculation agent or in any case by an external valuation service, even if, since these are not prices deriving from actual market transactions, they are considered with particular caution and subject to verification by the Bank; mark-to-model valuations, carried out by discounting the expected future cash flows of the security taking into account all the available information.
With regard to other financial instruments, i.e. unlisted derivatives, the fair value corresponds to the presumable replacement cost obtained from the price of listed derivative contracts with identical characteristics (for underlying, working price and maturity) or discounting future financial flows (certain or estimated) at market rates measured by information circuits normally used internationally and/or applying best-practice valuation models.

(d) Cancellation criteria

Financial assets held for trading are derecognised when the contractual rights on the cash flows deriving from them expire or when the financial assets are sold with the substantial transfer of all the risks and benefits associated with them.
Financial assets sold are derecognised even when the bank retains the contractual right to receive the financial flows deriving from them, but at the same time it assumes the contractual obligation to pay such funds to third parties.
Securities received as part of a transaction that contractually provides for the subsequent sale, and securities delivered as part of a transaction that contractually provides for repurchase, are not recorded or written off in the financial statements.

2 - Financial activities assessed at fair value with impact on overall profitability (FVOCI)

(a) Classification criteria

This category includes financial activities that meet the following conditions at the same time:

a) the financial activity is held according to a business model whose objective is achieved both by collecting the cash flows provided for in the contract or by selling ("Hold-to-Collect-and-Sell" business model);

b) the contractual terms of the financial activity provide, at certain dates, for financial flows represented solely by payments of principal and interest on the amount of outstanding principal to be repaid (i.e. SPPI test passed).

The category also includes capital instruments, not held for trading purposes, for which at the time of initial recognition the option was taken for fair value designation with impact on the overall profitability.

The following items are therefore included under this heading:

a) debt securities according to a Hold-to-Collect-and-Sell business model which have passed the SPPI test;

b) shareholdings, which cannot be qualified for control, connection and joint control, which are not held for trading, for which the option has been taken for designation at fair value with impact on overall profitability;

c) financial activities according to a Hold-to-Collect-and-Sell business model, which have passed the SPPI test.

Reclassifications to other categories of financial assets are only possible if the entity changes its business model for the management of financial assets. In such cases, which are likely to be very infrequent, financial assets may be reclassified from the category measured at fair value with impact on the income statement into one of the other two categories envisaged by IFRS 9 ("financial assets valued at amortised cost" or "financial assets measured at fair value with an impact on total profitability"). The transfer value is represented by the fair value at the time of the reclassification. In the case of reclassification from the category in question to that of amortised cost, the cumulative gain (loss) recorded in the valuation reserve is adjusted to reflect the fair value of the financial asset at the date of the reclassification. In the case of reclassification in the fair value category with impact on the income statement, the cumulative gain (loss) recorded previously in the valuation reserve is reclassified from equity to profit (loss) for the year.

(b) Registration criteria

The initial registration of debt and equity securities occurs at the "settlement date" and at the disbursement date for loans.

Financial instruments are recognised at the time of initial registration at a value equal to the fair value generally coinciding with the cost (purchase price) including any transaction costs or income directly attributable to the instruments themselves.

(c) Valuation criteria

Following initial recognition, financial assets are measured at fair value with the recognition in the income statement of the instrument's remuneration calculated on the basis of the IRR method, while changes in fair value are recognised in a specific equity item called "Reserve from evaluation" until the financial asset is cancelled or a loss in value is recorded; at the time of disposal, the accumulated profit or loss is then written off on the income statement.
The equity instruments for which the choice was made for classification in this category are assessed at fair value; however, the amounts recognised as a contra- entry to the shareholders' equity (statement of comprehensive income) must not subsequently be transferred to the income statement, even in the case of sale. The only component referable to the equity instruments in question that is recognised in the income statement is represented by the related dividends. The fair value is determined on the basis of the criteria already illustrated for financial assets measured at fair value with an impact on the income statement.
Financial assets valued at fair value with an impact on the overall profitability – in the form of debt securities and loans – are subject to verification of the significant increase in credit risk (impairment) required by IFRS 9, like the assets at amortised cost, with the consequent recognition in the income statement of a value adjustment to cover expected losses.

All instruments are classified into three categories:

a) financial activities that are performing in line with expectations (stage 1 assigned on origination date);

b) financial activities that are performing significantly below expectations (stage 2 bonis that have registered a deterioration of their creditworthiness);

c) non-performing activities: stage 3 or non-performing(NP).

Classification must be based on the performance of the counterparty's creditworthiness. Credit worthiness on the date on which the credit is incurred must be compared with the credit rating at the valuation date. For the activities included in the first class of merit, a valuation process must be applied to expected losses over a 12-month time span. For activities in classes two and three, the evaluation process must be applied over the instrument's entire life. The process for classes 1 and 2 is generic, while it is analytical for NP positions (3).

Capital securities are not subject to the impairment process.

d) Cancellation criteria

Financial assets are derecognised when the contractual rights on the financial flows deriving from them expire or when the financial assets are sold, transferring all the risks and benefits associated with them. The economic result deriving from the sale of financial assets is charged to the income statement, except for equity instruments.

3 - Financial activities at amortised cost

(a) Classification criteria

This category includes financial activities that meet both the following conditions:

- the financial asset is held according to a business model whose objective is achieved by collecting the cash flows provided for in the contract ("Hold-to-Collect" business model);

- the contractual terms of the financial activity provide, at certain dates, for financial flows represented solely by payments of capital and interest on the outstanding amount of the principal to be repaid (i.e. SPPI test passed).

Assuming the two requisites above have been met, this category includes:

- commitments with banks in various technical forms;

- commitments with customers in various technical forms;

- debt securities.

Reclassifications to other categories of financial assets are only possible if the entity changes its business model for the management of financial assets.

In such cases, which are likely to be very infrequent, financial assets may be reclassified from the category valued at amortised cost into one of the other two categories envisaged by IFRS 9 ("financial assets measured at fair value with impact on the income statement" or "financial assets valued at fair value with impact on overall profitability").

The transfer value is represented by the fair value at the time of the reclassification. In the event of reclassification from the category in question to fair value with impact on the income statement, the cumulative profit (loss) will be shown in the income statement. In the case of reclassification in the fair value category with an impact on total profitability, the cumulative gain (loss) will be recorded in the specific valuation reserve under shareholders' equity.

(b) Registration criteria

The initial registration of receivables takes place on the date of disbursement or, in the case of a debt security, on the settlement date, based on the fair value of the financial instrument that is equal to the amount disbursed, or subscription price, inclusive of costs or income directly attributable to the same and determinable from the beginning, even if liquidated at a later date. All charges that are reimbursed by the debtor counterparty or which are attributable to internal administrative costs are excluded. For credit transactions that may be concluded under conditions other than market conditions, the fair value is determined using specific valuation techniques; the difference with respect to the amount disbursed or to the subscription price is shown directly on the income statement.

(c) Valuation criteria

Following initial registration, financial assets held to maturity are measured at amortised cost using the effective interest rate method. The result deriving from the application of this method is shown on the income statement under item 10 (interest income and similar income). Profits or losses referring to these assets are recognised in the income statement when the assets are cancelled or impaired.
At the time of preparing the financial statements or interim reports, the positions in this category are subject to impairment with recognition in the income statement of the identified value adjustments.

All the instruments are classified into three categories:

- financial activities that are performing in line with expectations (stage 1 assigned on origination date);

- activities that are performing significantly below expectations (stage 2 - bonis that have registered a deterioration of their creditworthiness, with expirations above 30 days or subject to the granting of tolerance measures - forbearance);

- deteriorated activities (stage 3 or non-performing).

Classification must be based on the performance of the counterparty’s creditworthiness. Credit worthiness on the date on which the credit is incurred must be compared with the credit rating at the valuation date. For the activities included in the first class of merit, a valuation process must be applied to expected losses over a 12-month time span. For the activities in classes two and three, the evaluation process must be applied over the entire residual life of the instrument. The process for classes 1 and 2 is generic, while it is analytical for non-performing positions (stage 3). The financial assets in question, where they are performing (stage 1 and 2) are subject to an assessment, aimed at defining the value adjustments to be recorded in the financial statements, at the level of individual credit (or “tranches”), according to the risk parameters represented by probability of default (PD), loss given default (LGD) and exposure at default (EAD). The assessment also takes into account the guarantees received for the purposes of credit risk mitigation.

The valuation model for the generic fund is established according to the following formula:

ECL = EAD x PD x LGD

where:

ECL = Expected Credit Loss
EAD = Exposure At Default
PD = Probability of Default
LGD = Loss Given Default

The collective write-downs of securities and receivables are therefore calculated according to the following principles:

- at each reporting date, if the credit risk of a financial instrument is not significantly increased with respect to the disbursement or purchase date (stage 1), the expected loss for such financial instrument should be measured as the amount of expected losses in the following 12 months;

- at each reporting date, if the credit risk of a financial instrument is significantly increased compared to the date of disbursement or purchase (stage 2), the expected loss for such financial instrument is measured as the amount of expected losses in the instrument's residual life (lifetime);

For the purposes of staging financial assets, each activity in the origination is classified in "stage 1" and subsequently:

- in the field of securities, evidence of a significant increase in credit risk (and therefore the security's transfer to "stage 2") is shown by the worsening of two notches of the rating assigned to the instrument by external rating firms, together with a final speculative rating level;

- in the field of loans, the deterioration of the original rating expressed in percentage terms (internally defined and differentiated by class of scores) is considered evidence of a significant increase in credit risk.

The PDs used are estimated starting from PD point-in-time data (based on quantitative and qualitative information and data) to which a combined macroeconomic scenario is applied that determines the forward-looking PD for each counterparty or issuer.

The LGDs used are estimated on the basis of the time series and (using macroeconomic models) are transformed from "point-in-time" into "forward- looking". These data are differentiated by type of counterparty and by technical form of the exposure and can be adjusted according to the guarantees received.

For the classification of impaired exposures in the various risk categories (non- performing loans, probable defaults, past-due and/or overdue impaired exposures), the Bank refers to the regulations issued by the Banca d'Italia and the EBA guidelines on the management of NPLs. Impaired loans are subject to an analytical evaluation process regardless of amounts. The amount of the value adjustment to be made to each credit is equal to the difference between the book value of the same at the time of valuation (amortised cost) and the present value of expected future cash flows, calculated by applying the original effective interest rate. Expected cash flows take into account recovery forecasts, estimated recovery times and the presumed realisation value of any guarantees. Cash flows relating to receivables whose recovery is expected within a short period are not discounted. The original effective rate of each loan remains unchanged over time even if a restructuring of the relationship has taken place which has led to the change in the contractual rate and even if the relationship becomes, in practice, non-interest bearing. The losses in value are shown on the income statement.

d) Cancellation criteria

Financial assets measured at amortized cost are derecognised from the financial statements when the contractual rights to the cash flows deriving from them expire or when the financial assets are sold with the substantial transfer of all the risks and benefits connected to them.

4 – Tangible assets

(a) Classification criteria

These are material assets (property, technical plant, furniture, furnishings and equipment of all kinds) held for functional use and which are expected to be used for more than one period. Tangible assets also include real estate investments and costs for improvements to third party assets, when they are separable from the assets themselves if such costs do not have autonomous functionality and usability but expect future benefits from them, are included in "other assets" and are amortised over the shortest period between that of foreseeable usability of the improvements and that of the residual duration of the lease.

(b) Registration criteria

Tangible assets are recorded at purchase cost including any accessory charges directly attributable to the purchase and commissioning of the asset. Extraordinary maintenance costs that result in an increase in future economic benefits are recognised as an increase in the value of the assets, while ordinary maintenance costs are shown on the income statement.

(c) Valuation criteria including the income components

Tangible assets are valued at cost less cumulative amortisation and any permanent loss of value in accordance with IAS 16. The same criterion is also applied to property investments using the option of valuation subsequent to cost.
Tangible assets are systematically depreciated over their useful life, understood as the period of time in which it is expected that the asset can be used, adopting the straight-line method as

the amortisation criterion. Works of art are not subject to depreciation as their value is generally expected to increase over time.
In consideration of the fact that tangible assets may comprise components of different value such as land, whether they are separate or included in the value of the building, are not subject to amortisation as assets which possess an indefinite useful life.
At each balance sheet or interim report, in the presence of symptomatic situations of the existence of permanent losses in value, the recoverable value of the asset is compared. Whichever is greater: its value in use (current value of the assets) and its economic functions, or its exchange value (presumable transfer value net of transaction costs) and its carry-forward amount net of amortisation. Any adjustments are recorded in the income statement under item 210 "Net value adjustments and/or write-backs on tangible assets". If the reasons that led to the recognition of the loss cease to exist, the value is recovered, which cannot exceed the value that the asset would have had, net of depreciation without previous losses in value.

(d) Cancellation criteria

A tangible asset is eliminated from the balance sheet upon disposal, or when the asset is permanently withdrawn from use and no future economic benefits are expected from its disposal. Capital gains and losses deriving from the disposal or withdrawal of tangible assets are determined as the difference between the net sale price and the book value of the asset and are recorded in the income statement on the same date on which they are eliminated from the accounts.

5 – Intangible assets

(a) Classification criteria

IAS 38 defines intangible assets as non-monetary assets, without physical consistency, but identifiable anyway, used in the performance of long-term business activities. The characteristics necessary to meet the definition of intangible assets are:

- being identifiable;
- having full control of the resource;
- existence of future economic benefits.

In the absence of one of the above characteristics, the expense to acquire or generate the same resource internally is recognised as a cost in the financial year in which it was incurred.
Intangible assets include software with long-term use and goodwill with start-up costs.
Goodwill is classified in intangible assets. It represents the positive difference between the purchase cost and the fair value of the assets and liabilities acquired as part of the combination transactions.
The other intangible assets are recorded as such if they are individually identifiable and originate in legal and contractual rights.

(b) Registration criteria

Intangible assets are recorded at purchase cost including any accessory charges and subsequent costs incurred to increase their initial economic functions.

(c) Valuation criteria

Intangible assets with a limited duration are valued according to the cost principle, net of amortisation and depreciation as governed by IAS 38.
At each balance sheet date or infra-annual report, in the presence of situations showing the existence of lasting impairments, the compilers proceed to estimate the recoverable value of the asset entered on the income statement under item 210 "net value adjustments and/or write-ups on intangible assets", calculating the difference between the carry-forward amount of the asset and the recoverable value. Intangible assets with an indefinite useful life, such as goodwill, are not amortised, but periodically subjected to the so-called impairment test.
These losses in value can no longer be restored in subsequent years.

(d) Cancellation criteria

Intangible assets are derecognised as a result of disposals or when they have fully exhausted their economic functions and no future economic benefits are expected.

6 – Current and Deferred Taxes

a) Recognition criteria

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.

b) Classification criteria

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.

c) Valuation criteria

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.

d) 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.

7 – Provisions for Risks and Charges

a) Registration and classification criteria

Provisions for risks and charges are recognised in the income statement and recorded on the liabilities side of the balance sheet if these conditions are met:

- there is a present obligation (legal or implicit) deriving from a past event;
- the disbursement of financial resources for the fulfilment of the obligation is deemed probable;
- a reliable estimate can be made of the probable future disbursement.

Provisions are recorded at the value representing the best estimate of the amount required to settle the obligation, or to transfer it to third parties at the end of the period.
When the financial effect related to the passage of time is significant and the payment dates of the obligations can be reliably estimated, the provision is subject to discounting at current market rates at the balance sheet date.

b) Evaluation and recognition criteria of income components

The amount recognised as a provision represents the best estimate of the expenditure required to fulfil the obligation existing at the balance sheet date and reflects risks and uncertainties that inevitably characterise many facts and circumstances. The amount of the provision is represented by the current value of the expenses that are supposed to be necessary to settle the obligation where the effect of the current value is a relevant aspect. Future events that may affect the amount required to settle the obligation are only taken into account if there is sufficient objective evidence that they will occur.

Allocations to the Provisions for Risks and Charges include the risk deriving from any tax dispute.

The Funds for Risks and Charges also include:

- provisions relating to commitments and financial guarantees issued subject to the impairment rules of IFRS 9;

- the charges relating to the defined-benefit pension funds pursuant to the provisions of IAS 19.

c) Cancellation policy

Provisions are used only for the charges for which they were originally registered. If it is no longer deemed probable that the fulfilment of the obligation will require the use of resources, the provision is reversed, by re-allocation to the income statement.

8 – Financial liabilities valued at amortised cost

(a) Classification criteria

The liabilities included here are due to banks, debts to customers and outstanding securities; they are made up of the various financial instruments through which the Bank and its subsidiaries realise interbank funding with customers and deposits made with outstanding debt securities – net, therefore, of any repurchased amounts.
Interest expense is recorded in the income statement under item 20 "Interest expense and similar charges".

(b) Registration criteria

The liabilities in question are recorded upon receipt of the sums collected or, for debt securities, at issue or at the time of a new relocation, or cancelled, even in the case of repurchase, on the basis of the "regulation date", and cannot be transferred to the trading book. Initial recognition is based on fair value, normally equal to the amount collected or the issue price, adjusted for any additional costs and revenues directly attributable to the various funding or issue transactions. Internal administrative costs are excluded. The fair value of any financial liabilities issued at less than market conditions is subject to a specific estimate and the difference with respect to the market value is recorded directly in the income statement. The structured securities are separated in their constitutive elements that are separately recorded, when the derivative components implicit in them are of an economic nature and of different risks from those of the underlying securities and are configurable as autonomous derivative instruments.

(c) Valuation criteria

After initial recognition, the valuations of financial liabilities are based on the amortised cost principle with the effective interest rate method, with the exception of short-term liabilities where the time factor is negligible, which remain recorded for the amount collected; if costs are charged, they are allocated to the income statement in a linear manner for the contractual duration of the liabilities.

(d) Cancellation criteria

Financial liabilities are derecognised from the financial statements when they have expired or have become extinct. The cancellation also occurs at the time of the repurchase of previously issued securities; the difference between the book value of the liabilities and the amount paid to purchase, is shown on the income statement. The re-placement on the market of own securities subsequent to their repurchase is considered as a new issue with recognition of the new placement price, with no effect on the income statement.

9 - Financial trading liabilities

(a) Classification criteria

This item includes derivative trading instruments with negative fair value, including embedded derivatives present in structured and financial instruments that are separate from them. Also included are any "technical overdrafts" originating from securities trading activities.

(b) Registration criteria

Derivative instruments are recognised in relation to the "contracting date" while transactions in securities are accounted for on the "settlement date".
Financial liabilities held for trading are initially recorded at fair value, i.e. at the purchase price.

(c) Valuation criteria

After initial recognition, financial liabilities held for trading are measured at fair value, determined according to the methods described in the paragraph relating to "financial assets held for trading". The financial instruments for which it is not possible to determine the fair value in a reliable manner as indicated above, are maintained at cost. The results of the valuations and those of the trading are shown on the income statement under item 80 "net result of trading activity".

(d) Cancellation criteria

Financial liabilities held for trading are derecognised when the contractual rights on the financial flows deriving from the liabilities expire, or when the financial instruments are sold.

10 – Forex Transactions

(a) 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.

(b) 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.

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. **Level 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. **Level 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. **Level 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) <u>For securities traded on active markets, fair value is represented by:</u>

- 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.

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

- 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 over-the-counter (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;
  - corresponding to those of the underlying asset.

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.

The 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) Employee severance indemnity

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.

A.3 - DETAILS OF TRANSFERS BETWEEN FINANCIAL ASSET PORTFOLIOS

No data to report.

A.4 – FAIR VALUE DETAILS

Qualitative information

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

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

FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE		TOTAL 31.12.2021			TOTAL 31.12.2020		
		L1	L2	L3	L1	L2	L3
1	FINANCIAL ASSETS MEASURED AT FAIR VALUE WITH IMPACT ON INCOME STATEMENT	11,871	1,068	4,414	5,086	83	4,414
A)	FINANCIAL ASSETS HELD FOR TRADING	11,871	1,068	4,414	5,086	83	4,414
B)	FINANCIAL ASSETS DESIGNATED AT FAIR VALUE						
C)	OTHER FINANCIAL ASSETS WITH MANDATORY VALUATION AT FAIR VALUE						
2	FINANCIAL ASSETS MEASURED AT FAIR VALUE WITH IMPACT ON OVERALL PROFITABILITY	959	2,688	48	959	2,794	56
3	DERIVATIVES FOR HEDGING						
4	TANGIBLE ASSETS						
5	INTANGIBLE ASSETS						
	TOTAL	12,830	3,756	4,462	6,045	2,877	4,470
1	FINANCIAL LIABILITIES HELD FOR TRADING		1,803			4,078	
2	FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE						
3	DERIVATIVES FOR HEDGING						
	TOTAL		1,803			4,078	

Legend:

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

No transfers of assets and liabilities between level 1, level 2 and level 3 have been made during the year.

A.4.5.2 Annual changes in assets held at fair value on a recurring basis (level 3)

		FINANCIAL ASSETS MEASURED AT FAIR VALUE					DERIVATIVES FOR HEDGING	TANGIBLE ASSETS	INTANGIBLE ASSETS
		TOTAL	OF WHICH: A) FINANCIAL ASSETS HELD FOR TRADING	OF WHICH: B) FINANCIAL ASSETS DESIGNATED AT FAIR VALUE	OF WHICH: C) OTHER FINANCIAL ASSETS WITH MANDATORY VALUATION AT FAIR VALUE	FINANCIAL ASSETS MEASURED AT FAIR VALUE WITH IMPACT ON OVERALL PROFITABILITY			
1	**OPENING BALANCE**		**4,414**			56			
2	**INCREASES**								
2.1	PURCHASES								
2.2	PROFITS								
2.2.1	INCOME STATEMENT - OF WHICH: CAPITAL GAINS								
2.2.2	NET ASSETS								
2.3	TRANSFERS FROM OTHER LEVELS								
2.4	OTHER VARIATIONS WITH INCREASE								
3	**DECREASES**					8			
3.1	SALES								
3.2	REFUNDS								
3.3	LOSSES								
3.3.1	INCOME STATEMENT - OF WHICH: LOSSES								
3.3.2	NET ASSETS								
3.4	TRANSFERS TO OTHER LEVELS								
3.5	OTHER VARIATIONS WITH DECREASE					8			
4	**CLOSING BALANCE**		**4,414**			**48**			

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

	ASSETS/LIABILITIES NOT MEASURED AT FAIR VALUE OR MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS	31.12.2021				31.12.2020			
		VB	L 1	L 2	L 3	VB	L 1	L 2	L 3
1	FINANCIAL ASSETS VALUED AT AMORTISED COST	1,352,600	585,203	143,178	634,392	1,489,982	590,484	132,668	789,080
2	TANGIBLE ASSETS HELD FOR INVESTMENT PURPOSES								
3	NON-CURRENT ASSETS AND GROUPS OF ASSETS HELD FOR SALE								
	TOTAL	1,352,600	585,203	143,178	634,392	1,489,982	590,484	132,668	789,080
1	FINANCIAL LIABILITIES VALUED AT AMORTISED COST	1,480,214			1,480,214	1,451,776			1,451,776
2	LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE								
	TOTAL	1,480,214			1,480,214	1,451,776			1,451,776

Legend:
VB=Value of Balance 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

ITEMS /VALUE	TOTAL 31.12.2021	TOTAL 31.12.2020
A) CASH	872	725
B) FREE DEPOSITS WITH CENTRAL BANKS	97,609	128,752
C) FREE DEPOSITS WITH CENTRAL BANKS	187,431	166,307
TOTAL	285,912	295,784

The item b) contains an overnight deposit made at the Banca d’Italia of EUR 97 million.

SECTION 2 – FINANCIAL ASSETS MEASURED AT FAIR VALUE WITH IMPACT ON INCOME STATEMENT – ITEM 20

2.1 Financial assets held for trading: breakdown by type

ITEMS/ VALUES		TOTAL 31.12.2021			TOTAL 31.12.2020		
		L1	L2	L3	L1	L2	L3
A	**NON-DERIVATIVE ASSETS**						
1	DEBT SECURITIES	11,469			4,158		
	1.1 STRUCTURED SECURITIES	1,108					
	1.2 OTHER DEBT SECURITIES	10,361			4,158		
2	EQUITY SECURITIES			4,414	928		4,414
3	HOLDINGS IN UCI	402					
4	LOANS						
	4.1 REPO						
	4.2 OTHER DEBT SECURITIES						
TOTAL (A)		11,871		4,414	5,086		4,414
B	**DERIVATIVES:**						
1	FINANCIAL DERIVATIVES		1,068			83	
	1.1 FOR TRADING		1,068			83	
	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)			1,068			83	
TOTAL (A+B)		11,871	1,068	4,414	5,086	83	4,414

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

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

ITEMS/VALUES		TOTAL 31.12.2021	TOTAL 31.12.2020
A	**ASSETS FOR CASH**		
1	**DEBT SECURITIES**	**11,469**	**4,158**
A)	CENTRAL BANKS		
B)	PUBLIC ADMINISTRATIONS	6,507	838
C)	BANKS	4,962	510
D)	OTHER FINANCIAL COMPANIES - OF WHICH: INSURANCE FIRMS		1,552
E)	NON-FINANCIAL COMPANIES		1,258
2	**CAPITAL SECURITIES**	**4,414**	**5,342**
A)	BANKS		
B)	OTHER FINANCIAL COMPANIES OF WHICH: INSURANCE FIRMS		
C)	NON-FINANCIAL COMPANIES	4,414	5,342
D)	OTHER ISSUERS		
3	**O.I.C.R. SHARES (FOR COLLECTIVE INVESTMENT)**	**402**	
4	**FINANCINGS**		
A)	CENTRAL BANKS		
B)	PUBLIC ADMINISTRATIONS		
C)	BANKS		
D)	OTHER FINANCIAL COMPANIES - OF WHICH: INSURANCE FIRMS		
E)	NON-FINANCIAL COMPANIES		
F)	FAMILIES		
TOTAL (A)		16,285	9,500
B	**DERIVATIVE INSTRUMENTS**	1,068	83
A)	CENTRAL COUNTERPARTIES		
B)	OTHERS	1,068	83
TOTAL (B)		1,068	83
TOTAL (A+B)		17,353	9,583

SECTION 3 – FINANCIAL ASSETS MEASURED AT FAIR VALUE WITH IMPACT ON OVERALL PROFITABILITY – ITEM 30

3.1 Financial assets measured at fair value with an impact on total profitability: product composition

ITEMS/VALUES		TOTAL (31.12.2021)			TOTAL (31.12.2020)		
		L 1	L 2	L 3	L 1	L 2	L 3
1	DEBT SECURITIES	959	2,688		959	2,794	
	1.1 STRUCTURED SECURITIES						
	1.2 OTHER DEBT SECURITIES	959	2,688		959	2,794	
2	CAPITAL SECURITIES			48			56
3	FINANCING						
TOTAL		959	2,688	48	959	2,794	56

3.2 Financial assets measured at fair value with an impact on total profitability: composition by debtors/issuers

ITEMS/VALUES		TOTAL 31.12.2021	TOTAL 31.12.2020
1	DEBT SECURITIES	3,647	3,753
	A) CENTRAL BANKS		
	B) PUBLIC ADMINISTRATIONS	2,688	2,794
	C) BANKS		
	D) OTHER FINANCIAL COMPANIES OF WHICH: - INSURANCE FIRMS		
	E) NON-FINANCIAL COMPANIES	959	959
2	CAPITAL SECURITIES	48	56
	A) BANKS		
	B) OTHER ISSUERS:	48	56
	- OTHER FINANCIAL FIRMS OF WHICH: INSURANCE FIRMS		
	- NON-FINANCIAL COMPANIES	48	56
	- OTHERS		
3	FINANCINGS		
	A) CENTRAL BANKS		
	B) PUBLIC ADMINISTRATIONS		
	C) BANKS		
	D) OTHER FINANCIAL COMPANIES OF WHICH: - INSURANCE FIRMS		
	E) NON-FINANCIAL COMPANIES		
	F) FAMILIES		
TOTAL		3,695	3,809

3.3 Financial assets measured at fair value with an impact on total profitability: gross value and total value adjustments

	GROSS VALUE					TOTAL VALUE ADJUSTMENTS				TOTAL PARTIAL WRITE-OFFS (*)
	FIRST STAGE	OF WHICH, INSTRUMENTS WITH LOW CREDIT RISK	SECOND STAGE	THIRD STAGE	OF WHICH: IMPAIRED, ACQUIRED/ ORGINATED	FIRST STAGE	SECOND STAGE	THIRD STAGE	OF WHICH: IMPAIRED, ACQUIRED/ ORGINATED	
DEBT SECURITIES			2,799	1,926			(111)	(967)		
FINANCINGS										
TOTAL (31.12.21)			2,799	**1,926**			**(111)**	**(967)**		
TOTAL (31.12.20)			2,917	**1,926**			**(123)**	**(967)**		
OF WHICH: IMPAIRED FINANCIAL ASSETS ACQUIRED OR ORIGINATED										

(*) Value to be displayed for information purposes

The second stage consists of a security issued by a foreign institutional counterparty for a nominal value of 2,9 million euros. The third stage consists of securities issued by companies classified as probable default for a nominal value of 2 million euros.

SECTION 4 – FINANCIAL ASSETS AT AMORTISED COST – ITEM 40

4.1 Financial assets measured at amortized cost: product composition of loans to banks

TYPES OF OPERATIONS/VALUE	TOTAL (31.12.21)						TOTAL (31.12.20)					
	BALANCE SHEET VALUE			FAIR VALUE			BALANCE SHEET VALUE			FAIR VALUE		
	1ST &2ND STAGES	3RD STAGE	OF WHICH: IMPAIRED, ACQUIRED/ ORIGINATED	L1	L2	L3	1ST &2ND STAGES	3RD STAGE	OF WHICH: IMPAIRED, ACQUIRED/ ORIGINATED	L1	L2	L3
A. LOANS TO CENTRAL BANKS												
1. DEPOSITS AT MATURITY												
2. MANDATORY RESERVE												
3. REPURCHASE AGREEMENTS												
4. OTHER												
B. LOANS TO BANKS	**382,420**			**30,030**		**349,105**	**401,936**				**28,937**	**371,703**
1. FINANCINGS	349,105					349,105	367,403					367,403
1.1 CURRENT ACCOUNTS AND DEPOSITS												
1.2. DEPOSITS AT MATURITY	142,283					142,283	201,738					201,738
1.3. OTHER FINANCINGS:	206,822					206,822	165,665					**165,665**
- ACTIVE REPURCHASE AGREE'TS												
- FINANCIAL LEASING												
- OTHER	206,822					206,822	165,665					165,665
2. DEBT SECURITIES	33,315			**30,030**			34,533				28,937	**4,300**
2.1 STRUCTURED SECURITIES												
2.2 OTHER DEBT SECURITIES	33,315			**30,030**			34,533				28,937	**4,300**
TOTAL	**382,420**			**30,030**		**349,105**	**401,936**				28,937	**371,703**

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

4.2 Financial assets measured at amortized cost: product composition of loans to customers

TYPES OF OPERATIONS/VALUES	TOTAL (31.12.21)						TOTAL (31.12.20)					
	BALANCE SHEET VALUE			FAIR VALUE			BALANCE SHEET VALUE			FAIR VALUE		
	FIRST AND SECOND STAGE	THIRD STAGE	OF WHICH IMPAIRED, ACQUIRED/ ORIGINED	L1	L2	L3	FIRST AND SECOND STAGE	THIRD STAGE	OF WHICH IMPAIRED, ACQUIRED/ ORIGINED	L1	L2	L3
FINANCINGS	**266,329**	**18,959**				**285,288**	**227,851**	**19,111**				**246,962**
1.1. CURRENT ACCOUNTS	709	7,208				7,917	687	7,222				7,909
1.2. ACTIVE REPURCHASE AGREEMENTS												
1.3. MORTGAGES	9,717					9,717	9,722	113				9,835
1.4. CREDIT CARDS,PERSONAL LOANS AND EMPLOYEE	2,660	**3**				2,663	3,014					**3,014**
1.5. FINANCIAL LEASING												
1.6. FACTORING	61,279					61,279	49,877					49,877
1.7. OTHER FINANCINGS	191,964	11,748				203,712	164,551	11,776				176,327
DEBT SECURITIES	**677,651**	**7,241**		**555,172**	**143,178**		**667,937**	6,840		**590,484**	**103,731**	4,108
1.1. STRUCTURED SECURITIES												
1.2. OTHER DEBT SECURITIES	677,651	7,241		555,172	143,178		667,937	6,840		590,484	103,731	**4,108**
TOTAL	943,980	**26,200**		**555,172**	**143,178**	**285,288**	895,788	25,951		**590,484**	103,731	**251,070**

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

4.3 Financial assets measured at amortized cost: composition by debtors/issuers of loans to customers

	TYPES OF OPERATIONS/VALUES	TOTAL (31.12.21)			TOTAL (31.12.20)		
		FIRST AND SECOND STAGES	THIRD STAGE	OF WHICH: IMPAIRED, ACQUIRED/ ORIGINATED	FIRST AND SECOND STAGES	THIRD STAGE	OF WHICH: IMPAIRED, ACQUIRED/ ORIGINATED
1	**DEBT SECURITIES**	**677,651**	**7,241**		**667,937**	**6,840**	
	A) PUBLIC ADMINISTRATIONS	677,651	7,241		667,937	6,840	
	B) OTHER FINANCIAL COMPANIES OF WHICH: INSURANCE FIRMS						
	C) NON-FINANCIAL COMPANIES						
2	**FINANCINGS**	**266,329**	**18,959**		**227,851**	**19,111**	
	A) PUBLIC ADMINISTRATIONS	14,318	7,138		14,179	7,138	
	B) OTHER FINANCIAL COMPANIES OF WHICH: INSURANCE FIRMS	2			7		
	C) NON-FINANCIAL COMPANIES	238,876	11,817		200,197	11,859	
	D) FAMILIES	13,133	4		13,468	114	
TOTAL		943,980	26,200		895,788	25,951	

4.3a Financing assets valued at amortized cost subject to Covid-19 support measures: gross value and overall value adjustments

	GROSS VALUE					TOTAL VALUE ADJUSTMENTS				
	FIRST STAGE		SECOND STAGE	THIRD STAGE	OF WHICH IMPAIRED, ACQUIRED/ OR IGINATED	FIRST STAGE	SECOND STAGE	THIRD STAGE	OF WHICH IMPAIRED, ACQUIRED/ OR IGINATED	TOTAL PARTIAL WRITE-OFFS (*)
		OF WHICH, INSTRUMENTS WITH LOW CREDIT RISK								
1. FINANCING SUBJECT TO CONCESSIONS COMPLIANT WITH GLS										
2. FINANCING SUBJECT TO OTHER FOREBEARANCE MEASURES										
3. NEW FINANCING PROVISIONS										
TOTAL (31.12.2021)										
TOTAL (31.12.2020)	**2,845**					**(2)**				

(*) Value to be used for information purposes

4.4 Financial assets measured at amortised cost: gross value and total value adjustments

	GROSS VALUE					TOTAL VALUE ADJUSTMENTS				TOTAL PARTIAL WRITE-OFFS (*)
	FIRST STAGE		SECOND STAGE	THIRD STAGE	OF WHICH IMPAIRED, ACQUIRED/ OR IGINATED	FIRST STAGE	SECOND STAGE	THIRD STAGE	OF WHICH IMPAIRED, ACQUIRED/OR IGINATED	
		OF WHICH, INSTRUMENTS WITH LOW CREDIT RISK								
DEBT SECURITIES	681.189	681.189	33.173	51.359		(2.613)	(783)	(44.118)		
FINANCINGS	505.391		118.379	70.941		(2.830)	(5.505)	(51.983)		
TOTAL	**1.186.580**	**681.189**	**151.552**	**122.300**		**(5.443)**	**(6.288)**	**(96.101)**		
TOTAL (31.12.2020)	**1.175.486**	**1.175.486**	**130.465**	**119.916**		**(2.453)**	**(5.773)**	**(93.965)**		
OF WHICH: IMPAIRED, ACQUIRED/ORIGINATED										

(*) Value to be displayed for information purposes

4.4a Financing provisions valued at amortized cost subject to Covid-19 support measures: gross value and overall value adjustments

	GROSS VALUE					TOTAL VALUE ADJUSTMENTS				TOTAL PARTIAL WRITE-OFFS (*)
	FIRST STAGE	OF WHICH, INSTRUMENTS WITH LOW CREDIT RISK	SECOND STAGE	THIRD STAGE	OF WHICH IMPAIRED, ACQUIRED/ OR IGINATED	FIRST STAGE	SECOND STAGE	THIRD STAGE	OF WHICH IMPAIRED, ACQUIRED/OR IGINATED	
1. FINANCING SUBJECT TO CONCESSIONS COMPLIANT WITH GLS										
2. FINANCING SUBJECT TO OTHER FOREBEARANCE MEASURES										
3. NEW FINANCING PROVISIONS										
TOTAL (31.12.2021)										
TOTAL (31.12.2020)	**2,845**					**(2)**				

(*) Value to be displayed for information purposes

SECTION 5 – HEDGING DERIVATIVES - ITEM 50

No data to report.

SECTION 6 - ADJUSTMENTS TO FINANCIAL ASSETS SUBJECT TO MACRO-HEDGING ITEM - 60

No data to report.

SECTION 7 – EQUITY INVESTMENTS – ITEM 70

No data to report.

SECTION 8 – TANGIBLE FIXED ASSETS - ITEM 80

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

ASSETS/VALUES		TOTAL (31.12.2021)	TOTAL (31.12.2020)
1	**PROPRIETARY ASSETS**	**21,077**	**21,646**
	A) LAND	8,187	8,187
	B) BUILDINGS	12,103	12,710
	C) FURNISHINGS	83	94
	D) ELECTRIC/ELECTRONIC EQUIPMENT		1
	E) OTHER ITEMS	704	654
2	**RIGHT OF USE ACQUIRED THROUGH LEASING**	**104**	172
	A) LAND		
	B) BUILDINGS	88	156
	C) FURNISHINGS		
	D) ELECTRIC/ELECTRONIC EQUIPMENT		
	E) OTHER ITEMS	16	16
TOTAL		**21,181**	**21,818**
OF WHICH: OBTAINED THROUGH ENFORCEMENT OF GUARANTEES RECEIVED			

The Bank owns the building in Rome in which it has its registered office and a flat in Milan for the Branch offices. The Bank also owns a building in Rome which is used as an archive.

8.6 Tangible fixed assets held for operational use: Yearly variations

			LAND	BUILDINGS	FURNISHINGS	ELECTRONIC PLANT	OTHER	TOTAL
A	**GROSS OPENING BALANCE**		**8,187**	**23,798**	**1,809**	**2,377**	**3,566**	**39,737**
	A1	REDUCTION OF TOTAL NET VALUES		10,932	1,713	**2,377**	2,897	17,919
	A2	**NET OPENING BALANCE**	**8,187**	**12,866**	**96**		**669**	**21,818**
B	**INCREASES:**			**108**	**5**		**314**	**427**
	B1	PURCHASES		108	5		292	405
	B2	EXPENSES FOR CAPITALISED IMPROVEMENTS						
	B3	WRITE-BACKS						
	B4	POSITIVE VARIATIONS OF FAIR VALUE ATTRIBUTED TO:						
		A) NET ASSETS						
		B) INCOME STATEMENT						
	B5	POSITIVE DIFFERENCES OF EXCHANGE RATES						
	B6	TRANSFERS FROM PROPERTIES HELD FOR INVESTMENT PURPOSES						
	B7	OTHER VARIATIONS					22	22
C	**DECREASES:**			**784**	**16**		**264**	**1,064**
	C1	SALES						
	C2	AMORTISATIONS		715	16		242	
	C3	VALUE ADJUSTMENTS FROM DETERIORATION ATTRIBUTED TO:						
		A) NET ASSETS						
		B) INCOME STATEMENT						
	C4	NEGATIVE VARIATIONS OF FAIR VALUE ATTRIBUTED TO:						
		A) NET ASSETS						
		B) INCOME STATEMENT						
	C5	NEGATIVE DIFFERENCES OF EXCHANGE RATES						
	C6	TRANSFERS TO:						
		A) TANGIBLE ASSETS HELD FOR INVESTMENT PURPOSES						
		B) NON-CURRENT ASSETS AND GROUPS OF ASSETS HELD FOR SALE						
	C7	OTHER VARIATIONS			69			22	91
D	**NET CLOSING BALANCE**		**8,187**	**12,190**	**85**		**719**	**21,181**
	D1	REDUCTION OF TOTAL NET VALUES		11,716	1,729	2,377	3,161	18,983
	D2	GROSS CLOSING BALANCE	8,187	23,906	1,814	2,377	3,880	40,164
E	**VALUATION AT COST**							

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 9 – INTANGIBLE FIXED ASSETS – ITEM 90

9.1 Intangible fixed assets: breakdown by type

			TOTAL (31.12.2021)		TOTAL (31.12.2020)	
			LIMITED LIFE	UNLIMITED LIFE	LIMITED LIFE	UNLIMITED LIFE
A1	**GOODWILL**					
A2	**OTHER INTANGIBLE ASSETS**		**234**		**264**	
	OF WHICH SOFTWARE		**41**		**77**	
	A2.1	ASSETS VALUED AT COST	234		264	
		A) INTANGIBLE ASSETS DEVELOPED IN-HOUSE				
		B) OTHER ASSETS	234		264	
	A2.2	ASSETS ASSESSED AT FAIR VALUE				
		A) INTANGIBLE ASSETS DEVELOPED IN-HOUSE				
		B) OTHER ASSETS				
TOTAL			234		264	

9.2 Intangible fixed assets: Yearly variations

			GOODWILL	OTHER INTANGIBLE ASSETS: GENERATED INTERNALLY		OTHER INTANGIBLE ASSETS: VARIOUS		TOTAL
				DEF	INDEF	DEF	INDEF	
A		**OPENING BALANCE**				**264**		**264**
	A1	REDUCTION OF TOTAL NET VALUE						
	A2	**NET OPENING BALANCE**				**264**		**264**
B		**INCREASES**				**70**		**70**
	B1	PURCHASES				70		70
	B2	INCREASE OF INTANGIBLE ASSETS INTERNALLY						
	B3	VALUE ADJUSTMENTS						
	B4	POSITIVE VARIATIONS OF FAIR VALUE:						
		- TO NET ASSETS						
		- TO INCOME STATEMENT						
	B5	POSITIVE DIFFERENCES IN EXCHANGE RATES						
	B6	OTHER VARIATIONS						
C		**DECREASES**				**100**		**100**
	C1	SALES						
	C2	VALUE ADJUSTMENTS				100		100
		- AMORTISATIONS				100		100
		- WRITE-DOWNS:						
		+ NET ASSETS						
		+ INCOME STATEMENT						
	C3	NEGATIVE VARIATIONS OF FAIR VALUE:						
		- TO NET ASSETS						
		- TO INCOME STATEMENT						
	C4	TRANSFERS TO NON-CURRENT ASSETS HELD FOR SALE						
	C5	NEGATIVE DIFFERENCES IN EXCHANGE RATES						
	C6	OTHER VARIATIONS						
D		**NET CLOSING BALANCE**				**234**		**234**
	D1	TOTAL NET VALUE ADJUSTMENTS						
E		**GROSS CLOSING BALANCE**				**234**		**234**
F		VALUATION AT COST						

Other intangible assets as of 31 December 2020 are amortized in constant proportions for an estimated period of five years from the date of coming into force.

SECTION 10 – TAX ASSETS AND TAX LIABILITIES - ITEM 100 (ASSETS) AND ITEM 60 (LIABILITIES)

10.1 Pre-paid tax assets: breakdown

		TOTAL (31.12.2021)	TOTAL (31.12.2020)
TOTAL		7,476	8,019
INCOME STATEMENT		4,842	5,385
1	TAX LOSSES		
2	LOAN LOSSES	3,710	4,253
3	OTHER	1,132	1,132
SHAREHOLDERS' EQUITY		2,634	2,634
4	VALUATION RESERVES	2,634	2,634
5	OTHER		

Deferred tax assets refer to approximately € 4.2 million whose recoverability is not based on future profitability, approximately € 3.6 million whose recoverability is based on future profitability and which derive from temporary differences and, finally, € 0.9 million.
In addition, as illustrated in the Report on Operations, the Bank has prudentially not recognized deferred tax assets of approximately € 30 million. With reference to art. 2, CO. 55 and 56, Decree-Law 225/2010, we proceeded with the transformation of DTAs for €0.543 million.

10.2 Deferred Tax liabilities: breakdown

		TOTAL (31.12.21)	TOTAL (31.12.20)
TOTAL		425	412
1	INCOME STATEMENT		
2	SHAREHOLDERS' EQUITY	425	412
	VALUATION RESERVES	425	412
	OTHER		

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

			TOTAL (31.12.21)	TOTAL (31.12.20)
1	**OPENING BALANCE**		**5,385**	**5,385**
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**		543	
	3.1	PRE-PAID TAX ASSETS ANNULLED DURING THE YEAR		
		A) REVERSALS		
		B) WRITE-DOWNS FOR INTERVENING NON-RECOV.		
		C) DUE TO CHANGES IN ACCOUNTING POLICIES		
		D) OTHER		
	3.2	REDUCTIONS IN TAX RATES		
	3.3	OTHER DECREASES	543	
		A) TRANSFORMATION INTO TAX CREDITS AS PER LAW 214/2011	543	
		B) OTHER		
4	**CLOSING BALANCE**		**4,842**	**5,385**

10.3bis Changes in prepaid tax assets to L. 214/2011

			TOTAL (31.12.21)	TOTAL (31.12.20)
1	**OPENING BALANCE**		**5,385**	**5,385**
2	**INCREASES**			
3	**DECREASES**		543	
	3.1	REVERSAL		
	3.2	TRANSFORMATION INTO TAX CREDITS	543	
		A) RESULTING FROM OPERATING LOSSES		
		B) RESULTING FROM TAX LOSSES	543	
	3.3	OTHERS DECREASES		
4	**CLOSING BALANCE**		**4,842**	**5,385**

10.5 Changes in prepaid tax assets: contra-item in shareholders' equity

			TOTAL (31.12.2021)	TOTAL (31.12.2020)
1	**INITIAL AMOUNT**		**2,633**	**2,633**
2	**INCREASES**			
	2.1	DEFERRED TAX ASSETS RECOGNISED DURING THE YEAR		
		A) RELATING TO PREVIOUS YEARS		
		B) DUE TO CHANGES IN ACCOUNTING CRITERIA		
		C) OTHER		
	2.2	NEW TAXES OR INCREASES IN TAX RATES		
	2.3	OTHER INCREASES		
3	**DECREASES**			
	3.1	DEFERRED TAX ASSETS CANCELLED DURING THE YEAR		
		A) REVERSALS		
		B) UNRECOVERABLE WRITE-OFFS		
		C) DUE TO CHANGES IN ACCOUNTING CRITERIA		
		D) OTHER		
	3.2	REDUCTION IN TAX RATES		
	3.3	OTHER DECREASES		
4	**FINAL AMOUNT**		**2,633**	**2,633**

SECTION 11 – NON-CURRENT ASSETS AND GROUPS OF ASSETS BEING DIVESTED AND ASSOCIATED LIABILITIES – ITEM 110 (ASSETS) AND ITEM 70 (LIABILITIES)

No data to report.

SECTION 12 – OTHER ASSETS – ITEM 120

12.1 Other assets: breakdown

		TOTAL (31.12.2021)	TOTAL (31.12.2020)
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)	4,101	16,226
TOTAL		4,101	16,226

LIABILITIES

SECTION 1 – FINANCIAL LIABILITIES VALUED AT AMORTISED COST - ITEM 10

1.1 Financial liabilities valued at amortised cost: composition of debts towards banks

TYPE OF OPERATIONS/ VALUES		TOTAL (31.12.2021)				TOTAL (31.12.2020)			
		BALANCE VALUE	FAIR VALUE			BALANCE VALUE	FAIR VALUE		
			L1	L2	L3		L1	L2	L3
1	**DEBTS TOWARDS CENTRAL BANKS**	**222,808**				**263,667**			
2	**DEBTS TOWARDS BANKS**	**1,140,399**				**1,035,920**			
	2.1 CURRENT ACCOUNTS AND DEPOSITS AT SIGHT	304,963				196,597			
	2.2 DEPOSITS AT MATURITY	835,436				839,323			
	2.3 FINANCING OPERATIONS								
	2.3.1 REPURCHASE AGREEMENTS								
	2.3.2 OTHERS								
	2.4 PAYABLES FOR REPURCHASE COMMITMENTS OF OWN EQUITY INSTRUMENTS								
	2.5 LEASE FOR LIABILITIES								
	2.6 OTHER PAYABLES								
TOTAL		1,363,207				1,299,587			1,299,587

Legend:

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

The Item 1 includes deposits received from foreign Central Banks.

1.2 Financial liabilities valued at amortised cost: product composition of amounts due to customers

TYPE OF OPERATIONS/VALUES		TOTAL (31.12.2021)				TOTAL (31.12.2020)			
		BALANCE VALUE	FAIR VALUE			BALANCE VALUE	FAIR VALUE		
			L1	L2	L3		L1	L2	L3
1	CURRENT ACCOUNTS AND DEPOSITS AT SIGHT	103,772				136,018			
2	DEPOSITS AT MATURITY	10,383				13,927			
3	FINANCING OPERATIONS								
	3.1 REPURCHASE AGREEMENTS								
	3.2 OTHERS								
4	PAYABLES FOR REPURCHASE COMMITMENTS OF OWN EQUITY INSTRUMENTS								
5	LEASE FOR LIABILITIES	131				183			
6	OTHER PAYABLES	2,722				2,061			
TOTAL		117,008			114,622	152,189			152,189

Legend:

VB= Balance value
L1= Level 1
L2= Level 2
L3= Level 3

SECTION 2 – ACCOUNTS PAYABLE TO CUSTOMERS - ITEM 20

2.1 Financial liabilities held for trading: breakdown by type

TYPE OF OPERATIONS/VALUES	31.12.2021					31.12.2020				
	NV	FV			FV*	VN	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 ACCOUNTS PAYABLE TO BANKS			1,804					4,078		
1.1 HELD FOR TRADING			1,804					4,078		
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			1,804					4,078		
TOTAL (A+B)			1,804					4,078		

Legend:

NV= nominal or notional value
L1= Level 1
L2= Level 2
L3= Level3
FV* = fair value as reckoned by excluding variations in value due to changes intervened in the issuer's creditworthiness since the issue date

SECTION 3 – FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE - ITEM 30

No data to report.

SECTION 4 – HEDGING DERIVATIVES – ITEM 40

No data to report.

SECTION 5 – VALUE ADJUSTMENT OF FINANCIAL LIABILITIES SUBJECT TO GENERIC HEDGING – ITEM 50

No data to report.

SECTION 6 – FISCAL LIABILITIES - ITEM 60

See Section 10 of the assets.

SECTION 7 – LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE - ITEM 70

See Section 11 of the assets.

SECTION 8 – OTHER LIABILITIES – ITEM 80

8.1 Other liabilities breakdown

		TOTAL (31.12.2021)	TOTAL (31.12.2020)
1	ACCRUED LIABILITIES		
2	OTHER LIABILITIES (SUMS AVAILABLE TO CUSTOMERS, ILLIQUID ITEMS)	12,609	25,562
TOTAL		12,609	25,562

SECTION 9 – EMPLOYEE SEVERANCE BENEFITS - ITEM 90

9.1 Staff severance fund: Yearly variations

ITEMS/VALUES				31.12.2021	31.12.2020
A	OPENING BALANCE			**851**	**1,086**
B	INCREASES			**29**	**13**
	B.1	PROVISIONING FOR THE YEAR		5	8
	B.2	OTHER INCREASES		24	5
C	DECREASES			**304**	**248**
	C.1	SEVERANCE PAYMENTS		304	248
	C.2	OTHER DECREASES			
D	CLOSING BALANCE			**576**	**851**
TOTAL				576	851

9.1.1 Rates

ANNUAL TECHNICAL	0.73%
ANNUAL INFLATION RATE	1.75%
ANNUAL FREQUENCIES OF TURNOVER ADVANCES	4.00%
ANNUAL FREQUENCIES OF ADVANCES ON SEVERANCE FUND	3.00%
GROSS ANNUAL SSF	2.81%

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 1.75%;

- the annual frequencies of turnover advances are inferred from the Bank’s long- standing experience and the frequencies arising from the experience of the consulting firm (Managers & Partners) on a significant number of similar business enterprises.

9.1.2 Reconciliation of actuarial valuations under IAS 19

	TOTAL (31.12.2021)	TOTAL (31.12.2020)
OPENING BALANCE	**851**	**1,086**
REALIGNMENT		
PENSION COST		
FINANCIAL CHARGES	5	8
BENEFITS PAID	(304)	(248)
TRANSFERS		
EXPECTED LIABILITIES	**552**	**846**
ACTUARIAL LOSS	24	5
CLOSING BALANCE	**576**	**851**

9.2 Other information

	TOTAL (31.12.2021)
PROVISIONING FOR THE YEAR	**29**
PENSION COSTS	
FINANCIAL CHARGES	5
ACTUARIAL LOSS	24
OTHER	

SECTION 10 – PROVISIONS FOR RISKS AND CHARGES – ITEM 100

10.1 Provisions for risks and charges: breakdown

ITEMS/VALUES		TOTAL (31.12.2021)	TOTAL (31.12.2020)
1	FUNDS FOR CREDIT RISK RELATING TO COMMITMENTS AND FINANCIAL GUARANTEES ISSUED	6,227	5,013
2	FUNDS ON OTHER COMMITMENTS AND OTHER GUARANTEES ISSUED		
3	COMPANY RETIREMENT FUNDS		
4	OTHER PROVISIONS FOR RISKS AND CHARGES	12,311	14,844
	4.1 LEGAL AND TAX DISPUTES	90	500
	4.2 PERSONNEL COSTS	6,138	7,911
	4.3 OTHERS	6,083	6,433
TOTAL		18,538	19,857

At 31 December 2021, the item “Provisions for risks and charges” includes specific and extraordinary provisions (5.5 mln euros circa) to cover expected future charges following the initiation of collective proceedings, on a voluntary basis, in 2021; prudential provisions relating to a lawsuit against the Inland Revenue, whose judgement is still awaited by the Court of Cassation (3.2 mln euros), as well as potential legal risks that may arise from the existing portfolio “international guarantees” (2.3 mln euros).

9.1.2 Reconciliation of actuarial valuations under IAS 19

	TOTAL (31.12.2021)	TOTAL (31.12.2020)
OPENING BALANCE	**851**	**1,086**
REALIGNMENT		
PENSION COST		
FINANCIAL CHARGES	5	8
BENIFITS PAID	(304)	(248)
TRANSFERS		
EXPECTED LIABILITIES	**552**	**846**
ACTUARIAL LOSS	24	5
CLOSING BALANCE	**576**	**851**

9.2 Other information

	TOTAL (31.12.2021)
PROVISIONING FOR THE YEAR	**29**
PENSION COSTS	
FINANCIAL CHARGES	5
ACTUARIAL LOSS	24
OTHER	

SECTION 10 – PROVISIONS FOR RISKS AND CHARGES – ITEM 100

10.1 Provisions for risks and charges: breakdown

ITEMS/VALUES		TOTAL (31.12.2021)	TOTAL (31.12.2020)
1	FUNDS FOR CREDIT RISK RELATING TO COMMITMENTS AND FINANCIAL GUARANTEES ISSUED	6,227	5,013
2	FUNDS ON OTHER COMMITMENTS AND OTHER GUARANTEES ISSUED		
3	COMPANY RETIREMENT FUNDS		
4	OTHER PROVISIONS FOR RISKS AND CHARGES	12,311	14,844
	4.1 LEGAL AND TAX DISPUTES	90	500
	4.2 PERSONNEL COSTS	6,138	7,911
	4.3 OTHERS	6,083	6,433
TOTAL		18,538	19,857

At 31 December 2021, the item "Provisions for risks and charges" includes specific and extraordinary provisions (5.5 mln euros circa) to cover expected future charges following the initiation of collective proceedings, on a voluntary basis, in 2021; prudential provisions relating to a lawsuit against the Inland Revenue, whose judgement is still awaited by the Court of Cassation (3.2 mln euros), as well as potential legal risks that may arise from the existing portfolio "international guarantees" (2.3 mln euros).

10.2 Provisions for risks and charges: Yearly variations

	ITEMS/ VALUES		FUNDS FOR OTHER COMMITMENTS AND GUARANTEES ISSUED	PENSION FUNDS	OTHER FUNDS FOR RISKS AND CHARGES	TOTAL
A	**OPENING BALANCE**		**5,013**	**7,280**	**7,564**	**19,857**
B	**B. INCREASES**		**1,214**			**1,214**
	B1	ALLOCATION FOR THE YEAR	1,214			
	B2	CHANGES DUE TO THE PASSAGE OF TIME				
	B3	VARIATIONS DUE TO CHANGES IN THE DISCOUNT RATE				
	B4	OTHER CHANGES				
C	**DECREASES**			**1,826**	**707**	
	C1	USE DURING THE YEAR		1,826	707	
	C2	VARIATIONS DUE TO CHANGES IN THE DISCOUNT RATE				
	C3	OTHER CHANGES				
D	**CLOSING BALANCE**		**6,227**	**5,454**	**6,857**	**18,538**

10.3 Provisions for credit risk relating to commitments and financial guarantees issued

ITEMS/ VALUES	PROVISIONS FOR CREDIT RISK RELATING TO COMMITMENTS, AND FINANCIAL GUARANTEES ISSUE				
	FIRST STAGE	SECOND STAGE	THIRD STAGE	OF WHITCH: IMPARIED, ACQUIRED/ ORIGINATED	TOTALE
COMMITMENTS TO DISBURSE FUNDS	1	46			47
FINANCIAL GUARANTEES ISSUED	1,419	297	4,464		6.180
TOTAL	**1,420**	**343**	**4,464**		6.227

10.6 Provisions for risks and charges – other provisions

	TOTAL (31.12.2021)	TOTAL (31.12.2020)
PROVISION FOR HOLIDAYS NOT TAKEN	684	631
LEGAL DISPUTES	90	500
OTHER	6,083	6,433
TOTAL	6,857	7,564

SECTION 11 –REDEEMABLE SHARES - ITEM 120

No data to report.

SECTION 12 – SHAREHOLDERS' EQUITY - ITEMS 110, 130, 140, 150, 160, 170 AND 180

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

		31.12.2021	31.12.2020
1	SHARE CAPITAL	261,186	261,186
2	SHARE PREMIUM ACCOUNT	870	870
3	RESERVES	(77,869)	(20,103)
4	CAPITAL INSTRUMENTS		
5	(TREASURY STOCK)		
6	VALUATION RESERVES	652	617
7	PROFIT (LOSS) FOR THE YEAR	1,393	(57,767)
TOTAL		186,232	184,803

12.2 Share capital: Yearly variations in number of shares

			COMMON	OTHER
A	SHARES AT START OF YEAR		2,374,147	
		- FULLY PAID UP	2,374,147	
		- NOT FULLY PAID UP		
	A1	TREASURY STOCK		
	A2	A.2 SHARES OUTSTANDING: OPENING BALANCE	2,374,147	
B	INCREASES			
	B1	NEW SHARE ISSUES		
		RIGHTS ISSUES:		
		- COMBINATION OF COMPANIES		
		- CONVERSION OF BONDS		
		- EXERCISE OF WARRANTS		
		- OTHERS		
		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		2,374,417	
	D1	TREASURY STOCK(+)		
	D2	SHARES AT END OF YEAR	2,374,417	
		- FULLY PAID UP	2,374,417	
		- NOT FULLY PAID UP		

Each of the Bank's 2,374,147 shares has a face value of EUR 110.

12.4 Profit reserves: Other information

	AMOUNT	OPTIONS FOR ALLOCATION	AVAILABLE PORTION	ALLOCATIONS OVER PAST THREE YEARS
SHARE CAPITAL	**261,186**			
CAPITAL RESERVES	**870**			
SHARE PREMIUM ACCOUNT	870	A,B,C	870	
RESERVES	**(85,323)**			
A) LEGAL RESERVE	6,041	B	6,041	
B) EXTRAORDINARY RESERVE		A,B,C		
C) FTA/IFRS RESERVES	(7,758)			
D) RETAINED PROFIT IFRS 2005	305			
E) RETAINED PROFIT	(83,911)	A,B,C		
OTHER RESERVES				
TOTAL	(84,453)			
AMOUNT NOT ALLOCATABLE	(85,323)			
AMOUNT ALLOCATABLE	**870**			

Legend:

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

OTHER INFORMATION

1. Commitments and financial guarantees issued (other than those designated at fair value)

		NOMINAL VALUE ON COMMITMENTS AND FINANCIAL GUARANTEES ISSUED			TOTAL (31.12.2021)	TOTAL (31.12.2020)
		(FIRST STAGE)	(SECOND STAGE)	(THIRD STAGE)		
COMMITMENTS TO DISBURSE FUNDS		**4,598,285**	**250,457**	**6,311**	**4,855,053**	**5,838,260**
A)	CENTRAL BANKS		13,000		13,000	15,000
B)	PUBLIC ADMINISTRATIONS					25,000
C)	BANKS	4,189,199	155,433		4,344,632	5,195,207
D)	OTHER FINANCIAL COMPANIES	101,324			101,324	117,717
E)	NON-FINANCIAL COMPANIES	307,762	80,777	6,311	394,850	483,967
F)	FAMILIES		1,247		1,247	1,369
FINANCIAL GUARANTEES ISSUED		**525,069**	**122,440**	**37,950**	**685,459**	**549,519**
A)	CENTRAL BANKS	38,960			38,960	18,375
B)	PUBLIC ADMINISTRATIONS					
C)	BANKS	419,512	37,899		457,411	315,972
D)	OTHER FINANCIAL COMPANIES					
E)	NON-FINANCIAL COMPANIES	66,597	84,541	37,950	189,088	215,172
F)	FAMILIES					

3. Assets set up as collateral for own liabilities and commitments

PORTFOLIOS		AMOUNT (31.12.21)	AMOUNT (31.12.20)
1	FINANCIAL ASSETS MEASURED AT FAIR VALUE WITH IMPACT ON INCOME STATEMENT		
2	FINANCIAL ASSETS MEASURED AT FAIR VALUE WITH IMPACT ON TOTAL PROFITABILITY		
3	FINANCIAL ASSETS VALUED AT AMORTISED COST	507	509
4	TANGIBLE ASSETS		
	OF WHICH: TANGIBLE ASSETS THAT CONSTITUTE INVENTORIES		

Such activities have been used by Banca d’Italia for issuing bank drafts.

4. Asset management and brokerage services

SERVICES			AMOUNT
1)	**TRADING IN FINANCIAL INSTRUMENTS ON BEHALF OF THIRD PARTIES**		
	A)	PURCHASES	
	1.	REGULATED	
	2.	UNREGULATED	
	B)	SALES	
	1.	REGULATED	
	2.	UNREGULATED	
2)	**MANAGING INDIVIDUAL PORTFOLIOS**		
3)	**CUSTODY AND ADMINISTRATION OF SECURITIES**		809,833
	A)	THIRD-PARTY SECURITIES ON DEPOSIT: CONNECTED WITH ACTING AS CUSTODIAN BANK (EXCLUDING ASSET MANAGEMENT)	
	1.	SECURITIES ISSUED BY BANK THAT DRAWS UP BALANCE SHEET	
	2.	OTHER SECURITIES	
	B)	THIRD-PARTY SECURITIES ON DEPOSIT (EXCLUDING ASSET MANAGEMENT): OTHER	26,984
	1.	SECURITIES ISSUED BY BANK THAT DRAWS UP BALANCE SHEET	14,379
	2.	OTHER SECURITIES	12,605
	C)	THIRD-PARTY SECURITIES HELD BY THIRD PARTIES	11,553
	D)	OWN SECURITIES HELD BY THIRD PARTIES	771,296
4)	**OTHER OPERATIONS**		

Note that the Bank's memorandum accounts include third-party funds for a contra-value of EUR 3.2 billion (EUR 3.6 billion as of 31 December 2020) deriving of third-party securities and relative coupons, subject to judicial and international constraints. It should also be pointed out that part of said funds, for a contra-value of Euro 1.7 billion, has been transferred to other intermediaries following a provision issued by foreign judicial authorities, while awaiting definitive assignment.

The Bank has no ownership or immediate availability of these amounts.

A number of legal proceedings are pending in the US and Luxembourg jurisdictions, the outcome of which is currently unforeseeable. There are, however, no signs to date of adverse outcomes that involve liabilities for the Bank.

PART C: INFORMATION ON THE INCOME STATEMENT

SECTION 1 - INTEREST - ITEMS 10 AND 20

1.1 Interest and similar income: breakdown

	ITEMS/TECHNICAL FORMS	DEBT SECURITIES	LOANS	OTHER OPERATIONS	TOTAL (31.12.2021)	TOTAL (31.12.2020)
1	FINANCIAL ASSETS MEASURED AT FAIR VALUE WITH IMPACT ON INCOME STATEMENT:	258			258	144
	1.1 FINANCIAL ASSETS HELD FOR TRADING	258			258	144
	1.2 FINANCIAL ASSETS DESIGNATED AT FAIR VALUE					
	1.3 OTHER FINANCIAL ASSETS NECESSARILY MEASURED AT FAIR VALUE					
2	FINANCIAL ASSETS MEASURED AT FAIR VALUE WITH IMPACT ON TOTAL PROFITABILITY	**143**			**143**	**308**
3	FINANCIAL ASSETS VALUED AT AMORTISED COST:	**12,303**	**11,667**		**23,970**	**25,352**
	3.1 CREDITS TOWARDS BANKS	2,002	5,604		7,606	9,401
	3.2 CREDITS TOWARDS CUSTOMERS	10,301	6,063		16,364	15,951
4	DERIVATIVES FOR HEDGING OPERATIONS					
5	OTHER ASSETS					
6	FINANCIAL LIABILITIES					
TOTAL		12,704	11,667		24,371	25,804
OF WHICH: INTEREST INCOME ON IMPAIRED FINANCIAL ASSETS		1,323	624		1,947	2,421
OF WHICH: INTEREST INCOME ON FINANCIAL LEASING						

Interest relating to customers' impaired assets amounted to Euro 1,9 million (previously Euro 2.4 million the year ended 31/12/2020).

1.2 Interest and similar income: other information

1.2.1 Interest income from financial assets denominated in foreign currency

	ITEMS/ TECHNICAL FORMS	DEBT SECURITIES	LOANS	OTHER OPERATIONS	TOTAL (31.12.2021)	TOTAL (31.12.2020)
1	FINANCIAL ASSETS MEASURED AT FAIR VALUE WITH IMPACT ON INCOME STATEMENT:	**161**			**161**	**86**
	1.1 FINANCIAL ASSETS HELD FOR TRADING	161			161	86
	1.2 FINANCIAL ASSETS DESIGNATED AT FAIR VALUE					
	1.3 OTHER FINANCIAL ASSETS NECESSARILY MEASURED AT FAIR VALUE					
2	FINANCIAL ASSETS MEASURED AT FAIR VALUE WITH IMPACT ON TOTAL PROFITABILITY	**96**			**96**	
3	FINANCIAL ASSETS VALUED AT AMORTISED COST:	**5,589**	**7,420**		**13,009**	**15,626**
	3.1 CREDITS TOWARDS BANKS	268	4,625		4,851	5,675
	3.2 CREDITS TOWARDS CUSTOMERS	5,363	2,795		8,158	9,951
4	DERIVATIVES FOR HEDGING OPERATIONS					
5	OTHER ASSETS					
6	FINANCIAL LIABILITIES					
	TOTAL	5,846	7,420		13,266	15,712
	OF WHICH: INTEREST INCOME ON IMPAIRED FINANCIAL ASSETS	1,323			1,323	1,763
	OF WHICH: INTEREST INCOME ON FINANCIAL LEASING					

1.3 Interest charges and similar expenses: breakdown

ITEMS/TECHNICAL FORMS		DEBTS	SECURITIES	OTHER OPERATIONS	TOTAL (31.12.2021)	TOTAL (31.12.2020)
1	FINANCIAL LIABILITIES VALUED AT AMORTISED COST	**5,520**			**5,520**	**13,816**
	1.1 DEBTS TOWARDS CENTRAL BANKS	143			143	1,013
	1.2 DEBTS TOWARDS OTHER BANKS	5,354			5,354	10,847
	1.3 DEBTS TOWARDS CUSTOMERS	23			23	1,956
	1.4 SECURITIES ISSUED					
2	FINANCIAL LIABILITIES FOR TRADING					
3	FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE					
4	OTHER LIABILITIES AND FUNDS					
5	HEDGING DERIVATIVES					
6	FINANCIAL ASSETS				61	68
TOTAL		5,520			5,581	13,884
OF WHICH: INTEREST EXPENSE RELATING TO LEASE LIABILITIES		2			2	3

1.4 Interest charges and similar expenses: other information

1.4.1 Interest charges on liabilities denominated in foreign currency

ITEMS/TECHNICAL FORMS		DEBTS	SECURITIES	OTHER OPERATIONS	TOTAL (31.12.2021)	TOTAL (31.12.2020)
1	FINANCIAL LIABILITIES VALUED AT AMORTISED COST	**3,644**			**3,644**	**10,827**
	1.1 DEBTS TOWARDS CENTRAL BANKS	6			6	162
	1.2 DEBTS TOWARDS OTHER BANKS	3,623			3,623	8,718
	1.3 DEBTS TOWARDS CUSTOMERS	15			15	1,947
	1.4 SECURITIES ISSUED					
2	FINANCIAL LIABILITIES FOR TRADING					
3	FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE					
4	OTHER LIABILITIES AND FUNDS					
5	HEDGING DERIVATIVES					
6	FINANCIAL ASSETS					
TOTAL		3,644			3,644	10,827
OF WHICH: INTEREST EXPENSE RELATING TO LEASE LIABILITIES						

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

2.1 Commission income: breakdown

TYPE OF SERVICES/VALUES			TOTAL (31.12.21)	TOTAL (31.12.20)
A)	FINANCIAL INTRUMENTS			
	1	ALLOCATION OF SECURITIES		
		1.1. WITH STANDING ORDER AND/OR BASED ON AN IRREVOCABLE COMMITMENT		
		1.2 WITHOUT AN IRREVOCABLE COMMITMENT		
	2	RECEIVING AND TRANSMITTING ORDERS, AND EXECUTING THEM ON BEHALF OF CUSTOMERS OF CUSTOMERS		
		2.1 RECEIVING AND TRANSMITTING ORDERS USING ONE OR MORE FINANCIAL INSTRUMENTS		
		2.2 EXECUTING ORDERS ON BEHALF OF CUSTOMERS		
	3.	OTHER COMMISSIONS CONNECTED WITH ACTIVITIES LINKED TO FINANCIAL INSTRUMENTS		
		OF WHICH: NEGOTIATING ON OWN ACCOUNT		
		OF WHICH: MANAGING INDIVIDUAL PORTFOLIOS		
B)	CORPORATE FINANCE			
	1.	CONSULTANCY ON MERGERS AND ACQUISITIONS		
	2.	TREASURY SERVICES		
	3.	OTHER COMMISSIONS CONNECTED WITH CORPORATE FINANCE SERVICES		
C)	CONSULTANCY ON INVESTMENTS			
D)	COMPENSATION AND REGULATION			
E)	CUSTODY AND ADMINISTRATION			
	1.	DEPOSIT BANK		
	2.	OTHER COMMISSIONS LINKED TO CUSTODY AND ADMINISTRATION		
F)	CENTRAL ADMINISTRATIVE SERVICES FOR MANAGING COLLECTIVE PORTFOLIOS			
G)	FIDUCIARY ACTIVITIES			
H)	PAYMENT SERVICES		31	28
	1.	CURRENT ACCOUNTS	15	14
	2.	CREDIT CARDS		
	3.	DEBIT CARDS AND OTHER PAYMENT CARDS	7	7
	4.	BANK TRANSFERS AND OTHER PAYMENT ORDERS	9	7
	5.	OTHER COMMISSIONS LINKED TO PAYMENT ORDERS		
I)	DISTRIBUTION OF THIRD-PARTY SERVICES			
	1.	MANAGING COLLECTIVE PORTFOLIOS		
	2.	INSURANCE PRODUCTS		
	3.	OTHER PRODUCTS		
		OF WHICH: MANAGING INDIVIDUAL PORTFOLIOS		

		TOTAL (31.12.21)	TOTAL (31.12.20)
J)	STRUCTURED FINANCE		
K)	SERVICING ACTIVITIES FOR SECURITIZATION OPERATIONS		
L)	COMMITMENTS TO DISBURSE FUNDS		
M)	FINANCIAL GUARANTEES ISSUED	12,454	11,845
	OF WHICH: CREDIT DERIVATIVES		
N)	FINANCING OPERATIONS	3,082	1,300
	OF WHICH: FACTORING OPERATIONS	949	543
O)	CURRENCY TRADING	385	245
P)	GOODS AND COMMODITIES		
Q)	OTHER ACTIVE COMMISSIONS	421	221
	OF WHICH: ACTIVITIES FOR MANAGING MULTILATERAL EXCHANGE SYSTEMS		
	OF WHICH: ACTIVITIES FOR MANAGING ORGANIZED TRADING SYSTEMS		
TOTAL		16,373	13,639

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

2.3 Commission expense: breakdown

SERVICES/VALUES		TOTAL (31.12.21)	TOTAL (31.12.20)
A)	FINANCIAL INSTRUMENTS		
	OF WHICH: NEGOTIATING FINANCIAL INSTRUMENTS		
	OF WHICH: ALLOCATING FINANCIAL INSTRUMENTS		
	OF WHICH: MANAGING INDIVIDUAL PORTFOLIOS		
	*OWN ACCOUNT		
	*DELEGATED TO THIRD PARTIES		
B)	COMPENSATION AND REGULATION		
C)	CUSTODY AND ADMINISTRATION		
D)	ENCASHMENT AND PAYMENT SERVICES	9	4
	OF WHICH: CREDIT CARDS, DEBIT CARDS AND OTHER PAYMENT CARDS		
E)	SERVICING ACTIVITIES FOR SECURITIZATION OPERATIONS		
F)	COMMITMENTS TO RECEIVE FUNDS		
G)	FINANCIAL GUARANTEES RECEIVED	2,613	3,037
	OF WHICH: CREDIT DERIVATIVES		
H)	EXTERNAL OFFER OF FINANCIAL INSTRUMENTS, PRODUCTS AND SERVICES		
I)	CURRENCY TRADING	1	
J)	OTHER PASSIVE COMMISSIONS	446	270
TOTAL		3,069	3,311

The item includes commissions downgraded to banking counterparties on guarantees issued by our Bank, and commissions downgraded to counterparties participating in syndicated pool loans.

SECTION 3 – DIVIDENDS AND SIMILAR INCOME – ITEM 70

3.1 Dividends and similar income: breakdown

No data to report.

SECTION 4 – NET TRADING INCOME – ITEM 80

4.1 Net result of trading activities: composition

OPERATIONS / INCOME COMPONENTS			CAPITAL GAINS (A)	PROFIT FROM TRADING (B)	LOSSES (C)	LOSSES FROM TRADING (D)	NET RESULT [(A+B) - (C+D)]
1	**FINANCIAL ASSETS FOR TRADING**			**419**	**179**	**120**	**120**
	1.1	DEBT SECURITIES		176	178	120	(122)
	1.2	CAPITAL SECURITIES	1	241			242
	1.3	O.I.C.R. PORTIONS		2	1		1
	1.4	FINANCING OPERATIONS					
	1.5	OTHERS					
2	**FINANCIAL LIABILITIES FOR TRADING**						
	2.1	DEBT SECURITIES					
	2.2	DEBTS					
	2.3	OTHERS					
3	**FINANCIAL ASSETS AND LIABILITIES: EXCHANGE DIFFERENCES**						**(4,411)**
4	**DERIVATIVE INSTRUMENTS**		**2,972**	**1,185**	**13**	**2,975**	**6,278**
	4.1	FINANCIAL DERIVATIVES:	2,972	1,185	13	2,975	6,278
		- ON DEBT SECURITIES AND INTEREST RATES	2,972	1,185	13	2,975	1,169
		- ON CAPITAL SECURITIES AND EQUITY INDICES					
		- ON FOREIGN CURRENCIES AND GOLD					5,109
		- OTHERS					
	4.2	CREDIT DERIVATIVES					
OF WHICH: NATURAL HEDGING RELATED TO FAIR VALUE OPTION							
TOTAL			2,972	1,604	192	3,095	1,987

(*) The amount reflects the profit deriving from the valuation of items in foreign currency.
(**) Capital gains and losses (Euro 2.8 million) reflect the fair value measurement of financial derivatives on interest rates and foreign currencies and are included respectively in asset item 20 (below Euro 1 million) and in item 20 of liabilities (below Euro 1.8 million).

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 Profit (Loss) from sale/repurchase: composition

ITEMS/INCOME COMPONENTS		TOTAL (31.12.2021)			TOTAL (31.12.2020)		
		PROFIT	LOSS	NET RESULT	PROFIT	LOSS	NET RESULT
A.	**FINANCIAL ASSETS**						
1.	**FINANCIAL ASSETS VALUED AT AMORTISED COST:**				908		908
	1.1 CREDITS TOWARDS BANKS				883		883
	1.2 CREDITS TOWARDS CUSTOMERS				25		25
2	**FINANCIAL ASSETS MEASURED AT FAIR VALUE WITH IMPACT ON TOTAL PROFITABILITY**	**151**		**151**	**122**		**122**
	2.1 DEBT SECURITIES	151		151	122		122
	2.4 FINANCIAL OPERATIONS						
TOTAL ASSETS		151		151	1,030		1,030
FINANCIAL LIABILITIES VALUED AT AMORTISED COST							
1. DEBTS TOWARDS BANKS							
2. DEBTS TOWARDS CUSTOMERS							
3. SECURITIES ISSUED							
TOTAL LIABILITIES							

SECTION 7 – NET RESULT OF OTHER FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE WITH IMPACT ON INCOME STATEMENT – ITEM 110

No data to report.

SECTION 8 – ADJUSTMENTS / NET WRITE-BACKS FOR CREDIT RISK – ITEM 130

8.1 Net value adjustments for credit risk relating to financial assets valued at amortised cost: breakdown

	OPERATIONS/ INCOME COMPONENTS	VALUE ADJUSTMENTS (1)						RIPRESE DI VALORE (2)				TOTAL (31.12.21) (2-1)	TOTAL (31.12.20)
		FIRST STAGE	SECOND STAGE	THIRD STAGE		IMPAIRED CREDITS ACQUIRED/ORIGINATED		FIRST STAGE	SECOND STAGE	THIRD STAGE	IMPAIRED CREDITS ACQUIRED/ ORIGINATED		
				WRITE-OFF	OTHERS	WRITE-OFF	OTHERS						
A	CREDITS TOWARDS BANKS	**2,164**	**255**		**14**				**12**			**(2.421)**	**(3.186)**
	- FINANCING OPERATIONS	859	255		14							(1.128)	(2.703)
	- DEBT SECURITIES	1,305							12			(1.293)	(483)
B	CREDITS TOWARDS CUSTOMERS:	**248**			**4,805**			**113**	**161**			**(4.779)**	**(29.492)**
	- FINANCING OPERATIONS				403			113	3			(287)	(5.432)
	-DEBT SECURITIES	248			4,402				158			(4.492)	(24.060)
C	TOTAL	**2,412**	**255**		**4,819**			**113**	**173**			**(7.200)**	**(32.678)**

8.1a Net value adjustments for credit risk relative to financing provisions valued at amortized cost, subject to Covid-19 support measures: composition

	OPERATIONS/ INCOME COMPONENTS	VALUE ADJUSTMENTS (1)						RIPRESE DI VALORE (2)				TOTAL (31.12.21)	TOTAL (31.12.20)
		FIRST STAGE	SECOND STAGE	THIRD STAGE		IMPAIRED CREDITS ACQUIRED/ORIGINATED		FIRST STAGE	SECOND STAGE	THIRD STAGE	IMPAIRED CREDITS ACQUIRED/ ORIGINATED		
				WRITE-OFF	OTHERS	WRITE-OFF	OTHERS						
1	FINANCING SUBJECT TO CONCESSIONS COMPLIANT WITH GLS												(2)
2	FINANCING SUBJECT MORATORIUM MEASURES IN PLACE NO LONGER COMPLIANT WITH GL AND NOT ASSESMENT TO FOREBEARANCE												
3	FINANCING SUBJECT TO OTHER FOREBEARANCE MEASURES												
4	NEWS FINANCING PROVISIONS												
C	TOTAL												(2)

8.2 Net value adjustments for credit risk relating to financial assets measured at fair value with impact on overall profitability: composition

OPERATIONS/ INCOME COMPONENTS		VALUE ADJUSTMENTS (1)						VALUE RECOVERY (2)				TOTAL (31.12.21)	TOTAL (31.12.20)
		FIRST STAGE	SECOND STAGE	THIRD STAGE		IMPAIRED CREDITS ACQUIRED/ORIGINATED		FIRST STAGE	SECOND STAGE	THIRD STAGE	IMPAIRED CREDITS ACQUIRED/ ORIGINATED		
				WRITE-OFF	OTHERS	WRITE-OFF	OTHERS						
A	DEBT SECURITIES								12			12	
B	FINANCING OPERATIONS												
3	- TOWARDS CUSTOMERS												
	- TOWARDS BANKS												
C	TOTALE								12			12	

SECTION 9 – PROFITS / LOSSES FROM CONTRACTUAL CHANGES WITHOUT CANCELLATIONS – ITEM 140

No data to report.

SECTION 10 – ADMINISTRATION EXPENSES – ITEM 160

10.1 Personnel expenses: breakdown

			TOTAL (31.12.2021)	TOTAL (31.12.2020)
1	**STAFF**		**14,221**	**23,427**
	A)	WAGES AND SALARIES	9,775	10,278
	B)	SOCIAL SECURITY CONTRIBUTIONS	2,925	3,251
	C)	SEVERANCE PAYMENTS		
	D)	PENSION PAYMENTS		
	E)	ALLOCATION TO THE STAFF SEVERANCE FOUND		
	F)	ALLOCATION TO THE PROVISION FOR PENSION AND SIMILAR LIABILITIES:		
		- DEFINED CONTRIBUTION		
		- DEFINED BENEFIT		
	G)	PAYMENTS TO EXTERNAL COMPLEMENTARY PENSION FOUNDS:	690	693
		- DEFINED CONTRIBUTION	690	693
		- DEFINED BENEFIT		
	H)	COST A RISING FROM AGREEMENTS TO MAKE PAYMENTS IN OWN EQUITY INSTRUMENTS		
	I)	OTHER BENEFITS TO STAFF	831	9,205
2	**NON-SALARIED PERSONNEL**		**139**	**77**
3	**DIRECTORS**		**1,296**	**1,251**
4	**RETIRED PERSONNEL**			
5	**EXPENSES RECOUPED FOR STAFF SECONDED TO OTHER INSTITUTIONS**			
6	**EXPENSES REIMBURSED FOR STAFF SECONDED FROM OTHER INSTITUTIONS**			
TOTAL			15,656	24,755

10.2 Average number of employees per category

EMPLOYEES:		
A)	EXECUTIVES	3
B)	MANAGERS	75
C)	REMAINING EMPLOYEES	78
OTHER PERSONNEL		

10.4 Other staff benefits

	TOTAL (31.12.2021)	TOTAL (31.12.2020)
EARLY RETIREMENT PAYMENTS		7,280
OTHER PAYMENTS	831	1,925
TOTAL	831	9,205

10.5 Other administration expenses: breakdown

		TOTAL (31.12.2021)	TOTAL (31.12.2020)
A)	IT EXPENSES	2,003	1,944
B)	EXPENSES FOR MOVABLE/IMMOVABLE PROPERTY:	496	637
	- RENTALS AND OTHER FEES	63	109
	- OTHER	433	528
C)	EXPENSES FOR THE PURCHASE OF GOODS AND NON-PROFESSIONAL SERVICES	2,080	2,358
D)	EXPENSES FOR PROFESSIONAL SERVICES	3,014	3,666
E)	INSURANCE PREMIUMS	149	151
G)	ADVERTISING	60	56
H)	INDIRECT DUTIES AND TAXES	583	594
I)	OTHER :	1,879	2,152
	OF WHICH: RESOLUTION FUNDS AND DEPOSIT GUARANTEE SCHEMES (DGS)	1,576	1,950
TOTAL		10,264	11,558

Item i) “Other” as of 31 December 2021 includes charges incurred for the Single Resolution Fund (FRU) and the National Resolution Fund (FRN), relating respectively to the ordinary and extraordinary portion, of the contributions required by Banca d’Italia and amounting to about Euro 1,4 million.

SECTION 11 – NET PROVISIONING FOR RISKS AND CHARGES – ITEM 170

11.1 Net provisions for credit risk relating to commitments to disburse funds and financial guarantees issued: composition

	TOTAL (31.12.2021)	TOTAL (31.12.2020)
LEGAL DISPUTES	90	500
COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES ISSUED	1,214	(94)
OTHER RISKS AND CHARGES	143	6,620
TOTAL	1,447	7,026

11.3 Net provisions to other funds for risks and charges: composition

	TOTAL (31.12.2021)	TOTAL (31.12.2020)
OTHER RISKS AND CHARGES	143	6,619
TOTAL	143	6,619

SECTION 12 - NET ADJUSTMENTS TO TANGIBLE FIXED ASSETS – ITEM 180

12.1 Net value adjustments on tangible assets: breakdown

ASSETS/INCOME COMPONENT			AMORTISATION (A)	VALUE ADJUSTMENTS FOR IMPAIRMENT (B)	VALUE RECOVERY (C)	NET RESULT (A + B - C)
A		TANGIBLE ASSETS				
	1	FOR FUNCTIONAL USE	1,074			1,074
		- OWNED	983			983
		- RIGHT OF USE ACQUIRED TROUGH LEASING	91			91
	2	FOR INVESTMENT				
		- OWNED				
		- RIGHT OF USE ACQUIRED TROUGH LEASING				
	3	INVENTORIES				
TOTAL			1,074			1,074

SECTION 13 - NET ADJUSTMENTS TO INTANGIBLE FIXED ASSETS – ITEM 190

13.1 Net adjustments to intangible fixed assets: breakdown

ASSETS/INCOME COMPONENT			AMORTISATION (A)	VALUE ADJUSTMENTS FOR IMPAIRMENT (B)	VALUE RECOVERIES (C)	NET RESULT (A + B - C)
A		INTANGIBLE ASETS				
	A1	OWNED	102			102
		- GENERATED INTERNALLY BY THE BANK				
		- OTHERS	102			102
	A2	RIGHT OF USE ACQUIRED THROUGH LEASING				
TOTAL			102			102

SECTION 14 – OTHER OPERATING INCOME / CHARGES – ITEM 200

14.1. Other operating charges: breakdown

	TOTAL (31.12.2021)	TOTAL (31.12.2020)
OTHER OPERATING CHARGES	56	3,858
TOTAL	56	3,858

14.2. Other operating income: breakdown

	31.12.2021	31.12.2020
DUTIES AND TAXES RECOUPED	318	28
RENTALS AND FEES		
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	465	291
- OTHER	975	932
SSF ATTRIBUTION TO PROFIT AND LOSS		
OTHER INCOME	1,566	2,314
TOTAL	3,324	3,565

The figures reflect the recovery of costs and expenses for activities inherent to the Bank's core business (Euro 975 thousand), and the partial release of provisions (approximately Euro 1.6 million) prudentially allocated in previous years against risks which, during 2021, were redefined in their amount.

SECTION 15 – GAINS (LOSSES) FROM EQUITY INVESTMENTS - ITEM 220

No data to report.

SECTION 16 – NET ADJUSTMENTS TO FAIR VALUE OF TANGIBLE AND INTANGIBLE ASSETS – ITEM 230

No data to report.

SECTION 17 – ADJUSTMENTS TO GOODWILL – ITEM 240

No data to report.

SECTION 18 – GAINS (LOSSES) FROM THE DISPOSAL OF INVESTMENTS - ITEM 250

No data to report.

SECTION 19 – INCOME TAX FOR THE YEAR ON CONTINUING OPERATIONS – ITEM 270

19.1 Income tax for the year on continuing operations: breakdown

	TOTAL (31.12.2021)	TOTAL (31.12.2020)
1. CURRENT TAXES (-)	(425)	
2. CHANGES IN CURRENT TAXES FROM PREVIOUS YEARS (+/-)		
3. REDUCTION OF CURRENT TAXES FOR THE YEAR (+)	48	
3.(EXTRA) REDUCTION OF CURRENT TAXES FOR THE YEAR WITH TAX CREDITS PURSUANT TO LAW NO. 214/2011 (+)	48	
4. CHANGE IN PREPAID TAXES (+/-)	48	
5. CHANGE IN DEFERRED TAXES (+/-)		
6. TAXES FOR THE YEAR (-) (-1+/-2+3+3BIS+/-4+/-5)	(377)	

19.2 Reconciliation of theoretical tax liability and actual book liability

	TOTAL (31.12.2021)	TOTAL (31.12.2020)
PROFIT BEFORE TAX	**1,769**	**(57,767)**
THEORETICAL IRES AND IRAP DUE	(425)	
IRAP ADJUSTMENTS FOR ADMINISTRATION EXPENSES		
IRAP ADJUSTMENTS FOR WRITE-OFFS		
TAXES ON NON-DEDUCTIBLE COSTS		
PRE-PAID AND DEFERRED TAXES	48	
NET WORTH INCREASE BENEFIT		
TOTAL TAXES	(377)	
NET PROFIT	**1,392**	**(57,767)**

As regards the tax effect relating to the year 2019, please refer to “The year’s key results”.

SECTION 20 – PROFIT (LOSS) FROM DISCONTINUED OPERATIONS NET OF TAX EFFECT - ITEM 290

No data to report.

SECTION 21 – OTHER INFORMATION

No data to report.

SECTION 22 – PROFIT PER SHARE

22.1 Average number of diluted common shares

	31.12.2021	31.12.2020
NET PROFIT	1,393	(57,767)
NUMBER OF SHARES	2,374,147	2,374,147
PROFIT PER SHARE	1	(24)

PART D: COMPREHENSIVE INCOME DETAIL

ITEMS		TOTAL (31.12.2021)	TOTAL (31.12.2020)
10	**PROFIT (LOSS) FOR YEAR**	**1,393**	**(57,767)**
OTHER INCOME COMPONENTS WITHOUT REVERSAL TO INCOME STATEMENT		10	**4**
70	DEFINED BENEFIT PLANS	10	4
OTHER INCOME COMPONENTS WITH REVERSAL TO THE INCOME STATEMENT		**25**	**(201)**
150	FINANCIAL ASSETS (OTHER THAN EQUITY SECURITIES) MEASURED AT FAIR VALUE WITH IMPACT ON TOTAL PROFITABILITY:	**25**	**(201)**
	A) CHANGES IN FAIR VALUE	25	(201)
190	**TOTAL OTHER INCOME COMPONENTS**	**35**	**(197)**
200	**OVERALL PROFITABILITY (10+190)**	**1,428**	**(57,964)**

PART E: RISKS AND THEIR COVERAGE

GOVERNANCE

Banca UBAE has adopted a traditional type of governance model, suitably adapted to take into account the particular characteristics of the shareholder structure (since March 2020 the Libyan Foreign Bank holds 80.15% of the capital with voting rights) and the need to ensure the full functionality and effectiveness of the corporate bodies.

Within the traditional model, in addition to the Shareholders' Meeting which represents all the shareholders, the following bodies are identified[1]:

- the **Board of Directors** (made up of 9 to 11 members) is both a strategic supervisory body and a management body; as envisaged by the articles of association, pursuant to article 2381 of the Civil Code, the Board – if deemed appropriate – may delegate part of its powers and faculties, naturally subject to the limitations of the law and the Articles of Association, to an Executive Committee;

- the **General Manager**, appointed by the Board of Directors, participates in the exercise of the management function as Head of the Executive and performs the investigative function of the documents submitted for examination by the Board of Directors;

- the **Board of Statutory Auditors** is the control body.

The Board of Directors of Banca UBAE has resolved to exercise its authority and powers by making use of advisory committees for investigative, proactive and consultative purposes, each of which must include independent directors (at least two in the Audit & Risk Committee; at least one in the Remuneration Committee).

The Board Committees, without decision-making powers, are currently the following:

- Audit & Risk Committee;

- Remuneration Committee.

Each of the aforesaid Committees has its own regulations governing their composition, functions and operating procedures.

1) Pursuant to article 22 of the Articles of Association, the Board of Directors has decided – for the moment – to postpone the appointment of the Executive Committee, although it is understood that it may be established in the future should the Board deem it necessary.

BOARD OF DIRECTORS

As its exclusive task, the Board:

- decides on corporate strategic lines and operations;
- approves the industrial and financial plans, as well as the budget;
- approves the Internal Regulations;
- approves the organisation chart and decides on related changes;
- periodically reviews what is listed in the previous points, in relation to the evolution of corporate activity and the external context, in order to ensure its effectiveness over time. To this end, it promotes the full use of the results of the ICAAP (Internal Capital Adequacy Assessment Process) and of the ILAAP (Internal Liquidity Adequacy Assessment Process) for strategic purposes and in business decisions;
- defines the guidelines for the internal control system, approves the establishment of the corporate control functions (Internal Audit, Compliance and Risk Management), verifying that the internal control system is consistent with the strategic guidelines and the Bank's risk appetite;
- ensures that the efficiency, effectiveness and functionality of the internal control system are periodically evaluated and that the results of the checks are promptly brought to the attention of the Board;
- ensures that a correct, complete and timely information system is designed, adopted and maintained over time;
- determines the establishment and closing of the branches and representation offices in Italy and abroad;
- approves the acquisition and sale of significant shareholdings;
- prepares the annual financial statements, accompanied by a report in accordance with the law;
- appoints and revokes the members of the Oversight Body referred to in legislative decree no. 231/2001;
- defines the remuneration and incentive policies for the members of the bodies with strategic supervision, management and control functions and the remaining staff, including any plans based on financial instruments and the criteria for determining the remuneration to be granted in the event of advance termination of the employment relationship or early termination of office, including the limits set for said remuneration in terms of annual fixed remuneration and the maximum amount deriving from their application, to be submitted for approval by the Shareholders' Ordinary Meeting.

In line with the policy on credit risk and counterparty risk management approved in July 2020 and subsequent updates, the Board of Directors exercises the power of guidance on the granting of credit lines and can approve credit lines within the limits of current legal provisions.

The Board of Directors delegates to the Credit Committee, the General Manager and the Deputy General Manager the powers regarding the granting of credit lines within pre-established limits. The resolutions relating to credit lines falling within the application of article 136 of the Consolidated Law on Banking (T.U.B.) and credit lines to associated parties on the basis of the specific procedure, remain the exclusive competence of the Board of Directors.

In general, it is the responsibility of the Board of Directors, on the proposal of the General Manager, to take decisions in relation to losses and write-downs of impaired credit positions, as well as any agreements for the restructuring of loans.

In addition, annually, at the proposal of the General Manager, the Board of Directors approves an expense and investment plan for the following year containing, among other things, an annual budget relating to overheads divided into chapters and sub-chapters.
All acts of extraordinary administration relating to non-credit transactions are the responsibility of the Board of Directors without prejudice to the powers delegated in this regard and specified in the Internal Regulations.

On the subject of personnel management, the Board of Directors:

- appoints and dismisses the General Manager, the Deputy General Manager and the other executives, establishing their remuneration (article 18 of the Articles of Association) and the related powers;

- appoints and dismisses, after consulting the Board of Statutory Auditors and in compliance with current legislation and taking into account the principle of proportionality, the Heads of anti-money laundering, the internal audit unit, the compliance control unit, the risk control unit, assigning to each the powers of representation necessary for the performance of their respective functions;

- appoints and revokes the Head of the Business Continuity Plan, the Data Governance Contact Person, the Head of the internal systems for reporting violations (whistleblowing) and the Data Protection Officer;

- resolves on any interim positions within the General Management;

- on the proposal of the General Manager, the Board grants the powers of representation and corporate signature to employees with lower qualifications than managers, by approving a specific service order;

- approves, on the proposal of the General Manager and subject to the favourable opinion of the Personnel Committee, the Supplementary Welfare Agreement;

- defines the remuneration and incentive policies and any plans based on financial instruments, to be submitted for the approval of the shareholders' ordinary meeting, in favour of directors, employees and collaborators not linked to the company by subordinate employment relationships;

- approves the results of any procedure concerning key personnel and periodically reviews the related criteria;

- hires non-managerial staff (white-collar workers, managers) on a permanent basis, subject to the favourable opinion of the Personnel Committee;

- appoints and dismisses, on the proposal of the General Manager, the consultants of the bank's foreign commercial network and the consultants necessary to support the Board itself.

Lastly, the Bank's delegate for reporting suspicious transactions is appointed by the Chairman of the Board of Directors, in his capacity as the Bank's legal representative.

GENERAL MANAGER

The General Manager participates with proposing functions, without the right to vote, in the meetings of the Board of Directors by submitting the documents and subjects intended for examination and approval and providing any clarification required in this regard. In case of absence or impediment, he is replaced by the Deputy General Manager who will act on his behalf.
He represents the top of the internal structure and participates in the management function, is the recipient of the information flows provided for the corporate bodies; the General Manager puts in place all administrative acts related to the ordinary management of the Bank and is responsible for the implementation of the resolutions taken by the Board and its advisory bodies.

BOARD OF STATUTORY AUDITORS

The Board of Statutory Auditors is responsible for supervising compliance with the law and the statute, compliance with the principles of proper administration and the adequacy of the Bank's organisational, administrative and accounting structure. In particular, the Board of Statutory Auditors monitors the completeness, adequacy, functionality and reliability of the internal control system and the RAF. In addition, the Board of Statutory Auditors is required to ascertain the effectiveness of all the structures and control functions involved and their adequate coordination, promoting the corrective actions for the deficiencies and irregularities found.

The Board of Statutory Auditors informs Banca d'Italia without delay of all acts or facts of which it becomes aware in the exercise of its duties, which may constitute an irregularity in the management of the bank or a violation of the rules governing banking activities.

In order to carry out its duties, the Board of Statutory Auditors has adequate information flows from the other corporate bodies and control functions.

The Board of Statutory Auditors also performs the functions of the Oversight Body, established pursuant to legislative decree no. 231/2001, on the subject of administrative liability of entities, overseeing the functioning and observance of the Bank's organisation and management model.

ADVISORY COMMITTEES

Audit & Risk Committee

The Audit & Risk Committee (ARC) is a support and advisory body for the Board of Directors and has exclusively advisory and propositional functions towards the Board and preliminary functions towards the Sectors interested in the issues falling within its competence (internal controls, risks, governance).

Remuneration Committee

The Remuneration Committee (RC) is a support and consultative body for the Board of Directors and has exclusively consultative and propositional functions, on the subject of: remuneration of personnel whose remuneration and incentive systems are decided by the body with strategic supervision; analysis of remuneration and incentive policies; identification of the most significant personnel and determination of the criteria for quantifying related remuneration; determination of the criteria for the remuneration of the consultants of the foreign commercial network and the Head of the Representation Office in Tripoli.

SYSTEM OF INTERNAL CONTROLS

The internal control system of Banca UBAE consists of the set of rules, procedures and organisational structures aimed at enabling, through a process of identification, measurement, management and monitoring of the main risks, the sound and prudent conduct of banking activities.
The internal control system was designed in accordance with the legislative and regulatory framework, with the Bank's organisational structure and in line with national and international standards and best practices.

At present, Banca UBAE's internal control and risk management system is substantiated as follows:

- **line controls** (first-level controls), aimed at ensuring the proper conduct of operations. They are carried out by the operating structures themselves (e.g. hierarchical, systematic and random checks), also through different units that report to the heads of the operating structures, or performed within the back office framework;

- **controls on risks and on compliance** (second-level controls) which, entrusted to structures other than the production ones, have the objective of ensuring, among other things, the correct implementation of the risk management process, compliance with the operating limits assigned to the various functions and compliance with the rules of corporate operations: these are controls that are mainly the responsibility of the Risk Management unit and the Compliance unit. In particular, the Risk Management unit deals with the definition of risk measurement methods and the control of compliance with risk limits, the Compliance unit is responsible for verifying compliance with the relevant legislation, also carrying out verification activities;

- **internal revision** (third-level controls), aimed at identifying violations of procedures and regulations as well as periodically assessing the completeness, functionality and adequacy, in terms of efficiency and effectiveness, of internal controls, including those on the IT system (ICT audit), with a pre-established frequency in relation to the nature and intensity of the risks; these activities are carried out by the Internal Audit Sector.

The main aspects of the Bank's internal control system are summarised below.

GOVERNANCE MODEL

Banca UBAE has established a system of rules, procedures and organisational structures that pursue:

- compliance with corporate strategies;
- the effectiveness of business processes;
- compliance of operations with regulatory provisions, supervisory obligations, regulations and internal procedures;
- the protection of the corporate system from losses.

The various members of the control system contribute to the achievement of these objectives, each to the extent of their competence. Roles and functions are described below according to the current structure.
As part of the design of the internal control system and the risk management system, the Board of Directors approved the establishment of some internal managerial committees, approving the related operating regulations.

Internal managerial committees

The **Credit Committee** is made up of: the General Manager, Deputy General Manager, Head of Administration.
The Credit Committee is the proposing body for the granting of credit lines to be submitted to the Board of Directors, exercises the powers of credit within the limits delegated by the Board of Directors, revokes the credit lines approved by the Board of Directors (with the exception of those falling within the application of article 136 of the T.U.B. and towards related parties) and is competent to discuss any issue concerning the granting of credit and the monitoring of the related risk.

The **Risk Committee** is made up of: the General Manager, Deputy General Manager, Head of Administration. The Risk Committee proposes to the Board of Directors the guidelines for the management of each single quantifiable and non- quantifiable risk; examines the RAF (Risk Appetite Framework) verifying the consistency of the Bank's risk profile with the limits set out therein; discusses and evaluates: the effectiveness of approved policies on the identification, measurement and management of all risks; periodic reports relating to the absorption of regulatory and economic capital from an ICAAP perspective; the annual ICAAP and ILAAP reporting; periodic reports regarding the monitoring of regulatory limits, internal operating limits, risk indicators, periodic simulations in terms of stress testing and prospective analysis; the operational strategies of the Finance Sector and the use of derivative financial instruments to hedge risks, giving, where appropriate, specific instructions to the Head of the Finance Sector and establishing restrictive provisions of the operating limits in force; proposes to the Board of Directors changes in the operating limits assigned to the various Finance portfolios and any exceptions; submits divestment operations on the HTC (Held to Collect) portfolio to the Board of Directors.

The **Personnel Committee** is made up of the General Manager and Deputy General Manager (with voting rights) and the HR Manager (without voting rights). The Personnel Committee preliminarily examines the proposals relating to the recruitment of personnel (with the exception of members of the General Management) and the transformation of the related contracts, defines criteria and methods relating to the career advancement of personnel and the payment of the variable remuneration component in line with the remuneration policies established by the competent body; the committee examines preliminarily the Supplementary Agreement.

ROLES AND RESPONSIBILITIES OF THE BANK'S CONTROL UNITS

Risk Management Sector

The Risk Management Sector forms part of the General Manager's staff to whom it reports functionally while reporting hierarchically to the Board of Directors also via the Audit & Risk Committee. The Sector carries out support activities in the context of strategic planning decided by the senior management, ensuring the monitoring and reporting of each category of risk in light of the established operating limits.
The monitoring aims to ensure that the effective risk profile (i.e. overall internal capital) does not exceed the accepted level of risk for each category.

The communication and analysis of the risk profile are performed through an appropriate reporting system, shared and subject to independent periodic checks.

From an ICAAP (Internal Capital Adequacy Assessment Process) perspective, the Sector develops, updates and improves methodologies and tools for impact assessment and risk monitoring; it oversees risk management models, conducts stress tests and prospective analyses and supports the capital management process.

Regarding ILAAP (Internal Liquidity Adequacy Assessment Process), the Sector monitors the Bank's exposure to liquidity risk, produces the weekly reporting flow to the Oversight Body, prepares reporting for senior management, and conducts the defined stress tests in the context of the Recovery Plan.

Regarding the Risk Appetite Framework (RAF), the Sector carries out periodic monitoring and reporting of risk appetite limits and deals with their annual revision if required. The Sector Manager also puts forward consistency opinions with the RAF of the Most Significant Operations (OMR) as required by the current management process.

Regarding the Recovery Plan, the Sector supports the definition of stress scenarios in order to verify the adequacy of the recovery options identified and the effectiveness of the recovery indicators selected, together with the related alarm thresholds. It also monitors and reports the indicators pertaining to the categories of capital, liquidity, profitability and asset quality in order to verify the achievement of the attention thresholds and the possible need to activate the appropriate interventions.

As part of the process of adaptation to the international accounting standard IFRS9, the Sector supports the definition of the staging criteria and in particular the concept of "significant credit deterioration"; it verifies the correctness of the macroeconomic scenarios aimed at transforming risk parameters with a view to forward-looking actions for the purpose of impairment of performing loans, and lastly supports the decision-making process by accompanying the loan proposals with specific information on expected and unexpected credit losses.

As part of the credit process, the Sector verifies the correctness of the classification and the adequacy of the provisions on a selected sample of counterparties from an AQR (Asset Quality Review) perspective and deals with periodic reporting to the management bodies, taking care to provide quantitative information such as the composition of RWAs (Risk Weighted Assets) in terms of regulatory portfolios, the distribution by class of credit and by weighting coefficient, as well as the composition of the loan portfolio by status and by single class of impairment.

As part of the remuneration policies, the Sector calculates the value of the reference indicator for the purpose of determining the bonus pool, elaborates and, where needed, updates the indicators set for the purpose of disbursing the bonus (including the deferred component) taking care to ensure integration between incentive systems and strategic risk management processes (ICAAP/ILAAP, RAF and Recovery Plan).

The Sector Manager participates without voting rights in the meetings of the Risk Committee carrying out the secretarial functions, and is periodically required to report to the Audit & Risk Committee.

Compliance & Anti Money-Laundering Department

The unit for checking conformity (compliance) with regulations is organized as a Sector, and forms part of the Board of Directors' staff, and is responsible for providing internal consultancy to the Bank's offices, business units and the General Management, on the application of internal and external rules and regulations; it is also responsible for assessing the impact in advance that any procedural change and/or new product or service could generate in terms of non-compliance with the above rules and regulations.

The Department performs the following tasks:

- continuously identifying the rules applicable to the Bank, measuring and assessing their impact on corporate processes and procedures;
- submitting to the General Management proposals for organisational and procedural changes aimed at minimising or eliminating the risks identified;
- checking the effectiveness of the proposed organisational adjustments (on structures, processes, operational and commercial procedures) suggested for preventing the risk of non-compliance.

To carry out the above tasks, the Compliance Sector employs two main operating procedures: internal consultancy to fulfill its primary institutional responsibility, and checking the compliance of procedures, contractual documents, individual transactions or other operations submitted to its attention.

Every year the Compliance Sector submits a report to the Board of Directors, after consulting the Audit & Risk Committee, and to the Auditing Board, regarding the activities carried out in the previous year, the workplan for the current year, and suggestions for minimizing or eliminating the risk of non-compliance with the standards. This report is subsequently sent to Banca d'Italia.

The Board of Statutory Auditors, the Audit & Risk Committee, the Oversight Body (pursuant to Law 231/01) may also request the Compliance Sector to formulate opinions, assessments and to perform specific checks on procedures potentially at risk of non-compliance.

The Compliance Sector also contains the anti-money laundering unit which is responsible for preventing and dealing with the risk of money laundering and terrorism financing; the Compliance Officer is also the head of the anti-money laundering unit. The Compliance Officer is responsible for assessing and reporting suspicious transactions.

Internal Auditing Department

Audits within the Bank are the responsibility of the Internal Auditing Sector, which reports directly to the BD or through the Internal Control Committee.

The Sector'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, adequacy, functionality and reliability of the organizational structure and the other components 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 Sector makes recommendations to Bank bodies.

This Sector 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.

The Internal Audit Sector submits the audit plan annually to the BD (or through the Audit & Risk Committee, and to the Board of Auditors, also as the Oversight Body as per legislative decree no. 231/01), bearing in mind the inherent risks in the corporate business processes. It also submits annually an annual report on the previous year's activity outlining the verifications carried out, the results achieved, the weak points detected with suggestions for measures to be adopted to remove them.

This report is also sent to the Bank's independent auditing firm.

The Sector periodically reports the results of the inspections to the Board of Directors via the Audit & Risk Committee; also in the role of Oversight Body as per law 231/01, it periodically submits the results of the inspections carried out and the relative assessments to the Board of Statutory Auditors.

Spreading awareness of risk

Banca UBAE attaches particular importance to spreading awareness of risk within the organisational structure and, to do so, provides internal training aimed at all staff to ensure they are continuously updated on external regulatory changes and to improve the skills required to carry out their duties confidently and efficiently.

In 2021, several training courses were organised concerning national and international regulations of particular relevance for the Bank's operations with particular reference to the Internal Audit System (IAS/IFRS) financial statements, anti-money laundering, corporate finance, oversight reports, safety of workers, IT security, and the new rules and procedures required by accounting standard IFRS9. Participation varied between 75% and 85% of the total workforce according to the specific skills of each organisational unit.

Furthermore, from a procedural viewpoint, alert systems are provided that promptly inform staff about new external regulations that could have an impact on the Bank's operations, as well as internal reporting systems aimed at providing indications – to the various units involved – on service communications regarding the publication of new operating procedures or their implementation, as well as informing the staff about any changes to the Bank's organisational structure.

PREMISE

As we know, the supervisory regulations provide for a selective differentiation of the methodologies for calculating capital requirements in relation to market, credit (including counterparty risk) and operational risks (Pillar I), based on the size and operational complexity of the banks and the assessments of the Oversight Authority.

Banca UBAE has therefore adopted the standard method for calculating the requirement for credit risk and market risks and the Basic Indicator Approach (BIA) for calculating operational risks.

For the purposes of the "prudential control process" (ICAAP - Internal Capital Adequacy Assessment Process), individual banks must internally assess the overall adequacy of their capital with respect to other types of risk, not considered in the calculation of the capital requirements envisaged by Pillar I of the prudential regulations.

The entire process is based on a principle of proportionality, according to which the risk management procedures, the internal control mechanisms, the methodologies for assessing the economic capital as well as the frequency and intensity of the review by the Oversight Body, depend on the nature, size and complexity of the business carried out by each bank.

For this reason, Banca d'Italia has arranged, for the purposes of applying the legislation on Pillar II, a division of banks and intermediaries into three groups.

In particular, Banca UBAE falls into the third group, characterized by banks not belonging to the first group (banks with systemic importance) or to the second group (banks authorised to use internal models or having assets exceeding 4 billion euros). The banks included in the third group adopt simplified methodologies for the calculation and assessment of the other risks to be considered under Pillar II.

It should be noted that, for the concentration risk per counterparty or for groups of connected counterparties and for the interest rate risk on the banking book, the legislation proposes a calculation methodology that translates into the identification of "additional" capital requirements compared to the regulatory requirements set out in Pillar I[4].

Furthermore, as early as 2012, in order to take into account its peculiar operations leaning more towards high-risk countries, Banca UBAE has introduced as part of Pillar II, a new additional capital requirement, albeit not required by law, to cover country risks. In order to then consider all the relevant risks for the Bank, an additional capital requirement was introduced for the geo-sectoral concentration risk, with the aim of quantifying the risk deriving from the concentration of the Bank's loans to certain economic macro-sectors. Lastly, in light of the current economic context, starting from 2017, the Bank deemed it appropriate to consider for the purposes of capital adequacy also an additional capital absorption against the strategic risk estimated according to an internal calculation method.

The activity conducted as part of the prudential control process is reported annually to the Oversight Authority through the ICAAP report. The report on the data as at 31 December 2020 will be sent to Banca d'Italia by April 2021.

1) For the other "quantifiable" risk, namely liquidity risk, there is no provision for an additional capital requirement but the implementation of a management system that includes the construction of a maturity ladder, the conduct of stress tests and the definition of an internal policy and a contingency funding plan.

With regard to compliance with the obligations of disclosure to the public of data and information regarding exposure to individual risk categories (Pillar III), the Bank will publish the information tables in terms of quality and quantity, on the corporate website (in the "Financials" area) within the deadline set for the publication of the financial statements.

SECTION 1 - CREDIT RISK

QUALITATIVE INFORMATION

1. General aspects

The credit risk monitoring and management policies in Banca UBAE are defined by a specific internal policy, the latest version of which was approved by the Board of Directors in 2020, which deals with:

- governance in the management area, roles and responsibilities of corporate bodies and offices within the credit risk management process;
- during the risk identification and measurement phase, the process of taking on risk in terms of both preliminary investigations and operational mandates for assignments;
- in the risk monitoring phase, the process of monitoring credit performance and the internal limits of risk monitoring;
- during the risk management phase, the process of identifying impaired credit exposures and the process of managing, classifying and evaluating them;
- the internal information flows between the corporate functions (horizontal flows) and to the corporate bodies (vertical flows), as well as towards the Oversight Authority.

Banca UBAE's mission is to promote and develop any type of financial, commercial, industrial and economic relationship in the international arena. The Bank's activity is aimed primarily, though not exclusively, at supporting relations between Mediterranean and Middle East countries with Europe, as well as between them and the rest of the world.
Compliance with this mission, consolidated in over 50 years of activity in favour of its customers, entails the adoption of credit selection and disbursement policies based on rigorous professional criteria.

In particular, UBAE favours the financing of commercial operations to and from countries of economic interest, with banks and companies, residents and non-residents as beneficiaries. The commercial nature of the operations financed lies in the technical forms adopted and in the overall assessment of the beneficiary's activity.

The Board of Directors establishes individual exposure limits for certain countries and for technical forms, based on criteria of sound and prudent management.

The measurement of internal capital against credit risk is carried out by applying the standard method as required by current prudential legislation. Furthermore, with a view to stress testing, scenario analyses are carried out simulating the impact in terms of the capital requirement generated by certain information shocks such as the deterioration of the domestic economic situation or the worsening of the creditworthiness for counterparties resident in certain countries or operating in defined economic sectors.

2. Policies for managing credit risk

2.1 Organisational aspects

The credit risk assumption policies in Banca UBAE are approved by the Board of Directors, which establishes:

- the corporate bodies delegated to grant the assignments and the related powers;
- the process of selecting and evaluating credit lines;
- the risk monitoring and control process, also in relation to risk concentration regulations.

The decision-making powers in Banca UBAE are divided into a system of delegations based on the type and amount of risk to be assumed; the main Sectors involved in the risk control and mitigation processes are the Credit Analysis and Investigation Sector, the Credit Performance Control Unit and the Risk Management Sector.

The internal policy governing the credit risk management process and in particular of impaired loans was approved by the 247th BoD on 31 August 2018, and ratified in some of its variations by the 250th BoD on 10-11 December 2018 and, during 2020, it was subject to review to take into account the first operational applications, the impact of non-performing positions in terms of NPL strategy, as well as the need to integrate this regulatory framework with the Bank's Recovery Plan.

In the Pillar I area, the Risk Management Sector is responsible for monitoring the capital requirement for credit risk and, on the basis of the data communicated quarterly to the Supervision by sending the risk matrix, it submits to the Risk Committee, the Audit & Risk Committee and to the BoD a quarterly reporting concerning capital adequacy. It also deals, for ICAAP purposes, with formulating stress testing hypotheses to be submitted to the Risk Committee and estimating the internal capital prospectively on the basis of budgeting data.

As part of the Risk Appetite Framework, the Risk Management Sector, on a quarterly basis, monitors compliance with the macro risk limit and risk tolerance for credit risk; the results of the analyses carried out are periodically reported to the Risk Committee, the advisory committees and the Board of Directors. In addition, consistency opinions with the RAF are formulated by the Risk Manager for the most significant operations (OMR).

The Sector receives oversight reports in the field of large exposures and any reports in the event of non-compliance with the lending limit, assesses the trend and the incidence over time of the positions classified as "major risks" and prepares specific reporting for corporate bodies.

2.2 Systems for managing, measuring and checking

Credit assessment and processing department

Within the credit process, the preliminary phase represents the moment in which the acquisition, processing and control of all the documentation necessary for the assessment of the creditworthiness of the counterparties takes place.

The investigation has the following objectives:

- verification of the correctness of the corporate and financial reporting documents presented by the requesting counterparty;
- assessment of creditworthiness;
- verification of the consistency of the request for renewal and/or variation of the credit line or of a new credit line, with the Bank's objectives and needs identified during the analysis;
- verification of the consistency of the technical forms requested with what was previously decided for the same counterparty;
- verification of compliance with the regulations in force (Civil Code and Consolidated Banking Law - T.U.B.) regarding obligations envisaged for bank representatives (Directors, Statutory Auditors and General Manager);
- identification of the groups of customers connected for the purposes of risk concentration analysis.
- identification of connected subjects pursuant to Circular no. 263/2006 - Title V Chapter 5;
- registration of the approved credit lines in the Bank's IT system, in order to report the credit lines granted to the Central Credit Register.
- The adequacy of the anti-money laundering rules as required by national and international provisions.

The investigation process ends with the formulation of a technical opinion on the reliability of the applicant and with the assessment of the risks associated with the investment transaction.

The Credit Management Sector identifies the deliberating body to which to send the proposal on the basis of the delegation system established by the Board of Directors.
The Credit Management Sector also informs the BoD quarterly of the operations carried out by all the other deliberating bodies.

The flow of all the activities described above is governed by a homogeneous system of internal rules that governs its performance in every phase, from the initial request submitted by the counterparty to approval by the competent delegated body.

This flow during the year 2021, and presumably for a part of 2022, has undergone some changes both from a structural and operational point of view essentially related to the following aspects:

- entry into force of the EBA/GL/2020/06 Guidelines on the granting and monitoring of loans;
- advance notice on the new rules relating to the "Code of business crisis and insolvency regarding implementation of law no. 155 dated 19 October 2017."

In compliance with the foregoing, a road map has been implemented which essentially provides for the integration of the above in corporate schemes and policies with the adaptation of the analysis framework (in particular for scenario and sensitivity analyses, and for ESG assessments).

Technically, all risk analysis activities are carried out by the Credit Management Sector with the aid of a series of IT tools:

- internal models for the reclassification of the economic-financial information of each counterparty that ensure homogeneous analysis of the data and technical control that is absolutely "super partes" (in other words, wise and balanced);
- internal calculation system for all customers carried out through specific software provided by Moody's (RiskCalc procedure) in order to assign each counterparty to homogeneous internal risk classes by providing the related PD - Probability of Default (quantitative and qualitative);
- verification of harmful events, hypo-cadastral surveys on the assets of the guarantors, and sectoral comparisons by consulting the most reliable national and international info-providers (CERVED, DUN & BRADSTREET, etc);
- Country Risk Analysis through collaboration with the ECONOMIST INTELLIGENCE UNIT (EIU provides monthly reports and country ratings).
- Definition of the depth level (thickness) of the analysis in relation to the preliminary investigation, and rationalization of the evaluation methodology.

Credit Performance Check

As part of the credit performance process, and consistently with the provisions of the EBA/GL/2020/06 guidelines, new trend analysis guidelines are being developed which integrate what is currently carried out as outlined below, identifying differentiated owners both in the monitoring process and in the qualitative level of control (first-level and second-level controls).

This development will also change the current organizational setting in 2022 in order to make the control and intervention principle more consistent as recommended by the aforesaid guidelines.

When monitoring credit performance, the appropriate business unit, with the support of the relevant Italian and foreign Commercial Sectors, compiles and updates a list of risk positions to be kept under observation, based on information available from external sources (risk centres, prejudicial acts, press reports), and internal sources (e.g. reports produced by the application for performance monitoring, reports from the competent Italian and foreign commercial sectors concerning specific countries and/or economic sectors, etc). In the case of updated information or upon request, the Heads of the Italian and foreign Commercial Sectors will inform the Credit Performance Control Sector of the reasons for the anomalies found on the reported positions and possibly on the actions taken to mitigate credit risk.

The Credit Performance Sector reports monthly to the General Management, to the Area Management and Commercial Sector Managers in Italy and abroad. If deemed appropriate, and in any case coinciding with events that may lead to an objective deterioration of the possibilities of partial or full recovery of the credit exposure, the business unit proposes to the General Manager the reclassification of the position at risk as deteriorated (probable default or non-performing) accompanied by any proposal for write-downs.

As regards the anomalies found, in particular the verification of compliance with the credit limits granted by the deliberating bodies to the counterparties, the Credit Performance Sector uses the reports produced by the Cedacri IT system in its verifications.
Furthermore, the same procedure, as a support in the credit control activity, is provided with a platform, known as Credit Quality Manager (CQM), which has the aim of identifying the positions to be monitored and managing those in which the anomalies occur, where they have already been demonstrated, with the aim of controlling and minimising the Bank's credit risk (the platform enables customers to be divided into monitoring sub-portfolios according to the Bank's strategic guidelines).
Other information flows to which particular attention is paid, in order to process the necessary information for the management and sectors involved, are the information contained in the return list of the Risk Centre and the printout of the continuous checking ("past due") by the Cedacri IT system, together with those of the Organisational Development Sector, for the monthly monitoring of related parties.

2.3 Methods for measuring expected losses

The accounting standard IFRS9, published by the IASB on 24 July 2014, was definitively endorsed by the European Commission on 22 November 2016. IFRS9 fully replaces IAS39 and therefore applies to all financial instruments classified in assets and in the liabilities of the balance sheet, modifying the classification and measurement criteria and the method of determining the impairment, as well as defining new rules for the designation of hedging relationships.

The application of IFRS9 became mandatory starting from 1 January 2018; in particular, from the first balance sheet, economic and financial reporting date after 1 January 2018 which is represented by the FINREP maturity referring to 31 March 2018.

The impact for banks and companies in the financial sector was particularly significant since – in the matter of impairment – the standard introduced the definition of provisions on the accounting plan on the basis of expected loss, already used in prudential regulation, instead of the actual loss (incurred loss) envisaged by IAS39, thereby causing a greater convergence between accounting and regulatory aspects.

The IFRS9 standard is structured into the following three macro-categories: classification & measurement (business model and SPPI test), hedge accounting (treatment of derivatives and hedging strategies) and impairment (staging and accounting provisions in terms of expected loss).

Impairment – performing credits (Stage 1 and Stage 2)

The most complex activity was that relating to the new "Impairment" process; essentially for each credit exposure, valued at amortised cost, a specific expected loss is calculated no longer according to the share of loss historically suffered by the bank, but according to the following formula:

$$\mathbf{ECL = EAD * PD_{FL} * LGD_{FL}}$$

where:

- **ECL (Expected Credit Loss):** represents allocations for IFRS9 purposes;

- **EAD (Exposure at Default):** corresponds to the existing utilisation on the reference date weighted by the credit conversion factor (CCF);

- **PD_{FL} (Probability of Default forward-looking):** represents the probability of default in the future, obtained by applying a macro-economic scenario to the **PD_{PIT}**;

- **PD_{PIT} (Probability of Default point-in-time):** represents the probability of default by each individual counterparty, and is calculated according to balance sheet data, the country of residence, together with other qualitative aspects;

- **LGD_{FL} (Loss Given Default forward-looking):** represents the loss in the event of default, obtained by applying a macro-economic scenario to the **LDG_{PIT};**

- **LGD_{PIT}(Loss Given Default point-in-time):** represents the loss in the event of default calculated according to the nature of the exposure, and depends on the existence of real active guarantees (e.g. cash collateral) or personal guarantees (e.g. SACE).

  The Bank has the score and PDPIT data for each counterparty (processed by the Credit Analysis and Investigation Department during assignment and/or renewal) and LDGPIT data differentiated by debt seniority, by type of counterparty (bank or corporate) and by geographical area (Eurozone, US, MENA, Asia) and supplied by Moodys.

For the purpose of calculating the expected loss, or the accounting provision, macroeconomic scenarios are applied to these risk parameters to allow their recalculation in a forward-looking perspective.

The Bank has customised macroeconomic models differentiated for the following geographical areas:

- Eurozone
- US
- MENA
- ASIA

Note the increase of Own Funds (+27 million euros circa) due to the transitional adjustments made on CET1 relating to the IFRS9 changeover and deriving from the application of the calculation methodology as per EU Regulation 2020/873 issued by the European Parliament and Council on 24 June 2020 amending EU regulations no. 575/2013 and 2019/876.

This decision, communicated to the Supervisory Authority on 12 August 2021, was the subject of disclosure to the Independent Auditors.

The exercise of this option has a positive impact on Own Funds of circa 27 million euros until 31 December 2021, while for the year 2022 this impact will decrease to approximately 13.5 million euros. Note that, with a view to prudent management, internal limits aligned with the prospective situation for 2022 are already taken into consideration in credit risk assessments.
The effects resulting from the calculations for the year 2021 are summarized briefly in the following table:

STATIC METHODOLOGY 2021

A2,SA	FOUND IFRS9 Sum of found value all transactions	01/01/2018	50,307,844
	FOUND IFRS9 Sum of found value all transactions	31/12/2017	39,916,332
			10,391,511
	Computable reserve from transactions with FTA increase (static)		10,391,511
T	Increase in CET1 tax deductibility of A2,SA e A4,SA by	33.07%	2,633,713
F	Transition applicable in: 2018	0.95%	7,369,908
	Transition applicable in: 2019	0.85%	6,594,128
	Transition applicable in: 2020	0.70%	5,430,458
	Transition applicable in: 2021	0.50%	3,878,899
	Transition applicable in: 2022	0.25%	3,878,899

A2,SA	50,307,844
	39,916,332
	10,391,511
	10,391,511
T1	**3,436,473**
F1	7,369,908
	6,594,128
	5,430,458
	3,878,899
	1,939,449
A OLD,SA	70,530,581
T3	23,324,463
ABSA	**27,080,578**

DYNAMIC METHODOLOGY 2021

01/01/2018	A2,SA	50.307.844
31/12/2017		39.916.332
		10.391.512
		10.391.512
31/12/2021	A4,SA	13.997.016
01/01/2020		24.456.276
		0
		0

Impairment – non-performing credits (Stage 3)

The valuation methodology for non-performing loans – all classified in Stage 3 on the basis of the IFRS9 principle – is differentiated according to the status of impaired exposures.

Consequently, various evaluation methodologies are envisaged:

- **Evaluation of loans classified as "Impaired"** performed analytically by the Legal Department for all the positions thus classified.

  The analytical evaluation process is based on a judgment assigned to the position by the Legal Sector, to be carried out periodically in order to allow the timely implementation in the Financial Statements of all events that may change the prospects for debt collection. In any case, the evaluation must be carried out in the following situations:

  - on the occasion of the classification as non-performing (normally within 30 days of receipt of the complete documentation from the office responsible for the position);
  - subsequently, whenever a new event occurs that may affect the prospects for recovery (e.g. change in the value of the assets on which a guarantee has been acquired, developments of the disputes in progress, information or data acquired and received, etc) and in any case at least once every six months.

- **Evaluation of loans classified as "Unlikely to Pay" (UTP)** in turn distinguished as follows:

  - **analytical evaluation on a forfeitary basis** applicable to positions whose amount is below a certain threshold (EAD< 500,000 euros);
  - **analytical evaluation,** applicable to positions whose amount is above a certain threshold (EAD> 500,000 euros).

- **Evaluation of loan positions as "Past Due"**, carried out analytically on a forfeitary basis using a statistical approach:

  The principles for determining the analytical value adjustments and the minimum percentages to be applied differ according to the severity of the classification, as defined by the internal credit risk policy.

The expected recovery values of the receivables must be estimated on the basis of an assessment of the ability of the debtors to meet the obligations assumed, measured in consideration of all the most recent information available, on the equity and economic situation of the customers and the value of any existing guarantees to protect the loans.

To proceed with the analytical evaluation of a counterparty, it is necessary to first define whether to evaluate it from a liquidation point of view, in the event that recovery is possible through the realisation of guarantees and/or the liquidation of the company's assets, or with a view to business continuity, where the assessment focuses on verifying the sustainability of corporate debt over time on the basis of estimated cash flows.

Rules of staging

As far as staging allocation is concerned, specific classification criteria are applied and for each stage and the legislation provides for a specific calculation methodology:

Stage 1 – past due amounts less than 30 days, performing and investment grade and speculative grade (rated from BB+ to B-) for which there is no significant deterioration in creditworthiness; write-downs calculated in terms of expected loss at 1 year (if exposure less than 1 year, the expected loss refers to the residual life);

Stage 2 – past due between 30 and 90 days, performing exposures classified as forborne, included in the watch list during credit performance control or for which there is a significant deterioration in creditworthiness (expressed in terms of downgrading two notches of the score class or increase in the PD above specific thresholds); write-downs calculated in terms of expected loss calculated over the entire residual life of the exposure (if more than 1 year, PD and forward LGD will be applied forward-looking lifetime);

Stage 3 – non-performing exposures (past due over 90 days, probable defaults and bad debts); write-downs calculated analytically in line with the current approach.

More specifically, the following cases are envisaged for the transition to stage 2:

- **Forborne** – automatic transition.
- **Expired between 30 and 90 days** – automatic transition.
- **Watching list** – anomaly detectionaccording to specific indicators (AQR) or presence on the observation lists.
- **Counterparties lacking scores and PD** – automatic transition.
- **Significant deterioration of loan** – recorded in terms of % increase in PD compared to the original value. For each score class, an X parameter corresponding to a downgrade of 2 notches was defined (based on the average PD per score class).

The UBAE approach is to classify all counterparties in stage 1, ***including speculative grade counterparties*** (rated from BB + to B-), for which there is no significant deterioration in creditworthiness with respect to the time the relationship is entered into, with the exception of of CCC-scored counterparties for which a direct classification in stage 2 will be called for unless it can be demonstrated that the pricing applied is in line with the estimated expected losses.

As regards exposures in the form of securities, the solution adopted by the Bank provides for placement in stage 2 in the event of speculative grade issues (rating equal to or lower than BB+) for which there is a significant deterioration in credit.

The concept of significant credit deterioration is intended as a downgrade of two notches from the score origination. Therefore, the "low credit risk assumption" is envisaged only in the securities sector.

2.4 Methods for reducing credit risk (sent to appropriate offices)

Credit risk mitigation techniques are currently governed by additional regulatory sources compared to the pre-existing ones; in particular, by Regulation (EU) no. 575/2013 and Directive 2013/36/EU on prudential supervision, both rules aimed at implementing in the European Union the rules defined by the Basel Committee for banking supervision (Basel 3).

In line with the objective of ensuring a clear and organic regulatory framework, Banca d'Italia Circular no. 285 of 17 December 2013 transposed and included the two aforesaid acts among the regulatory sources governing the matter.

The current regulatory framework has kept the distinction between real credit protection tools and personal credit protection tools.

In order to be eligible, collateral, which allows those who have the right to credit fulfilment on specifically identified assets or sums of money, must be included in the list of activities allowed by the aforesaid Regulation and precisely:

- cash deposits with the lending institution[1] or similar instruments held by that institution;
- debt securities issued by administrations or central banks for which an assessment of the creditworthiness by an ECAI or by an export credit agency is available comparable to creditworthiness class 4 or higher;
- debt securities issued by banks or other entities for which an assessment of creditworthiness is available by an ECAI comparable to creditworthiness class 3 or higher;
- debt securities for which an assessment of the short-term creditworthiness of an ECAI comparable to creditworthiness class 3 or higher is available;

1) This is defined as the entity holding the exposure.

- equity instruments or convertible bonds;
- gold;
- securitization positions that have an external assessment of creditworthiness by an ECAI comparable to class of merit 3 or higher;
- debt securities issued by entities without credit assessment of an ECAI if these securities have stringent conditions (i.e. they are listed on recognised stock exchanges, qualified as first degree debt, the other issues of the institution are associated with the class of merit 3 or higher, etc);

Also allowed, only for the reciprocal cash balances between the lender and the counterparty, is the offsetting of mutual credits in the balance sheet.

Other types of real credit protection are:

- cash deposits or similar instruments with a third party;
- life insurance policies set up as a guarantee in favour of the lender;
- instruments issued by third parties which will be repurchased by such entities on request.

The protection of personal credit, consisting of legal commitments made by third parties, to fulfil the obligation towards the bank in the event of default of the principal, can be granted by subjects who are:

- central administrations and central banks;
- regional administrations or local authorities;
- multilateral development banks;
- international organisations when exposures to them are 0% weighted;
- certain bodies or entities or companies that meet the requirements of article 201 of Regulation (EU) no. 575/2013;
- central counterparties.

Regulation 575/2013 does not include eligible personal guarantees, limiting itself to introducing a general principle of admissibility of these forms of credit protection. In the context of the above admissibility principle, only credit derivatives included in the category of personal guarantees are listed, i.e. credit default swaps, total return swaps, credit-linked notes.

However, Banca UBAE does not acquire credit risk protection through the holding of these instruments.

The Regulation identifies, for each type of guarantee, both real and personal, the requirements for the purposes of its eligibility.

REAL GUARANTEES

A) OFF-SETTING BALANCE SHEET ITEMS:

Requisites:

- legal effectiveness and applicability in all relevant jurisdictions, even in the event of insolvency or bankruptcy of the counterparty;
- possibility for the lender to identify the assets and liabilities that fall under these agreements;
- surveillance and control of the risks associated with termination of protection;
- supervision and control of significant exposures on a net basis;

B) TYPICAL OFF-SETTING AGREEMENTS

Requisites:

- legal effectiveness and applicability in all relevant jurisdictions, even in the event of insolvency or bankruptcy of the counterparty;
- possibility for the non-defaulted party to terminate and close all transactions affected by the agreement in the event of default, even in the event of insolvency or bankruptcy of the counterparty;
- ability to offset profits and losses, so that only one net amount is due from one counterparty to another.

C) REAL FINANCIAL GUARANTEES

Requisites:

- absence of a significant correlation between the creditworthiness of the debtor and the value of the collateral. For example, the securities issued by the debtor or by another associated entity of the group are not admitted as collateral;
- applicability of contracts in all relevant jurisdictions.

Entities are also required to:

- document the contract in the due forms and provide for an appropriate procedure for the prompt enforcement of the warranty;
- check the risks arising from the use of guarantees;
- have documented policies and practices regarding the types of guarantees accepted and the relative amount;
- calculate the market value of the guarantees and re-evaluate them at least every six months and whenever they believe that a significant drop in market value has occurred;
- if the collateral is held by a third party, make sure that the holder separates it from its assets;
- dedicate sufficient resources to control and monitor all the risks associated with the managemen of guarantees (e.g. risk of concentration towards particular types of activities used as collateral).

D) REAL ESTATE GUARANTEES

Requisites:

- legal certainty and enforceability in all relevant jurisdictions and registration in the prescribed form;
- compliance with the requirements for completing the warranty;
- structure of the contract and the underlying legal documents such as to allow the prompt enforcement of the guarantee;
- verification - by the institution - of the value of the property at least once a year for non-residential and once every three years for residential;
- the valuation of the property is reviewed when its value can be significantly reduced in relation to the general market prices and this revision is carried out by an expert who has the necessary qualifications;
- Institutions clearly document the types of residential and non-residential properties accepted and the associated credit policy;
- Institutions have procedures to ascertain that the real estate received as collateral is adequately insured against the risk of damage.

E) COMMERCIAL CREDITS

Requisites:

1. the legal mechanism through which guarantees are provided is solid, clear and effective;
2. the entities have a first-degree right of first refusal on the property pledged as guarantee;
3. applicability of guarantee contracts in all relevant jurisdictions;
4. the institution's internal procedures ensure that the legal conditions are observed to declare the debtor's default and obtain the prompt enforcement of the guarantee;
5. in the event of default by the debtor, the institution has the right to assign trade receivables to other parties without the consent of the debtor concerned;
6. the institution has adequate procedures to assess the credit risk inherent in commercial credits;
7. the difference between the exposure and the value of the loans granted as collateral is able to ensure coverage of additional costs to be paid by the entity;
8. the trade receivables given as collateral by the debtor are diversified and not unduly correlated with the situation of the debtor;
9. the Institutions do not use commercial credits towards subjects connected to the debtor;
10. Institutions have a documented procedure for the direct collection of payments on commercial credits in critical situations.

F) OTHER TYPES OF REAL GUARANTEES

Requisites of deposits with third parties:

1. the credit (deposit) of the debtor to the third party is explicitly **pledged as collateral** or given as a pledge in favour of the lending institution and this act is effective and enforceable in all competent jurisdictions, unconditional and irrevocable;
2. the third party has received notification of the guarantee or assignment in pledge;
3. as a result of the notification, the third party is able to make payments only to the lender.

Requisites of life insurance policies:

1. the life insurance policy is explicitly constituted as a guarantee or given as a pledge in favour of the lender;

2. the insurance company has received notification of the guarantee or assignment as a pledge and, consequently, cannot pay amounts without the consent of the lender;

3. the lender has the right to terminate the policy and to receive the redemption value in the event of the debtor's default;

4. the lender body is informed of the eventual non-execution of policy payments by the owner;

5. credit protection is provided for the entire duration of the loan;

6. the guarantee or assignment as a pledge is legally effective and enforceable in all relevant jurisdictions;

7. the surrender value (i) is declared by the company that provides life insurance and cannot be reduced, (ii) is paid by the company that provides life insurance promptly upon request, (iii) cannot be requested without the prior consent of the institution;

8. the insurance company is subject to Directive 2009/138/EC (on the access and exercise of insurance activities) or to the supervision of a competent authority of a third country that applies prudential and regulatory provisions at least equivalent to those existing in the EU.

G) REAL GUARANTEES ON GOODS

Requirements necessary for the valuation of collateral in commodities:

- assessment by an independent third-party appraiser;
- formal documentation of the guarantee in terms of rental of the goods, quantity, univocal identification;
- prudential criteria regarding the haircut to be applied linked to the perishable nature of the goods, the ease or otherwise of liquidating the same, the costs of conservation and security.

PERSONAL GUARANTEES

Requisites that are common to personal guarantees and credit derivatives:

1) credit protection is direct and its size clearly defined and incontrovertible;

2) there are no clauses whose fulfilment is beyond the direct control of the lender which can:

   - allow the protection provider to unilaterally cancel protection;
   - increase the cost of protection following the deterioration of the credit quality of the protected exposure;

- avoid the obligation of the protection provider to make the payments due in the event of default by the principal debtor;
- allow the protection provider to shorten the duration of the protection granted.

3) the guarantee contract must be effective and enforceable in all relevant jurisdictions;

4) the institution is able to demonstrate to the competent authority that it has the appropriate tools to manage the potential concentration of risk, resulting from the use of personal guarantees and credit derivatives;

5) the entity complies with the contractual and legal provisions relating to personal guarantees.

Additional requisites for personal guarantees:

1) the lending institution has the right to immediately take recourse to the guarantor without the obligation of prior enforcement of the principal debtor;

2) the guarantee is explicitly documented;

3) the guarantee covers all payments to which the main debtor is obliged or, when certain payments are excluded from the personal guarantee, the lender has corrected the value of the guarantee in order to take into account the limitation of the coverage.

COUNTER-GUARANTEES FROM GOVERNMENTS AND OTHER PUBLIC SECTOR BODIES

Exposures protected by a personal guarantee, backed by one of the following entities, are considered as exposures protected by a personal guarantee provided by the counter-guarantor:

- central administrations or central banks;
- regional administrations or local authorities;
- public sector bodies;
- multilateral development banks.

3. Impaired credit exposure

Impaired credit exposure are divided into the following categories:

- *Overdue and/or overdrawn impaired exposures*: cash credit exposures which, at the reporting reference date, have been past or overdue for more than 90 days;
- *Probable defaults (Unlikely To Pay)*: credit exposures for which the bank considers it unlikely that, without recourse to actions such as the enforcement of guarantees, the debtor

completely fulfils (in principal and/or interest) the credit obligations. This evaluation is carried out independently of the presence of any past due and unpaid amounts (or instalments);

- *Non-performing loans:* the total of cash and off-balance sheet credit exposures to a person in a state of insolvency (even if not ascertained judicially) or in substantially comparable situations, regardless of any loss forecasts formulated by the Bank. Exposures whose anomalous situation is attributable to profiles pertaining to country risk are excluded.

For the purpose of staging allocation, non-performing exposures (NPL) fall within Stage 3 and are subject to analytical write-down as described in paragraph 2.3, also taking into account the minimum write-down levels envisaged by the credit policy for each class of impairment.

3.1 Management strategies and policies

The units responsible for the management of non-performing loans implement the actions defined by the internal policy in the presence of deterioration of the risk position with regard to: "i) type of executive procedure activated following the already experienced phases; ii) ready value of the guarantees; iii) criteria for estimating the recovery period and discounting rates of expected flows".

These interventions include all the activities carried out after the transition to the non-performing position which may lead, in the event of a change to non- performing loans, also the revocation of the credit lines and the consequent forfeiture of the debtor from the benefit of the termination (where possible) of the relationships contracts with the customer.
These activities are aimed at protecting and recovering the Bank's credit positions, both through inter-judicial interventions internally conducted and with the use of judicial procedures activated through external lawyers.

The different stages of the process are remitted to the Legal Service with regard to positions classified as UTP or non-performing, and to the Credit Trend Control Service in the case of past due positions.
In particular, the Legal Service, in its capacity as "manager" of non-performing positions (with the exception of past due positions), will be responsible for following the various management phases with the support of the other structures involved (Credit Investigation Analysis Service, Commercial Area, Credit Performance Control Service); it will also be responsible for preparing periodic reports for top management bodies.

Dealing with expired positions and/or over-running and impaired positions

The individual exposures are identified as past due and/or over-running:

- other than those classified as bad debts and/or probable defaults;

- expired or past due for more than 90 days on the reporting date, the higher of the following two values is equal to or greater than a materiality threshold of 5%:

- average of the past due and/or overdue portions over the entire exposure recorded on a daily basis in the previous quarter;
- past due and/or overdue portion of the entire exposure referring to the reporting reference date;

- expired or past due for over 180 days at the reporting reference date. All positions in this state will be placed in a state of probable default unless adequate formalised reasons are given.

Overdue and/or overdrawn impaired exposures are monitored by the Credit Performance Control Department, which defines the classification (also on the indication of the Commercial Area)

and the provision based also on the technical analyses provided by the SAIF and taking into account the minimum write-down percentages defined by the Bank.

The assessments relating to classification and provisions are sent to the deliberating body.

Dealing with "unlikely to pay" positions

As required by law, for the classification among probable defaults it is not necessary to wait for the explicit symptom of anomaly (failure to repay) where there are elements that imply a risk of default by the debtor. The aggregate of cash and off- balance sheet exposures to the same debtor who is in the above situation is called "probable default", unless the conditions for classifying the debtor among bad debts do not exist.

The condition of "improbability that, without recourse to actions such as the enforcement of the guarantee, the debtor completely fulfils the obligations" is deemed satisfied when events specifically required by law occur, or events subject to internal assessment by the Bank.

The positions classified as UTP are monitored by the Legal Department, which proposes their classification (also on the advice of the Commercial Department) and the provision to be made based also on the technical analyses provided by SAIF and taking into account the minimum write-down percentages defined by the Bank.

Dealing with impaired positions

The category of bad debts includes all receivables from customers who face serious and non-transitory economic and financial difficulties. The necessity of the transfer may also derive from extrajudicial and prejudicial events towards the customer and/or the guarantors, from the risk of consolidation of mortgages registered by other credit institutions, from judicial actions aimed at decreasing the capital guarantee provided by the Customer and/or by the guarantors.

For the purposes of non-performing classification, therefore, the existence of any guarantees, real or personal, placed in defence of the loans is disregarded.

The identification of the positions that must be "possibly" included in the "bad debts" sector involves the following aspects:

- The Sales Department / Sector operator who owns the report on the basis of first- level performance monitoring activity;

- the Legal Department, on the basis of reports of anomalies and as part of the monitoring activities carried out on non-performing positions.

Once the position to be classified as non-performing has been identified, the Credit Performance Control Department carries out a prior assessment of the opportunity and the presence of the minimum requirements for a change of status.

Once the file to be classified as non-performing has been identified, the Legal Service shall carry out a prior assessment of the appropriateness and presence of the minimum requirements for the possible change of status.

The proposal for classification as non-performing, containing the reasons for the change in status of the position and the indication of the minimum provision to be made, is submitted to the General Manager on the proposal of the Head of the Legal Service.

3.2 Write-Offs

As specified by IFRS9, the write-off constitutes an event of partial or full cancellation of the credit exposure and may or may not entail the legal waiver of credit recovery.

After a resolution by the Board of Directors, the Bank proceeds to the removal of credit exposures if valid and objective elements are identified to support the assessment of the irrecoverable nature of the credit and/or of the economic non- convenience to carry out the recovery steps. The partial excerpt can be justified if there are elements to demonstrate the debtor's inability to repay the full amount of the debt.

3.3 Impaired financial assets, acquired or originated

Impaired financial assets acquired or originated are those exposures that have deteriorated on the initial recognition date.

In its business model, the Bank does not envisage the acquisition of exposures of this kind, while, after internal analysis, the disbursement of "new finance" to impaired counterparties is permitted as part of restructuring agreements between the debtor and a pool of banks.

In this case, the Legal Sector, duly assisted by internal structures, follows the restructuring agreements and prepares any proposal for the disbursement of "new financing" to be submitted to the Board of Directors for approval. These exposures will be classified as non-performing in accordance with the classification assigned to the debtor and will be subject to the impairment rules of the assigned impairment class.

4. Financial assets subject to commercial renegotiations and exposures subject to concessions

The Bank identifies and classifies, pursuant to Banca d'Italia provisions, forborne exposures, that is, the loans (performing or impaired) subject to concessions (forbearance) by the Bank. The forbearance measures constitute changes to the original contractual conditions of the credit line that the bank grants to the corporate customer.

These forbearance measures may concern performing customers in financial difficulty (forborne performing exposures) or customers classified in a deteriorating state (non performing exposures with forbearance measures).

With reference to the time spent within a class and/or leaving it:

Forbearance non performing: the exposure must remain for at least a year ("cure period") after which it is released from the status of non performing;

Forbearance performing: exposure deriving from the previous class, from which the exposure can exit towards performing status after 2 years ("probation period").

Agreements are not considered concessions – reached between the debtor and a pool of creditor banks – thanks to which the existing credit lines are temporarily "frozen" prior to formal restructuring.

The timing in the state of forborne and the exit mechanisms are carefully regulated. If a customer becomes a "non-performing forborne", a minimum 36 months (12 months for the so-called "cure period" and 24 months for the so-called "probation period") are required before the position can be returned to performing status without qualification. In other cases of forborne performing positions, either a return to performing status or the definition of a permanence in classification for a shorter period can be considered.

In terms of accounting, IFRS9 requires that if a forbearance measure relating to a performing credit line is approved, this credit line is allocated to Stage 2.

In the process of managing and classifying problematic credit to customers involving several banks in the presence of a request for a moratorium and/or **restructuring of credit**, internal information is prepared in order to acknowledge it by the appropriate commercial department or sector. Subsequently, the Credit Performance Control Department will propose the reclassification "under observation" and the immediate blocking of operations (the credit line is made inoperative) to the General Manager, pending a deeper analysis.

Until the restructuring agreements are formalised, subject to the resolution of the competent bodies, negotiations for any moratoriums will be conducted both by the Head of the Commercial Development Area and by one or more members of the Credit and Risk Area (within credit

analysis and investigation and in the legal field).
Once the relative proposal has been submitted (in the usual way) and approved by the decision-making bodies, the management of the position will be handed over solely to the Commercial Development Area.

QUANTITATIVE INFORMATION

Credit quality

A.1 Performing and non-performing credit positions: amounts outstanding, write- downs, variations and economic distribution

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

PORTFOLIOS/QUALITY		IMPAIRED	PROBABLE DEFAULTS	MATURED EXPOSURES DETERIORATED	MATURED EXPOSURES NOT DETERIORATED	OTHER EXPOSURES NOT DETERIORATED	TOTAL
1	FINANCIAL ASSETS VALUED AT AMORTISED COST	1,778	24,418	3	17,473	1,308,928	**1,352,600**
2	FINANCIAL ASSETS MEASURED AT FAIR VALUE WITH IMPACT ON TOTAL PROFITABILITY		959			2,688	**3,647**
3	FINANCIAL ASSETS DESIGNATED AT FAIR VALUE						
4	OTHER FINANCIAL ASSETS NECESSARILY MEASURED AT FAIR VALUE						
5	FINANCIAL ASSETS IN THE PROCESS OF BEING SOLD						
TOTAL (31.12.2021)		1,778	25,377		17,473	1,311,616	1,356,247
TOTAL (31.12.2020)		1,914	25,161		692	1,465,969	1,493,736

At 31 December 2021, past-due unimpaired exposures amounted to a total of Euro 17,5 million relating to positions that were correctly returned in the early days of January 2022.

At 31 December 2021, exposures subject to concessionary measures (known as forbearance exposures) amounted to Euro 10,9 million, entirely attributable to the portfolio of "loans to customers"; more information on these exposures can be found in table A.1.7.

A.1.1a Distribution of financing provisions subject to Covid-19 support measures, by portfolios and quality of credit (balance sheet values)

PORTFOLIOS/QUALITY		BAD DEBTS	PROBABLE DEFAULT	OVERDUE IMPAIRED EXPOSURES	OTHER IMPAIRED EXPOSURES	UNIMPAIRED EXPOSURES	TOTAL
A.	FINANCING PROVISIONS VALUED AT AMORTIZED COST						
a)	SUBJECT TO CONCESSIONS COMPLIANT WITH GLS						
b)	SUBJECT TO OTHER FORBEARANCE MEASURES						
c)	NEW FINANCING						
B.	FINANCING PROVISIONS AT FAIR VALUE WITH IMPACT ON OVERALL PROFITABILITY						
a)	SUBJECT TO CONCESSIONS COMPLIANT WITH GLS						
b)	SUBJECT TO OTHER FORBEARANCE MEASURES						
c)	NEW FINANCING						
TOTAL (31.12.2021)							
TOTAL (31.12.2020)						2,483	2,483

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

	PORTFOLIOS/QUALITY	IMPAIRED				NOT IMPAIRED			**TOTAL** (NET EXPOSURE)
		GROSS EXPOSURE	TOTAL VALUE ADJUSTMENTS	NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS (*)	GROSS EXPOSURE	TOTAL VALUE ADJUSTMENTS	NET EXPOSURE	
1	FINANCIAL ASSETS VALUED AT AMORTISED COST	122,300	96,101	26,199		1,338,139	11,738	1,463,866	**1,352,600**
2	FINANCIAL ASSETS MEASURED AT FAIR VALUE WITH IMPACT ON TOTAL PROFITABILITY	1,926	967	959		2,798	111	2,687	**3,646**
3	FINANCIAL ASSETS DESIGNATED AT FAIR VALUE								
4	OTHER FINANCIAL ASSETS NECESSARILY MEASURED AT FAIR VALUE								
5	FINANCIAL ASSETS IN THE PROCESS OF BEING SOLD								
TOTAL (31.12.2021)		124,226	97,068	27,158		1,340,937	11,849	1,329,088	**1,356,246**
TOTAL (31.12.2020)		122,171	95,096	27,075		1,476,524	9,864	1,470,819	**1,497,894**

* Value to be displayed for information purposes

PORTFOLIO/CREDIT QUALITY		ASSETS OF LOW-QUALITY CREDIT		OTHER ASSETS
		MINUS	NET EXPOSURE	NET EXPOSURE
1	FINANCIAL ASSETS HELD FOR TRADING			12,538
2	HEDGING DERIVATIVES			
TOTAL (31.12.2021)				12,538
TOTAL (31.12.2020)				9,582

Among the unimpaired assets, there are no exposures subject to renegotiation under collective agreements.

Impaired assets include exposures to Italian corporate entities in the construction sector.

A.1.3 Distribution of financial assets by range of overdue amounts (book value)

		FIRST STAGE			SECOND STAGE			THIRD STAGE		
PORTFOLIOS/RISK STAGES		FROM 1 DAY TO 30 DAYS	FROM OVER 30 DAYS TO 90 DAYS	OVER 90 DAYS	UP TO 30 DAYS	FROM OVER 30 DAYS UP TO 90 DAYS	OVER 90 DAYS	UP TO 30 DAYS	FROM OVER 30 DAYS UP TO 90 DAYS	OVER 90 DAYS
1	FINANCIAL ASSETS VALUED AT AMORTISED COST	17,471		2		1			288	10,988
2	FINANCIAL ASSETS MEASURED AT FAIR VALUE WITH IMPACT ON TOTAL PROFITABILITY									
3	FINANCIAL ASSETS HELD FOR SALE									
TOTAL (31.12.2021)		17,471		2		1			288	10,988
TOTAL (31.12.2020)		692					1			13,382

A.1.4 Financial assets, commitments to disburse funds and financial guarantees issued: changes in total value adjustments and total provisions

REASONS / RISK STAGES	TOTAL VALUE ADJUSTMENTS																				TOTAL PROVISIONS ON COMMITMENTS TO DISBURSE FUNDS, AND FINANCIAL GUARANTEES ISSUED			TOTAL
	ASSETS INCLUDED IN FIRST STAGE					ASSETS INCLUDED IN SECOND STAGE					ASSETS INCLUDED IN THIRD STAGE					IMPAIRED FINANCIAL ASSETS ACQUIRED OR ORIGINATED								
	FINANCIAL ASSETS VALUED AT AMORTISED COST	FINANCIAL ASSETS MEASURED AT FAIR VALUE WITH IMPACT ON TOTAL PROFITABILITY	FINANCIAL ASSETS HELD FOR SALE	OF WHICH: INDIVIDUAL WRITEDOWNS	OF WHICH: COLLECTIVE WRITEDOWNS	FINANCIAL ASSETS VALUED AT AMORTISED COST	FINANCIAL ASSETS MEASURED AT FAIR VALUE WITH IMPACT ON TOTAL PROFITABILITY	FINANCIAL ASSETS HELD FOR SALE	OF WHICH: INDIVIDUAL WRITEDOWNS	OF WHICH: COLLECTIVE WRITEDOWNS	FINANCIAL ASSETS VALUED AT AMORTISED COST	FINANCIAL ASSETS MEASURED AT FAIR VALUE WITH IMPACT ON TOTAL PROFITABILITY	FINANCIAL ASSETS HELD FOR SALE	OF WHICH: INDIVIDUAL WRITEDOWNS	OF WHICH: COLLECTIVE WRITEDOWNS	FINANCIAL ASSETS VALUED AT AMORTISED COST	FINANCIAL ASSETS MEASURED AT FAIR VALUE WITH IMPACT ON TOTAL PROFITABILITY	FINANCIAL ASSETS HELD FOR SALE	OF WHICH: INDIVIDUAL WRITEDOWNS	OF WHICH: COLLECTIVE WRITEDOWNS	FIRST STAGE	SECOND STAGE	THIRD STAGE	
INITIAL OVERALL ADJUSTMENTS	(3.968)				(3.968)	(5.774)	(124)			(5.898)	(94.129)	(967)			(95.096)						(1.131)	(677)	(3.204)	**(109.974)**
CHANGES IN INCREASE FROM FINANCIAL ASSETS ACQUIRED OR ORIGINATED																								
CANCELLATIONS OTHER THAN WRITE-OFFS											2.669				2.669									2.669
NET VALUE ADJUSTMENTS/ WRITE-BACK FOR CREDIT RISK (+/-)	(2.299)				(2.299)	(82)	13			(69)	(4.819)				(4.819)						(288)	334	(1.260)	(8.401)
CONTRACTUAL CHANGES WITHOUT CANCELLATIONS																								
CHANGES IN THE ESTIMATION METHODOLOGY																								
WRITE-OFF NOT DIRECTLY RECOGNIZED IN THE INCOME STATEMENT																								
OTHER CHANGES																								
FINAL OVERALL ADJUSTMENTS	**(6.267)**				**(6.267)**	**(5.856)**	**(111)**			**(5.967)**	**(96.279)**	**(967)**			**(97.246)**						**(1.419)**	**(343)**	**(4.464)**	**(115.706)**
RECUPERATION RECOVERIES ON FINANCIAL ASSETS SUBJECT TO WRITE-OFF																								
WRITE-OFFS RECORDED DIRECTLY IN THE INCOME STATEMENT																								

The differences with table A.1.2 are related to the items on loans to banks and central banks at sight.

A.1.5 Financial assets, commitments to disburse funds and financial guarantees issued: transfers between the various stages of credit risk (gross and nominal values)

PORTFOLIOS/RISK STAGES		GROSS VALUE / NOMINAL VALUE					
		TRANSFERS BETWEEN FIRST STAGE AND SECOND STAGE		TRANSFERS BETWEEN SECOND STAGE AND THIRD STAGE		TRANSFERS BETWEEN FIRST STAGE AND THIRD STAGE	
		FROM FIRST STAGE TO SECOND STAGE	FROM SECOND STAGE TO FIRST STAGE	FROM SECOND STAGE TO THIRD STAGE	FROM THIRD STAGE TO SECOND STAGE	FROM FIRST STAGE TO THIRD STAGE	FROM THIRD STAGE TO FIRST STAGE
1	FINANCIAL ASSETS VALUED AT AMORTISED COST	65,076		3			
2	FINANCIAL ASSETS MEASURED AT FAIR VALUE WITH IMPACT ON TOTAL PROFITABILITY						
3	FINANCIAL ASSETS HELD FOR SALE						
4	COMMITMENTS TO DISBURSE FUNDS, AND FINANCIAL GUARANTEES ISSUED	47,563		25,550			
TOTAL (31.12.2021)		**112,639**		**25,553**			

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

The cash exposures include all the cash financial assets held by customers, whatever their accounting allocation portfolio (trading, financial assets at amortised cost, financial assets measured at fair value with impact on overall profitability, financial assets held for sale).

Off-balance sheet exposures include all financial transactions other than cash transactions that involve the assumption of a credit risk, whatever the purpose of such transactions.

TYPE OF EXPOSURES / VALUES	GROSS EXPOSURE					TOTAL VALUE ADJUSTMENTS AND TOTAL PROVISIONS					NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS*
		FIRST STAGE	SECOND STAGE	THIRD STAGE	IMPAIRED CREDITS ACQUIRE OR ORIGINATED		FIRST STAGE	SECOND STAGE	THIRD STAGE	IMPAIRED CREDITS ACQUIRE OR ORIGINATED		
A. CREDIT EXPOSURES FOR CASH												
A.1 AT SIGHT	285,609	285,141	113	355		568	389	1	178		285,041	
A) IMPAIRED	355			355		178			178		177	
B) NON-IMPAIRED	285,254	285,141	113			390	389	1			284,864	
A.2 OTHER	392,547	333,111	59,436			10,126	4,506	5,620			382,421	
A) IMPAIRED												
- OF WHICH: EXPOSURES SUBJECT TO CONCESSIONS												
B) PROBABLE DEFAULTS												
- OF WHICH: EXPOSURES SUBJECT TO CONCESSIONS												
C) OVERDUE IMPAIRED EXPOSURES												
- OF WHICH: EXPOSURES SUBJECT TO CONCESSIONS												
D) OVERDUE NON-IMPAIRED EXPOSURES												
- OF WHICH: EXPOSURES SUBJECT TO CONCESSIONS												
E) OTHER NON-IMPAIRED EXPOSURES	392,547	333,111	59,436			10,126	4,506	5,620			382,421	
- OF WHICH: EXPOSURES SUBJECT TO CONCESSIONS	45,518		45,518			5,303		5,303			40,215	
TOTAL A	**678,156**	**618,252**	**59,549**	**355**		**10,694**	**4,895**	**5,621**	**178**		**667,462**	
B. OFF-BALANCE SHEET CREDIT EXPOSURES												
A) IMPAIRED												
A) NON-IMPAIRED	5,195,102	4,647,671	547,431			1,343	1,183	160			5,193,759	
TOTAL B	**5,195,102**	**4,647,671**	**547,431**			**1,343**	**1,183**	**160**			**5,193,759**	
TOTAL A+B	**5,873,258**	**5,265,923**	**606,980**	**355**		**12,037**	**6,078**	**5,781**	**178**		**5,861,221**	

* Value to be displayed for information purposes

A.1.7 Cash and off-balance sheet exposures to customers: gross and net values

TYPE OF EXPOSURES/ VALUES	GROSS EXPOSURE					TOTAL VALUE ADJUSTMENTS AND TOTAL PROVISIONS					NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS*
		FIRST STAGE	SECOND STAGE	THIRD STAGE	IMPAIRED CREDITS ACQUIRE OR ORIGINATED		FIRST STAGE	SECOND STAGE	THIRD STAGE	IMPAIRED CREDITS ACQUIRE OR ORIGINATED		
A. CREDIT EXPOSURES FOR CASH												
A) IMPAIRED	29,961			29,961		28,183			28,183		1,778	
- OF WHICH: EXPOSURES SUBJECT TO CONCESSIONS												
B) PROBABLE DEFAULTS	94,261			94,261		68,884			68,884		25,377	
- OF WHICH: EXPOSURES SUBJECT TO CONCESSIONS	28,441			28,441		17,512			17,512		10,929	
C) OVERDUE IMPAIRED EXPOSURES	4			4		1			1		3	
- OF WHICH: EXPOSURES SUBJECT TO CONCESSIONS												
D) OVERDUE NON-IMPAIRED EXPOSURES	17,489	17,489				16	16				17,473	
- OF WHICH: EXPOSURES SUBJECT TO CONCESSIONS												
E) OTHER NON-IMPAIRED EXPOSURES	930,896	835,982	94,914			1,701	1,355	346			929,195	
- OF WHICH: EXPOSURES SUBJECT TO CONCESSIONS												
TOTAL A	**1,072,611**	**853,471**	**94,914**	**124,226**		**98,785**	**1,371**	**346**	**97,068**		**973,826**	
OFF-BALANCE SHEET CREDIT EXPOSURES												
A) IMPAIRED	44,261			44,261		4,464			4,464		39,797	
B) NON-IMPAIRED	642,250	475,684	166,566			420	237	183			641,830	
TOTAL B	**686,511**	**475,684**	**166,566**	44,261		**4,884**	**237**	**183**	4,464		**681,627**	
TOTAL A+B	**1,759,122**	**1,329,155**	**261,480**	**168,487**		**103,669**	**1,608**	**529**	**101,532**		**1,655,453**	

A.1.8 Cash credit exposures to banks: movement of gross impaired exposures

REASONS/CATEGORIES			IMPAIRED	PROBABLE DEFAULTS	OVERDUE IMPAIRED EXPOSURES
A	**GROSS INITIAL EXPOSURE**			**328**	
	OF WHICH: SOLD EXPOSURES NOT CANCELLED				
B	**INCREASING CHANGES**			**27**	
	B1	RE-ENTRY OF NON-IMPAIRED EXPOSURES			
	B2	RE-ENTRY OF IMPAIRED FINANCIAL ASSETS ACQUIRED OR ORIGINATED			
	B3	TRANSFERS FROM OTHER CATEGORIES OF IMPAIRED EXPOSURES			
	B4	CONTRACTUAL CHANGES WITHOUT CANCELLATIONS			
	B5	OTHER INCREASING CHANGES		27	
C	**DECREASING CHANGES**				
	C1	EXITS TO NON-IMPAIRED EXPOSURES			
	C2	WRITE-OFFS			
	C3	RECEIPTS			
	C4	INCOME FROM SALES			
	C5	LOSSES FROM SALES			
	C6	**TRANSFER TO OTHER CATEGORIES OF IMPAIRED EXPOSURES**			
	C7	CONTRACTUAL CHANGES WITHOUT CANCELLATIONS			
	C8	OTHER DECREASING CHANGES			
D	**FINAL GROSS EXPOSURE**			**355**	
	OF WHICH: SOLD EXPOSURES NOT CANCELLED				

The total value adjustments on non-performing exposures subject to concessionary measures concern loans to companies in the probable default category.

A.1.6 Cash and off-balance sheet credit exposures to banks: gross and net

The cash exposures include all the cash financial assets held by customers, whatever their accounting allocation portfolio (trading, financial assets at amortised cost, financial assets measured at fair value with impact on overall profitability, financial assets held for sale).
Off-balance sheet exposures include all financial transactions other than cash transactions that involve the assumption of a credit risk, whatever the purpose of such transactions.

TYPE OF EXPOSURES / VALUES	GROSS EXPOSURE					TOTAL VALUE ADJUSTMENTS AND TOTAL PROVISIONS					NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS*
		FIRST STAGE	SECOND STAGE	THIRD STAGE	IMPAIRED CREDITS ACQUIRE OR ORIGINATED		FIRST STAGE	SECOND STAGE	THIRD STAGE	IMPAIRED CREDITS ACQUIRE OR ORIGINATED		
A. CREDIT EXPOSURES FOR CASH												
A.1 AT SIGHT	285,609	285,141	113	355		568	389	1	178		285,041	
A) IMPAIRED	355			355		178			178		177	
B) NON-IMPAIRED	285,254	285,141	113			390	389	1			284,864	
A.2 OTHER	392,547	333,111	59,436			10,126	4,506	5,620			382,421	
A) IMPAIRED												
- OF WHICH: EXPOSURES SUBJECT TO CONCESSIONS												
B) PROBABLE DEFAULTS												
- OF WHICH: EXPOSURES SUBJECT TO CONCESSIONS												
C) OVERDUE IMPAIRED EXPOSURES												
- OF WHICH: EXPOSURES SUBJECT TO CONCESSIONS												
D) OVERDUE NON-IMPAIRED EXPOSURES												
- OF WHICH: EXPOSURES SUBJECT TO CONCESSIONS												
E) OTHER NON-IMPAIRED EXPOSURES	392,547	333,111	59,436			10,126	4,506	5,620			382,421	
- OF WHICH: EXPOSURES SUBJECT TO CONCESSIONS	45,518		45,518			5,303		5,303			40,215	
TOTAL A	**678,156**	**618,252**	**59,549**	**355**		**10,694**	**4,895**	**5,621**	**178**		**667,462**	
B. OFF-BALANCE SHEET CREDIT EXPOSURES												
A) IMPAIRED												
A) NON-IMPAIRED	5,195,102	4,647,671	547,431			1,343	1,183	160			5,193,759	
TOTAL B	**5,195,102**	**4,647,671**	**547,431**			**1,343**	**1,183**	**160**			**5,193,759**	
TOTAL A+B	**5,873,258**	**5,265,923**	**606,980**	**355**		**12,037**	**6,078**	**5,781**	**178**		**5,861,221**	

A.1.7 Cash and off-balance sheet exposures to customers: gross and net values

TYPE OF EXPOSURES/ VALUES	GROSS EXPOSURE					TOTAL VALUE ADJUSTMENTS AND TOTAL PROVISIONS					NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS*
		FIRST STAGE	SECOND STAGE	THIRD STAGE	IMPAIRED CREDITS ACQUIRE OR ORIGINATED		FIRST STAGE	SECOND STAGE	THIRD STAGE	IMPAIRED CREDITS ACQUIRE OR ORIGINATED		
A. CREDIT EXPOSURES FOR CASH												
A) IMPAIRED	29,961			29,961		28,183			28,183		1,778	
- OF WHICH: EXPOSURES SUBJECT TO CONCESSIONS												
B) PROBABLE DEFAULTS	94,261			94,261		68,884			68,884		25,377	
- OF WHICH: EXPOSURES SUBJECT TO CONCESSIONS	28,441			28,441		17,512			17,512		10,929	
C) OVERDUE IMPAIRED EXPOSURES	4			4		1			1		3	
- OF WHICH: EXPOSURES SUBJECT TO CONCESSIONS												
D) OVERDUE NON-IMPAIRED EXPOSURES	17,489	17,489				16	16				17,473	
- OF WHICH: EXPOSURES SUBJECT TO CONCESSIONS												
E) OTHER NON-IMPAIRED EXPOSURES	930,896	835,982	94,914			1,701	1,355	346			929,195	
- OF WHICH: EXPOSURES SUBJECT TO CONCESSIONS												
TOTAL A	**1,072,611**	**853,471**	**94,914**	**124,226**		**98,785**	**1,371**	**346**	**97,068**		**973,826**	
OFF-BALANCE SHEET CREDIT EXPOSURES												
A) IMPAIRED	44,261			44,261		4,464			4,464		39,797	
B) NON-IMPAIRED	642,250	475,684	166,566			420	237	183			641,830	
TOTAL B	**686,511**	**475,684**	**166,566**	44,261		**4,884**	**237**	**183**	4,464		**681,627**	
TOTAL A+B	**1,759,122**	**1,329,155**	**261,480**	**168,487**		**103,669**	**1,608**	**529**	**101,532**		**1,655,453**	

A.1.8 Cash credit exposures to banks: movement of gross impaired exposures

		REASONS/CATEGORIES	IMPAIRED	PROBABLE DEFAULTS	OVERDUE IMPAIRED EXPOSURES
A		**GROSS INITIAL EXPOSURE**		**328**	
		OF WHICH: SOLD EXPOSURES NOT CANCELLED			
B		**INCREASING CHANGES**		**27**	
	B1	RE-ENTRY OF NON-IMPAIRED EXPOSURES			
	B2	RE-ENTRY OF IMPAIRED FINANCIAL ASSETS ACQUIRED OR ORIGINATED			
	B3	TRANSFERS FROM OTHER CATEGORIES OF IMPAIRED EXPOSURES			
	B4	CONTRACTUAL CHANGES WITHOUT CANCELLATIONS			
	B5	OTHER INCREASING CHANGES		27	
C		**DECREASING CHANGES**			
	C1	EXITS TO NON-IMPAIRED EXPOSURES			
	C2	WRITE-OFFS			
	C3	RECEIPTS			
	C4	INCOME FROM SALES			
	C5	LOSSES FROM SALES			
	C6	**TRANSFER TO OTHER CATEGORIES OF IMPAIRED EXPOSURES**			
	C7	CONTRACTUAL CHANGES WITHOUT CANCELLATIONS			
	C8	OTHER DECREASING CHANGES			
D		**FINAL GROSS EXPOSURE**		**355**	
		OF WHICH: SOLD EXPOSURES NOT CANCELLED			

The total value adjustments on non-performing exposures subject to concessionary measures concern loans to companies in the probable default category.

A.1.9 Cash credit exposures to customers: movement of gross impaired exposures

REASONS/CATEGORIES			IMPAIRED	PROBABLE DEFAULTS	OVERDUE IMPAIRED EXPOSURES
A	**GROSS INITIAL EXPOSURE**		**32,682**	**89,161**	
	OF WHICH: SOLD EXPOSURES NOT CANCELLED				
B	**INCREASING CHANGES**		**62**	**5,107**	**4**
	B1	RE-ENTRY OF NON-IMPAIRED EXPOSURES			4
	B2	RE-ENTRY OF IMPAIRED FINANCIAL ASSETS ACQUIRED OR ORIGINATED			
	B3	TRANSFERS FROM OTHER CATEGORIES OF IMPAIRED EXPOSURES			
	B4	CONTRACTUAL CHANGES WITHOUT CANCELLATIONS			
	B5	OTHER INCREASING CHANGES	62	5,107	
C	**DECREASING CHANGES**		**2,783**	**7**	
	C1	EXIT TOWARDS NON-IMPAIRED EXPOSURES			
	C2	WRITE-OFFS			
	C3	RECEIPTS			
	C4	INCOME FROM SALES			
	C5	LOSSES FROM SALES			
	C6	TRANSFERS TO OTHER CATEGORIES OF IMPAIRED EXPOSURES			
	C7	CONTRACTUAL CHANGES WITHOUT CANCELLATIONS			
	C8	OTHER DECREASING CHANGES	2,783	7	
D	**GROSS FINAL EXPOSURE**		**29,961**	**94,261**	**4**
	OF WHICH: SOLD EXPOSURES NOT CANCELLED				

A.1.9 (bis) Cash credit exposures to customers: trends in gross exposures subject to separate credit ratings

REASONS/QUALITY			EXPOSURES SUBJECT TO IMPAIRED CONCESSIONS	OTHER EXPOSURES SUBJECT TO CONCESSIONS
A	**GROSS INITIAL EXPOSURE**		**18,010**	
	OF WHICH: SOLD EXPOSURES NOT CANCELLED			
B	**INCREASING CHANGES**		**10,437**	
	B1	RE-ENTRY OF UNIMPAIRED EXPOSURES NOT SUBJECT TO CONCESSIONS		
	B2	RE-ENTRY OF UNIMPAIRED EXPOSURES SUBJECT TO CONCESSIONS		
	B3	RE-ENTRY OF EXPOSURES SUBJECT TO IMPAIRED CONCESSIONS		
	B4	RE-ENTRY OF IMPAIRED EXPOSURES NOT SUBJECT TO CONCESSIONS	10,145	
	B5	OTHER INCREASING CHANGES	292	
C	**DECREASING CHANGES**		**6**	
	C1	EXIT TOWARDS UNIMPAIRED EXPOSURES NOT SUBJECT TO CONCESSIONS		
	C2	EXIT TOWARDS UNIMPAIRED EXPOSURES SUBJECT TO CONCESSIONS		
	C3	EXIT TOWARDS EXPOSURES SUBJECT TO IMPAIRED CONCESSIONS		
	C4	WRITE-OFFS		
	C5	RECEIPTS		
	C6	INCOME FROM SALES		
	C7	LOSSES FROM SALES		
	C8	OTHER DECREASING CHANGES	6	
D	**GROSS FINAL EXPOSURE**		**28,441**	
	OF WHICH: SOLD EXPOSURES NOT CANCELLED			

A.1.10 Non-cash exposures to banks: changes in total value adjustments

REASONS/CATEGORIES		IMPAIRED		PROBABLE DEFAULTS		OVERDUE IMPAIRED EXPOSURES	
		TOTAL	OF WHICH: EXPOSURES SUBJECT TO CONCESSIONS	TOTAL	OF WHICH: EXPOSURES SUBJECT TO CONCESSIONS	TOTAL	OF WHICH: EXPOSURES SUBJECT TO CONCESSIONS
A	**OVERALL INITIAL ADJUSTMENTS**			**164**			
	OF WHICH: SOLD EXPOSURES NOT CANCELLED						
B	**INCREASING CHANGES**			14			
B1	VALUE ADJUSTMENTS ON IMPAIRED ASSETS ACQUIRED OR ORIGINATED						
B2	OTHER VALUE ADJUSTMENTS						
B3	LOSSES FROM SALES						
B4	TRANSFERS FROM OTHER CATEGORIES OF IMPAIRED EXPOSURES						
B5	CONTRACTUAL CHANGES WITHOUT CANCELLATIONS						
B6	OTHER INCREASING CHANGES			14			
C	**DECREASING CHANGES**						
C1	VALUE GAINS DUE TO RE-VALUATION						
C2	VALUE RECOVERIES						
C3	PROFIT FROM SALES						
C4	WRITE-OFFS						
C5	TRANSFERS TO OTHER CATEGORIES OF IMPAIRED EXPOSURES						
C6	CONTRACTUAL CHANGES WITHOUT CANCELLATIONS						
C7	OTHER DECREASING CHANGES						
D	**OVERALL FINAL ADJUSTMENTS**			**178**			
	OF WHICH: SOLD EXPOSURES NOT CANCELLED						

A.1.11 Credit exposures for non-performing loans to customers: changes in total value adjustments

REASONS/CATEGORIES		IMPAIRED		PROBABLE DEFAULTS		OVERDUE IMPAIRED EXPOSURES	
		TOTAL	OF WHICH: EXPOSURES SUBJECT TO CONCESSIONS	TOTAL	OF WHICH: EXPOSURES SUBJECT TO CONCESSIONS	TOTAL	OF WHICH: EXPOSURES SUBJECT TO CONCESSIONS
A	**OVERALL INITIAL ADJUSTMENTS**	**30,767**		**64,164**	**9,074**		
	OF WHICH: SOLD EXPOSURES NOT CANCELLED						
B	**INCREASING CHANGES**	**85**		**4,720**	**8,438**		
B1	VALUE ADJUSTMENTS OF IMPAIRED FINANCIAL ASSETS ACQUIRED OR ORIGINATED						
B2	OTHER VALUE ADJUSTMENTS						
B3	LOSSES ON SALES						
B4	TRANSFERS FROM OTHER CATEGORIES OF IMPAIRED EXPOSURES				8,145		
B5	CONTRACTUAL CHANGES WITHOUT CANCELLATIONS						
B6	OTHER INCREASING CHANGES	85		4,720	293		
C	**DECREASING CHANGES**	**2,669**					
C1	VALUE RECOVERY FROM RE-VALUATION						
C2	VALUE RECOVERY FROM RECEIPTS						
C3	PROFITS ON SALES						
C4	WRITE-OFFS						
C5	TRANSFERS TO OTHER CATEGORIES OF IMPAIRED EXPOSURES						
C6	CONTRACTUAL CHANGES WITHOUT CANCELLATIONS						
C7	OTHER DECREASING CHANGES	2,669					
D	**OVERALL FINAL ADJUSTMENTS**	**28,183**		**68,884**	**17,512**		
	OF WHICH: SOLD EXPOSURES NOT CANCELLED						

A.2 Classification of financial assets, of commitments to disburse funds and financial guarantees issued on the basis of external and internal ratings

A.2.1 Distribution of financial assets, commitments to disburse funds and financial guarantees issued: for external rating classes (gross values)

EXPOSURES		CLASSES OF EXTERNAL RATINGS						WITHOUT RATINGS	TOTAL
		CLASS 1	CLASS 2	CLASS 3	CLASS 4	CLASS 5	CLASS 6		
A	**FINANCIAL ASSETS MEASURED AT AMORTISED COST**	**9,181**	**29,263**	**647,559**	**127,218**	**97,868**	**83,267**	**466,077**	**1,460,433**
	FIRST STAGE	9,181	29,263	647,559	127,218	65,779	30,824	276,757	1,186,581
	SECOND STAGE					32,089	1,084	118,379	151,552
	THIRD STAGE						51,359	70,941	122,300
	OF WHICH: IMPAIRED FINANCIAL ASSETS ACQUIRED OR ORIGINATED								
B	**FINANCIAL ASSETS MEASURED AT FAIR VALUE WITH AN IMPACT ON TOTAL PROFITABILITY**						2,799	**1,926**	**4,725**
	FIRST STAGE								
	SECOND STAGE						2,799		2,799
	THIRD STAGE							1,926	1,926
	OF WHICH: IMPAIRED FINANCIAL ASSETS ACQUIRED OR ORIGINATED								
C	**FINANCIAL ASSETS HELD FOR SALE**								
	FIRST STAGE								
	SECOND STAGE								
	THIRD STAGE								
	OF WHICH: IMPAIRED FINANCIAL ASSETS ACQUIRED OR ORIGINATED								
TOTAL (A+B+C)		9,181	29,263	647,559	127,218	97,868	86,066	468,003	1,465,158
D	**COMMITMENTS TO DISBURSE FUNDS; FINANCIAL GUARANTEES ISSUED**	**280,000**	**838,263**	**1,019,627**	**591,830**	**349,545**	**64,158**	**2,738,188**	**5,881,611**
	FIRST STAGE	280,000	838,244	1,019,627	557,929	330,540	61,658	2,035,356	5,123,354
	SECOND STAGE		19		33,901	19,005	2,500	658,571	713,996
	THIRD STAGE							44,261	44,261
	OF WHICH: IMPAIRED FINANCIAL ASSETS ACQUIRED OR ORIGINATED								
TOTAL D		280,000	838,263	1,019,627	591,830	349,545	64,158	2,738,188	5,881,611
TOTAL (A+B+C+D)		289,181	867,526	1,667,186	719,048	447,413	150,224	3,206,191	7,346,769

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

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

A.3 Distribution of guaranteed exposures by type of guarantee
A.3.1 Cash and off-balance sheet exposures to guaranteed banks

			GROSS EXPOSURE	NET EXPOSURE	REAL GUARANTEES (1)				PERSONAL GUARANTEES (2)									TOTAL (1+2)
									CREDIT DERIVATIVES					SIGNATURE CREDITS				
										OTHER DERIVATIVES								
					PROPERTIES, MORTGAGES	PROPERTIES, LEASING FINANCING	SECURITIES	OTHER REAL GUARANTEES	CLN	CENTRAL COUNTERPARTIS	BANKS	OTHER FINANCIAL COMPANIES	OTHER ENTITIES	PUBLIC ADMINISTRATIONS	BANKS	OTHER FINANCIAL COMPANIES	OTHER ENTITIES	
1	**GUARANTEED CASH CREDIT EXPOSURES:**		**14,755**	**14,755**				**14,755**										**14,755**
	1.1	TOTALLY GUARANTEED	14,555	14,555				14,555										14,555
		- OF WHICH : IMPAIRED																
	1.2	PARTIALLY GUARANTEED	200	200				200										200
		- OF WHICH : IMPAIRED																
2	**GUARANTEED OFF-BALANCE SHEET CREDIT EX**		**165,087**	**165,087**				**165,087**										**165,087**
	2.1	TOTALLY EXPOSURES GUARANTEED	164,730	164,730				164,730										164,730
		- OF WHICH : IMPAIRED																
	2.2	PARTIALLY GUARANTEED	357	357				357										357
		- OF WHICH : IMPAIRED																

A.3.2 Cash and off-balance sheet exposures to guaranteed customers

			GROSS EXPOSURE	NET EXPOSURE	REAL GUARANTEES(1)				PERSONAL GUARANTEES(2)									TOTAL (1+2)
									CREDIT DERIVATIVES					SIGNATURE CREDITS				
										OTHER DERIVATIVES								
					PROPERTIES, MORTGAGES	PROPERTIES, LEASING FINANCING	SECURITIES	OTHER REAL GUARANTEES	CLN	CENTRAL COUNTER PARTIES	BANKS	OTHER FINANCIAL COMPANIES	OTHER ENTITIES	PUBLIC ADMINISTRATIONS	BANKS	OTHER FINANCIAL COMPANIES	OTHER ENTITIES	
1	**GUARANTEED CASH CREDIT EXPOSURES:**		**30,400**	**22,259**	9,355												**12,904**	**22,259**
	1.1	TOTALLY GUARANTEED	30,400	22,259	9,355												12,904	22,259
		- OF WHICH: IMPAIRED	14,746	7,552													7,552	7,552
	1.2	PARTIALLY GUARANTEED																
		- OF WHICH: IMPAIRED																
2	**GUARANTEED OFF-BALANCE SHEET CREDIT EXPOSURES:**		**54,491**	**54,403**				**1,735**									52,668	**54,403**
	2.1	TOTALLY GUARANTEED	54,491	54,403 32,54,403				1,735									52,668	54,403
		- OF WHICH: IMPAIRED																
	2.2	PARTIALLY GUARANTEED																
		- OF WHICH: IMPAIRED																

Distribution and concentration of loans

B.1 Sectoral distribution of cash and off-balance-sheet exposures to customers

EXPOSURES/ COUNTERPARTIES		PUBLIC ADMINISTRATIONS		FINANCIAL COMPANIES		FINANCIAL COMPANIES (OF WHICH: INSURANCE)		NON-FINANCIAL COMPANIES		FAMILIES	
		NET EXPOSURE	TOTAL VALUE ADJUSTMENTS	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS
A	**CASH CREDIT EXPOSURES**										
A1	NON-PERFORMING LOANS							1,778	28,183		
	- OF WHICH: EXPOSURES SUBJECT TO CONCESSIONS										
A2	PROBABLE DEFAULTS	14,379	51,256					10,999	17,628		
	- OF WHICH: EXPOSURES SUBJECT TO CONCESSIONS							10,929	17,512		
A3	EXPIRED IMPAIRED EXPOSURES									3	
	- OF WHICH: EXPOSURES SUBJECT TO CONCESSIONS										
A4	NON-DETERIARED EXPOSURES	694,657	1,482	2				238,876	185	13,133	48
	- OF WHICH: EXPOSURES SUBJECT TO CONCESSIONS										
TOTAL A		709,036	52,738	2				251,653	45,996	13,133	48
B	**OFF-BALANCE-SHEET CREDIT EXPOSURES**										
B1	IMPAIRED EXPOSURES							39,798	4,464		
B2	NON-DETERMINATED EXPOSURES			101,323	1			539,259	419	1,247	
TOTAL B				101,323	1			579,057	4,883	1,247	
TOTAL (A+B) 31.12.2021		709,036	52,738	101,325	1			830,710	50,879	14,380	48
TOTAL (A+B) 31.12.2020		724,726	48,251	119,272	3			909,650	52,037	14,951	162

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

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 CREDIT EXPOSURES										
A1 BAD DEBTS	1,778	26,591		1,118				475		
A2 PROBABLE DEFAULTS	10,999	17,628					7,241	44,119	7,138	7,138
A3 EXPIRED IMPAIRED EXPOSURES										
A4 OTHER ASSETS/ IN BONIS	609,073	202	106,638	556	48,153	5	94,079	590	88,725	364
TOTAL (A)	621,850	44,421	106,638	1,674	48,153	5	101,320	45,184	95,863	7,502
B OFF-BALANCE SHEET EXPOSURES										
B1 PAST DUE POSITIONS	39,798	3,139						1,324		
B2 NO-PAST DUE POSITIONS	323,863	151	101,217	2	76,755		63,676	1	76,318	266
TOTAL (B)	363,661	3,290	101,217	2	76,755		63,676	1,325	76,318	266
TOTAL (A+B) (31.12.2021)	985,511	47,711	207,855	1,676	124,908	5	164,996	46,509	172,181	7,768
TOTAL (A+B) (31.12.2020)	1,069,210	49,108	260,087	1,595	101,431	66	157,979	42,128	179,893	7,556

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

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 CREDIT EXPOSURES										
A1 BAD DEBTS										
A2 PROBABLE DEFAULTS										
A3 EXPIRED IMPAIRED EXPOSURES										
A4 OTHER ASSETS/ IN BONIS	147,274	72	27,535	493			140,572	7,631	72,001	1,929
TOTAL (A)	147,274	72	27,535	493			140,572	7,631	72,001	1,929
B OFF-BALANCE SHEET EXPOSURES										
B1 PAST DUE POSITIONS										
B2 NO PAST DUE POSITIONS	1,982,837	104	1,057,289	44	115,000		785,287	792	1,253,348	403
TOTAL (B)	1,982,837	104	1,057,289	44	115,000		785,287	792	1,253,348	403
TOTAL (A+B) (31.12.2021)	2,130,111	176	1,084,824	537	115,000		925,859	8,423	1,325,349	2,332
TOTAL (A+B) (31.12.2020)	1,721,936	599	1,886,334	702	127,028	25	920,760	5,577	1,289,695	1,114

B.4 Large Exposures

AMOUNT (BALANCE SHEET VALUE)	969,205
AMOUNT (WEIGHTED VALUE)	747,058
NUMBER OF BALANCE POSITIONS	83
NUMBER OF WEIGHTED POSITIONS	19

The provisions contained in EC Regulation no. 575/2013 establish that large exposure means the exposure of an entity to a customer or a group of connected customers having a value equal to or greater than 10% of the entity's eligible capital.

The same provisions establish that the amount of an entity's exposure to a single customer or group of connected customers or to banks resident in non-equivalent countries (Shadow Banking Entities - SBE) cannot exceed 25% of the eligible capital of the entity itself. The amount of 25% obviously takes into account the credit risk mitigation techniques, the type of collateral acquired and the debtor counterparty.
With reference to SBEs, the Bank has adopted a system of internal operating limits differentiated by cluster, by country and by individual banking counterparty, in the latter case the internal lending limit is differentiated according to the internal score assigned and includes the regulatory limit as a cap.

The internal units involved periodically check the overall exposure of customers or groups of connected customers that fall into the category of large exposures, providing adequate information to the corporate bodies and preparing the related reporting flows to the Oversight Body.

C. Securitization and disposal of assets

No data to report.

D. Structured entities not included in consolidated accounts (different from companies providing securitization)

No data to report.

E. Transfer operations

No data to report.

F. Credit risk measurement models

At the moment, the Bank has a tool that enables the attribution to each counterparty of an internal score and a Probability of Default (PD) built on an external sample of observations observed over a ten-year period. On the basis of the score provided by the Credit Analysis and Preliminary Investigation Sector, it is possible to determine for each counterparty and on the basis of macroeconomic scenarios by geographical area, the forward-looking risk parameters necessary for calculating the ECL (expected credit loss) value that can be used for management purposes as an indication at the pricing stage (including the opportunity cost connected to the capital provisions – unexpected credit loss – UCL) from the viewpoint of a risk-adjusted performance measurement.

In recent years, the Bank launched an overall project aimed at increasing the efficiency and effectiveness of all phases of the credit process (investigation, credit granting, performance control, analysis of the risk profile, evaluation of company activities), strengthening the first and second levels. This project found its finalization in the definition of the policy governing the credit risk management process, and approved by the Board of Directors in the second half of 2018. The policy was revised in 2020 in order to implement the guidelines regarding the strategy and the NPL plan, accepting the operational peculiarities that emerged during the application and guarantee its integration with the Bank's Recovery Plan.

The corporate project to adapt to the IFRS9 accounting standard was closely connected to this project, which in 2017 the project enabled the Bank to define the new system for devaluing and staging allocations for performing positions, as well as the new classification and valuation criteria, also through the definition of the Business Model.

SECTION 2 – MARKET RISKS

2.1 – Price and interest rate risk: Trading book

QUALITATIVE INFORMATION

A. General aspects

The Board of Directors sets the maximum level of market risk accepted for the trading book, corresponding to the economic capital that the Bank is willing to allocate to cover the assumption of the risk itself.

The market risk management policy (exchange rate, position and settlement) sets the internal operating limits and the related responsibilities and monitoring procedures.

Compliance with the limits in force is monitored daily by the Middle Office (first-level control) and periodically by Risk Management (second-level control) on the basis of the outputs provided by the ObjFin application.

The transactions of the Finance Sector are in fact recorded in the ObjFin application integrated into the Bank's IT-accounting system where the system of internal operating limits has been replicated to allow monitoring by the competent structures in real time. The reporting system has also been implemented within the application which allows for automatic reports that enable the various corporate functions to be informed, based on the frequencies established on the situation relating to positions, risks and exceeding operating limits.

The application manages the following financial instruments:

- traditional Forex and OTC derivatives;
- traditional and derivative money markets (FRA, IRS, OIS);
- bonds and derivatives;
- equity and derivatives (index futures, stock futures, ETFs and options traded on regulated markets).

In particular:

- the position risk on the trading portfolio is expressed in terms of VaR, with a confidence interval of 99% and holding period of 10 days;

- the counterparty risk is calculated by applying the method of the current value of the positions in OTC derivatives;

- the interest rate risk is expressed in terms of sensitivity to shifts in the interest rate curve (duration).

In outlining the required regulation, the Board of Directors drew inspiration from two fundamental principles:

- each type of operation must correspond to a portfolio of financial instruments;

- each type of risk identified in relation to the types of operations must correspond to a specific system of limits on assuming risks and a system for quantifying the Bank's exposure.

The adoption of these criteria makes the exercise of delegated powers more transparent and control more effective.

B. Managing processes and methods for measuring interest rate risk and price risk

The intermediation activity between the market and customers, banking and corporate entities, relating to interest rate and exchange rate derivatives can generate daily misalignments in the related portfolio and therefore a temporary increase in exposure to generic position risk, both for the Treasury & Securities sector, and the Financial Markets Sector.

Trading positions in interest rate and exchange rate derivatives, both regulated and OTC, are recorded on the front office system, which also supports the daily pricing of the instruments and the calculation of unrealised gains and losses. The risk of each open position on financial instruments is summarised in terms of VaR, with a holding period of 10 days and a confidence interval of 99%, and is subject to compliance with the quantitative limits proposed by the Risk Committee, approved by the Board of Directors and periodically monitored by the Risk Management Sector. Approaching the limits involves the activation of verification procedures and possibly the return of the exposure.

The Bank has an internal policy governing the market risk management process, defining the methods for identifying, assessing, measuring and monitoring the risk and dividing tasks and responsibilities among the internal structures.
The Risk Management Sector prepares a periodic report containing the results of the analyses conducted and intended for the Risk Committee, the Audit & Risk Committee and the Board of Directors.

As part of the Risk Appetite Framework, the Risk Management Sector, on a quarterly basis, monitors compliance with the macro risk limit and risk tolerance for market risks; the results of the analyses conducted are subject to periodic reporting for the Risk Committee, the Audit & Risk Committee and the Board of Directors.

QUANTITATIVE INFORMATION

1.A Regulatory trading portfolio: distribution by residual duration (re-pricing date) of financial assets and liabilities for cash and financial derivatives Currency: EUR

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**				**2,246**	**1,108**	**2,974**			
	1.1	DEBT SECURITIES			2,246	1,108	2,974			
		- WITH OPTION OF EARLY REPAYMENT				1,108				
		- OTHERS			2,246		2,974			
	1.2	OTHER ASSETS								
2	**LIABILITIES FOR CASH**									
	2.1	P.C.T. LIABILITIES								
	2.2	OTHER LIABILITIES								
3	**FINANCIAL DERIVATIVES**			**182,200**	**55,000**		**187,000**			
	3.1	**WITH UNDERLYING SECURITY**								
		- OPTIONS								
		+ LONG POSITIONS								
		+ SHORT POSITIONS								
		- OTHER DERIVATIVES								
		+ LONG POSITIONS								
		+ SHORT POSITIONS								
	3.2	**WITHOUT UNDERLYING SECURITY**		**182,200**	**55,000**		**187,000**			
		- OPTIONS								
		+ LONG POSITIONS								
		+ SHORT POSITIONS								
		- OTHER DERIVATIVES		**182,200**	**55,000**		**187,000**			
		+ LONG POSITIONS		136,850						
		+ SHORT POSITIONS		45,350	55,000		187,000			

1.B Regulatory trading portfolio: distribution by residual duration (re-pricing date) of financial assets and liabilities for cash and financial derivatives Currency: USD

		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**			**4,649**			**489**			
	1.1	DEBT SECURITIES		4,649			489			
		- WITH OPTION OF EARLY REPAYMENT								
		- OTHERS		4,649			489			
	1.2	OTHER ASSETS								
2	**LIABILITIES FOR CASH**									
	2.1	P.C.T. LIABILITIES								
	2.2	OTHER LIABILITIES								
3	**FINANCIAL DERIVATIVES**			**179,733**		**17,658**	**94,473**			
	3.1	**WITH UNDERLYING SECURITY**								
		- OPTIONS								
		+ LONG POSITIONS								
		+ SHORT POSITIONS								
		- OTHER DERIVATIVES								
		+ LONG POSITIONS								
		+ SHORT POSITIONS								
	3.2	**WITHOUT UNDERLYING SECURITY**		**179,733**		**17,658**	**94,473**			
		- OPTIONS								
		+ LONG POSITIONS								
		+ SHORT POSITIONS								
		- OTHER DERIVATIVES		**179,733**		**17,658**	**94,473**			
		+ LONG POSITIONS		174,890						
		+ SHORT POSITIONS		4,843		17,658	94,473			

1.C Regulatory trading portfolio: distribution by residual duration (re-pricing date) of financial assets and liabilities for cash and financial derivatives Currency: Other

TYPE / RESIDUAL MATURITY			SIGHT	UP TO 3 MONTHS	3 TO 6 MONTHS
1	**CASH ASSETS**				
	1.1	DEBT SECURITIES			
		- WITH OPTION OF EARLY REPAYMENT			
		- OTHERS			
	1.2	OTHER ASSETS			
2	**LIABILITIES FOR CASH**				
	2.1	P.C.T. LIABILITIES			
	2.2	OTHER LIABILITIES			
3	**FINANCIAL DERIVATIVES**			**17,370**	
	3.1	**WITH UNDERLYING SECURITY**			
		- OPTIONS			
		+ LONG POSITIONS			
		+ SHORT POSITIONS			
		- OTHER DERIVATIVES			
		+ LONG POSITIONS			
		+ SHORT POSITIONS			
	3.2	**WITHOUT UNDERLYING SECURITY**		**17,370**	
		- OPTIONS			
		+ LONG POSITIONS			
		+ SHORT POSITIONS			
		- OTHER DERIVATIVES		**17,370**	
		+ LONG POSITIONS			
		+ SHORT POSITIONS		17,370	

The distribution by residual duration of financial assets and liabilities relating to other currencies reaches up to three months.

2. Supervisory trading book: distribution of exposures in capital securities share indices for the main countries where shares are listed

TYPES OF OPERATIONS/LISTING INDEX		LISTED	UNLISTED
		ITALY	
A)	CAPITAL SECURITIES	4,414	
	- LONG-TERM POSITIONS	4,414	
	- SHORT-TERM POSITIONS		
B)	SALES NOT YET SETTLED ON EQUITY SECURITIES		
	- LONG-TERM POSITIONS		
	- SHORT-TERM POSITIONS		
C)	OTHER DERIVATIVES ON EQUITY SECURITIES		
	- LONG-TERM POSITIONS		
	- SHORT-TERM POSITIONS		
D)	DERIVATIVES ON EQUITY INDICES		
	- LONG-TERM POSITIONS		
	- SHORT-TERM POSITIONS		

3. Supervisory trading book: internal models and other methods for analyzing sensitivity

No data to report.

2.2 – Price and Interest rate risk – Banking book

QUALITATIVE INFORMATION

A. General aspects, management procedures, methods of measuring interest rate risk

The prudential regulation (Pillar II) provides for the calculation of an additional capital requirement for the interest rate risk on the banking book and requires banks to continuously monitor the size of this risk, through the calculation of a "risk indicator", corresponding to a shock that involves a parallel shift in the interest rate curve equal to 200 bps.

The value of this indicator should never exceed the limit of 20% of Own Funds; this value is much higher than that detected by Banca UBAE, which is more contained due to the high concentration of deposits and loans over a time period of 12 months and the presence of derivative instruments that mitigate the risk.
From the management point of view, the internal regulations set an internal limit lower than the regulatory threshold and equal to 6%[1] of Own Funds, as it is more consistent with the Bank's actual risk exposure.

The Sector also conducts, on a quarterly basis, exposure stress testing activities assuming parallel and non-parallel shifts in the interest rate curve. Furthermore, in compliance with the new regulatory requirements, it assesses the exposure to risk also in terms of potential change in the interest margin following a parallel shift in the interest rate curve. During 2021, new stress scenarios (EBA shocks) were introduced and risk exposure is monitored quarterly with reference to the 15% risk indicator.

The Bank has an internal policy governing the process of managing this risk, defining the methods for identifying, assessing, measuring and monitoring the risk and dividing tasks and responsibilities among the internal structures.
The Risk Management Sector prepares a periodic report containing the results of the analyses conducted and intended for the Risk Committee, the Audit & Risk Committee and the Board of Directors.

As part of the Risk Appetite Framework, the Risk Management Sector, on a quarterly basis, monitors compliance with the macro risk limit and risk tolerance for interest rate risk on the banking book; the results of the analyses conducted in terms of risk indicator, capital absorption and monitoring of internal operating limits are subject to periodic reporting for the Risk Committee, the Audit & Risk Committee and the Board of Directors.

1) This percentage is configured within the Risk Appetite Framework as a specific risk tolerance for the interest rate risk on the banking book. It should be noted that this risk tolerance has recently been revised and has been increased to 5.2% of Own Funds (as per the resolution of the 289th BoD on 21 December 2021).

B. Hedging activities for fair value

Banca UBAE does not hold derivative instruments for hedging assets and liabilities at fair value in its portfolio.

C. Hedging activities for financial flows

Banca UBAE holds interest rate derivative instruments in its portfolio (IRS and OIS) aimed at offering macro-coverage of the implicit interest margin in financial flows deriving from banking activities (securities and loans). The hedging and trading of derivative instruments is entrusted to the Treasury Unit of the Finance Sector.
The distribution by residual duration of financial assets and liabilities referring to other currencies reaches from 3 months up to 6 months.

QUANTITATIVE INFORMATION

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

	TYPE/RESIDUAL DURATION	AT SIGHT	UP TO 3 MONTHS	OVER 3 MONTHS TO 6 MONTHS	OVER 6 MONTHS TO 1 YEAR	OVER 1 YEAR TO 5 YEARS	OVER 5 YEARS TO 10 YEARS	OVER 10 YEARS	INDETERMINATE DURATION
1	**CASH ASSETS**	**42,082**	**546,937**	**152,961**	**21,339**	**81,657**	**4,887**	**3,689**	
	1.1 DEBT SECURITIES		381,012	114,485		77,481			
	- WITH EARLY REPAYMENT OPTION								
	- OTHERS		381,012	114,485		77,481			
	1.2 FINANCING TO BANKS	994	39,293	7,926	11,522				
	1.3 FINANCING TO CUSTOMERS	41,088	126,632	30,550	9,817	4,176	4,887	3,689	
	- CURRENT ACCOUNTS	13,869							
	- OTHER FINANCINGS	27,219	126,632	30,550	9,817	4,176	4,887	3,689	
	- WITH EARLY REPAYMENT OPTION	98	197	291	577	4,176	3,348	3,689	
	- OTHERS	27,121	126,435	30,259	9,240		1,539		
2	**CASH LIABILITIES**	**198,570**	**155,066**	**99,072**	**241,213**	**55**			
	2.1 PAYABLES TO CUSTOMERS	75,511	162	15	17	55			
	- CURRENT ACCOUNTS	73,120	149						
	- OTHER PAYABLES	2,391	13	15	17	55			
	- WITH EARLY REPAYMENT OPTION								
	- OTHERS	2,391	13	15	17	55			
	2.2 PAYABLES TO BANKS	123,059	154,904	99,057	241,196				
	- CURRENT ACCOUNTS	121,700							
	- OTHER PAYABLES	1,359	154,904	99,057	241,196				
	2.3 DEBT SECURITIES								
	- WITH EARLY REPAYMENT OPTION								
	- OTHERS								
	2.4 OTHER LIABILITIES								
	- WITH EARLY REPAYMENT OPTION								
	- OTHERS								
3	**FINANCIAL DERIVATIVES**								
	3.1 WITH UNDERLYING SECURITY								
	- OPTIONS								
	+ LONG POSITIONS								
	+ SHORT POSITIONS								
	- OTHER DERIVATIVES								
	+ LONG POSITIONS								
	+ SHORT POSITIONS								
	3.2 WITHOUT UNDERLYING SECURITY								
	- OPTIONS								
	+ LONG POSITIONS								
	+ SHORT POSITIONS								
	- OTHER DERIVATIVES								
	+ LONG POSITIONS								
	+ SHORT POSITIONS								
4	**OTHER OFF-BALANCE-SHEET TRANSACTIONS**								
	+ LONG POSITIONS								
	+ SHORT POSITIONS								

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

	TYPE/RESIDUAL DURATION	AT SIGHT	UP TO 3 MONTHS	OVER 3 MONTHS TO 6 MONTHS	OVER 6 MONTHS TO 1 YEAR	OVER 1 YEAR TO 5 YEARS	OVER 5 YEARS TO 10 YEARS	OVER 10 YEARS	INDETERMINATE DURATION
1	**CASH ASSETS**		**261,675**	**42,683**	**78,888**	**115,569**			
	1.1 DEBT SECURITIES		3,694		22,671	115,270			
	- WITH EARLY REPAYMENT OPTION								
	- OTHERS		3,694		22,671	115,270			
	1.2 FINANCING TO BANKS		191,374	41,929	56,067				
	1.3 FINANCING TO CUSTOMERS		66,607	754	150	299			
	- CURRENT ACCOUNTS								
	- OTHER FINANCINGS		66,607	754	150	299			
	- WITH EARLY REPAYMENT OPTION								
	- OTHERS		66,607	754	150	299			
2	**CASH LIABILITIES**	**227,554**	**532,738**	**4,418**	**8,844**				
	2.1 PAYABLES TO CUSTOMERS	30,329	431						
	- CURRENT ACCOUNTS	30,329	431						
	- OTHER PAYABLES								
	- WITH EARLY REPAYMENT OPTION								
	- OTHERS								
	2.2 PAYABLES TO BANKS	197,225	532,307	4,418	8,844				
	- CURRENT ACCOUNTS	185,814							
	- OTHER PAYABLES	11,411	532,307	4,418	8,844				
	2.3 DEBT SECURITIES								
	- WITH EARLY REPAYMENT OPTION								
	- OTHERS								
	2.4 OTHER LIABILITIES								
	- WITH EARLY REPAYMENT OPTION								
	- OTHERS								
3	**FINANCIAL DERIVATIVES**								
	3.1 WITH UNDERLYING SECURITY								
	- OPTIONS								
	+ LONG POSITIONS								
	+ SHORT POSITIONS								
	- OTHER DERIVATIVES								
	+ LONG POSITIONS								
	+ SHORT POSITIONS								
	3.2 WITHOUT UNDERLYING SECURITY								
	- OPTIONS								
	+ LONG POSITIONS								
	+ SHORT POSITIONS								
	- OTHER DERIVATIVES								
	+ LONG POSITIONS								
	+ SHORT POSITIONS								
4	**OTHER OFF-BALANCE-SHEET TRANSACTIONS**	**41,578**							
	+ LONG POSITIONS	20,789							
	+ SHORT POSITIONS	20,789							

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

	TYPE/RESIDUAL DURATION	AT SIGHT	UP TO 3 MONTHS	OVER 3 MONTHS TO 6 MONTHS
1	**CASH ASSETS**	**3**	**17,322**	
	1.1 DEBT SECURITIES			
	- WITH EARLY REPAYMENT OPTION			
	- OTHERS			
	1.2 FINANCING TO BANKS			
	1.3 FINANCING TO CUSTOMERS	3	17,322	
	- CURRENT ACCOUNTS	1	17,322	
	- OTHER FINANCINGS	2		
	- WITH EARLY REPAYMENT OPTION			
	- OTHERS	2		
2	**CASH LIABILITIES**	**2,518**		
	2.1 PAYABLES TO CUSTOMERS	322		
	- CURRENT ACCOUNTS	322		
	- OTHER PAYABLES			
	- WITH EARLY REPAYMENT OPTION			
	- OTHERS			
	2.2 PAYABLES TO BANKS	2,196		
	- CURRENT ACCOUNTS	2,196		
	- OTHER PAYABLES			
	2.3 DEBT SECURITIES			
	- WITH EARLY REPAYMENT OPTION			
	- OTHERS			
	2.4 OTHER LIABILITIES			
	- WITH EARLY REPAYMENT OPTION			
	- OTHERS			
3	**FINANCIAL DERIVATIVES**			
	3.1 WITH UNDERLYING SECURITY			
	- OPTIONS			
	- LONG POSITIONS			
	- SHORT POSITIONS			
	- OTHER DERIVATIVES			
	- LONG POSITIONS			
	- SHORT POSITIONS			
	3.2 WITHOUT UNDERLYING SECURITY			
	- OPTIONS			
	- LONG POSITIONS			
	- SHORT POSITIONS			
	- OTHER DERIVATIVES			
	- LONG POSITIONS			
	- SHORT POSITIONS			
4	**OTHER OFF-BALANCE-SHEET TRANSACTIONS**			
	- LONG POSITIONS			
	- SHORT POSITIONS			

The distribution of assets / financial income by cash and financial derivatives by residual maturity with reference to other currencies reaches up to three months.

2.3 - Currency risk

QUALITATIVE INFORMATION

A. General aspects, processes and methods of measuring exchange risk

In the banking book, Banca UBAE's equity structure is characterised by deposits in dollars and euros balanced by loans denominated in the same currencies.

Brokerage of foreign exchange and forward derivative instruments may result in an increase in the Bank's overall exposure to exchange rate risk, resulting from the holding of assets and liabilities denominated in foreign currencies.

The Board of Directors approves the Bank's overall exchange risk exposure limits (intraday and overnight operating limits and stop-loss limits), entrusting the management to the Audit & Risk Committee and the daily monitoring to the Middle Office.

B. Hedging activities for exchange rate risk

The Finance Sector of Banca UBAE manages the macro-hedging of financial flows in foreign currency by holding exchange derivative instruments (currency swaps), based on its own view of the market.

QUANTITATIVE INFORMATION

1. Distribution by currency of denomination of assets, liabilities and derivatives

ITEMS	CURRENCY					
	US DOLLARS	CANADIAN DOLLARS	SWISS FRANC	POUNDS STERLING	YEN	OTHER CURRENCIES
A. FINANCIAL ASSETS	**511,414**	**17,322**				**4**
A.1 DEBT SECURITIES	154,090					
A.2 CAPITAL SECURITIES						2
A.3 FINANCING FOR BANKS	289,454					
A.4 FINANCING FOR CUSTOMERS	67,870	17,322				2
A.5 OTHER FINANCING ASSETS						
B. OTHER ASSETS	**205,076**	**272**	**314**	**1,487**	**136**	**460**
C. FINANCIAL LIABILITIES	**782,445**		**432**	**1,877**	**149**	**62**
C.1 DEBTS TOWARDS BANKS	742,794		248	1,745	149	55
C.2 DEBTS TOWARDS CUSTOMERS	39,651		184	132		7
C.3 DEBT SECURITIES						
C.4 OTHER FINANCIAL LIABILITIES						
D. OTHER LIABILITIES						
E. FINANCIAL DERIVATIVES	**67,601**	**17,369**				
- OPTIONS						
+ LONG POSITIONS						
+ SHORT POSITIONS						
- OTHER DERIVATIVES	67,601	17,369				
+ LONG POSITIONS	62,758					
+ SHORT POSITIONS	4,843	17,369				
TOTAL ASSETS	779,248	17,594	314	1,487	136	464
TOTAL LIABILITIES	787,288	17,369	432	1,877	149	62
IMBALANCE (+/-)	(8,040)	225	(118)	(390)	(13)	402

SECTION 3 - DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING POLICIES

3.1 Derivative trading instruments

A. Financial derivatives

In the financial year 2021, Banca UBAE did not carry out trading of derivative financial products on behalf of third parties, limiting its own account activities to hedging instruments for risks associated with the trading book and the banking book.
Banca UBAE mainly uses derivatives aimed at hedging its exposures on interest rates (IRS) and in particular on exchange rates (currency swap) in order to mitigate, from a management point of view, the exposure of the same.

Market risk mitigation is made possible through the use of derivative instruments intended for management purposes to hedge the Bank’s loans.
The Bank’s strategy is to limit the effects of possible fluctuations in exchange rates, interest rates and share prices through derivative instruments such as currency swaps, interest rate swaps and equity derivatives (futures and options).

Unlike foreign exchange derivatives, which make it possible to take precautions, by fixing the economic component generated by Forex operations, interest rate derivatives are used by the Bank to mitigate the effect of possible and adverse fluctuations in returns, with respect to the value of portfolio assets (securities and loans) and minimising the time period of risk exposure.
The results of the analyses conducted periodically by the Risk Management Sector are reported to the Risk Committee, the Audit & Risk Committee and the Board of Directors.

Furthermore (similarly to what has been described for market risks), derivative instruments (IRS) are used to put in place the management hedging of HTC loans and securities, thus mitigating the Bank’s exposure to interest rate risk on the banking book. The limited exposure to the latter risk, also resulting from the levels of the risk indicator constantly below the regulatory threshold, is also a consequence of the prudential strategic guidelines set out by the Board of Directors.

A.1 Financial derivatives for trading: notional values at end of period

UNDERLYING ASSETS/TYPES OF DERIVATIVES			TOTAL (31.12.2021)				TOTAL (31.12.2020)			
			OVER THE COUNTER			ORGANISED MARKETS	OVER THE COUNTER			ORGANISED MARKETS
			CENTRAL COUNTERPARTIES	WITHOUT CENTRAL			CENTRAL COUNTERPARTIES	WITHOUT CENTRAL COUNTER PARTIES		
				WITH COMPENSATION AGREEMENTS	WITHOUT COMPENSATION AGREEMENTS			WITH COMPENSATION AGREEMENTS	WITHOUT COMPENSATION AGREEMENTS	
1	**DEBT SECURITIES AND INTEREST RATES**			**299,131**				**412,127**		
	A)	OPTIONS								
	B)	SWAP		299,131				412,127		
	C)	FORWARD								
	D)	FUTURES								
	E)	OTHERS								
2	**EQUITIES AND EQUITY INDICES**									
	A)	OPTIONS								
	B)	SWAP								
	C)	FORWARD								
	D)	FUTURES								
	E)	OTHERS								
3	**CURRENCIES AND GOLD**				**17,420**				**11,536**	
	A)	OPTIONS								
	B)	SWAP								
	C)	FORWARD			17,420				11,536	
	D)	FUTURES								
	E)	OTHERS								
4	**GOODS**									
5	**OTHERS**									
TOTAL				299,131	17,420			412,127	11,536	

A.2 Financial derivatives for trading: positive and negative gross fair value - composition by product

UNDERLYING ASSETS/TYPES OF DERIVATIVES			31.12.2021				31.12.2020			
			OVER THE COUNTER			ORGANISED MARKETS	OVER THE COUNTER			ORGANISED MARKETS
			CENTRAL COUNTERPARTIES	WITHOUT CENTRAL			CENTRAL COUNTERPARTIES	WITHOUT CENTRAL COUNTER PARTIES		
				WITH COMPENSATION AGREEMENTS	WITHOUT COMPENSATION AGREEMENTS			WITH COMPENSATION AGREEMENTS	WITHOUT COMPENSATION AGREEMENTS	
1	**FAIR POSITIVE VALUE**									
	A)	OPTIONS		1,004				72		
	B)	INTEREST RATE SWAP								
	C)	CROSS CURRENCY SWAP								
	D)	EQUITY SWAP								
	E)	FORWARD			65				11	
	F)	FUTURES								
	G)	OTHERS								
TOTAL				1,004	65			72	11	
2	**FAIR NEGATIVE VALUE**									
	A)	OPTIONS								
	B)	INTEREST RATE SWAP		1,790				4,014		
	C)	CROSS CURRENCY SWAP								
	D)	EQUITY SWAP								
	E)	FORWARD			13				64	
	F)	FUTURES								
	G)	OTHERS								
TOTAL				1,790	13			4,014	64	

A.3 OTC financial derivatives: notional values, positive and negative gross fair value for counterparties

	UNDERLYING SECURITY	GOVERNMENTS, CENTRAL BANKS	BANKS	OTHER FINANCIAL COMPANIES	OTHER ENTITIES
CONTRACTS NOT INCLUDED IN COMPENSATION AGREEMENTS					
1	**DEBT SECURITIES AND INTEREST RATES**				
	- NOTIONAL VALUE				
	- FAIR POSITIVE VALUE				
	- FAIR NEGATIVE VALUE				
2	**EQUITY SECURITIES AND EQUITY INDICES**				
	- NOTIONAL VALUE				
	- FAIR POSITIVE VALUE				
	- FAIR NEGATIVE VALUE				
3	**CURRENCIES AND GOLD**		**17,498**		
	- NOTIONAL VALUE		17,420		
	- FAIR POSITIVE VALUE		65		
	- FAIR NEGATIVE VALUE		13		
4	**GOODS**				
	- NOTIONAL VALUE				
	- FAIR POSITIVE VALUE				
	- FAIR NEGATIVE VALUE				
5	**OTHERS**				
	- NOTIONAL VALUE				
	- FAIR POSITIVE VALUE				
	- FAIR NEGATIVE VALUE				
CONTRACTS INCLUDED IN COMPENSATION AGREEMENTS					
1	**DEBT SECURITIES AND INTEREST RATES**		**301,925**		
	- NOTIONAL VALUE		299,131		
	- FAIR POSITIVE VALUE		1,004		
	- FAIR NEGATIVE VALUE		1,790		
2	**EQUITY SECURITIES AND EQUITY INDICES**				
	- NOTIONAL VALUE				
	- FAIR POSITIVE VALUE				
	- FAIR NEGATIVE VALUE				
3	**CURRENCIES AND GOLD**				
	- NOTIONAL VALUE				
	- FAIR POSITIVE VALUE				
	- FAIR NEGATIVE VALUE				
4	**GOODS**				
	- NOTIONAL VALUE				
	- FAIR POSITIVE VALUE				
	- FAIR NEGATIVE VALUE				
5	**OTHERS**				
	- NOTIONAL VALUE				
	- FAIR POSITIVE VALUE				
	- FAIR NEGATIVE VALUE				

A.4 Residual life of OTC financial derivatives for trading: notional values

UNDERLYING SECURITIES/ RESIDUAL LIFE		UP TO 1 YEAR	OVER 1 YEAR AND UP TO 5 YEARS	OVER 5 YEARS	TOTAL
A1	FINANCIAL DERIVATIVES ON DEBT SECURITIES AND INTEREST RATES	17,658	281,473		299,131
A2	FINANCIAL DERIVATIVES ON EQUITIES AND EQUITY INDICES				
A3	FINANCIAL DERIVATIVES ON CURRENCIES AND GOLD	17,420			17,420
A4	FINANCIAL DERIVATIVES ON GOODS				
A5	OTHER FINANCIAL DERIVATIVES				
TOTAL 31.12.2021		35,078	281,473		316,551
TOTAL 31.12.2020		133,167	290,496		423,663

B. Credit derivatives

No data to report.

3.2 Accounting coverage

The Bank does not carry out hedging transactions pursuant to current legislation.

3.3 Further information on derivative trading and hedging instruments

A.1 OTC financial and credit derivatives: net fair value for counterparties

		CENTRAL COUNTERPARTIES	BANKS	OTHER FINANCIAL COMPANIES	OTHER ENTITIES
FINANCIAL DERIVATIVES					
1	**DEBT SECURITIES AND INTEREST RATES**		**301,925**		
	- NOTIONAL VALUE		299,131		
	- POSITIVE FAIR VALUE		1,004		
	- NEGATIVE FAIR VALUE		1,790		
2	**CAPITAL SECURITIES AND SHARE INDICES**				
	- NOTIONAL VALUE				
	- POSITIVE FAIR VALUE				
	- NEGATIVE FAIR VALUE				
3	**CURRENCIES AND GOLD**		**11,611**		
	- NOTIONAL VALUE		17,420		
	- POSITIVE FAIR VALUE		65		
	- NEGATIVE FAIR VALUE		13		
4	**GOODS**				
	- NOTIONAL VALUE				
	- POSITIVE FAIR VALUE				
	- NEGATIVE FAIR VALUE				
5	**OTHERS**				
	- NOTIONAL VALUE				
	- POSITIVE FAIR VALUE				
	- NEGATIVE FAIR VALUE				
CREDIT DERIVATIVES					
1	**ACQUISITION AND PROTECTION**				
	- NOTIONAL VALUE				
	- POSITIVE FAIR VALUE				
	- NEGATIVE FAIR VALUE				
2	**SALE AND PROTECTION**				
	- NOTIONAL VALUE				
	- POSITIVE FAIR VALUE				
	- NEGATIVE FAIR VALUE				

SECTION 4 – LIQUIDITY RISK

QUALITATIVE INFORMATION

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

Regarding the liquidity risk, defined as the inability to meet payment obligations due to sudden difficulties in finding funds on the market and/or promptly liquidating positions on financial instruments, banks admitted to the simplified methods are required to calculate an additional capital requirement (Pillar II); however, they must provide for an internal policy that establishes the system of operating limits to be respected and the procedures to be followed in the event of a liquidity crisis (contingency funding plan). An ILAAP (Internal Liquidity Assessment Process) must also be provided to evaluate the adequacy of the liquidity risk management system. ILAAP includes analysis and monitoring of the liquidity situation, periodic internal and external reporting and adequate stress testing ensuring its integration with the ICAAP and with the Bank's Recovery Plan. The description of this process and the management results are included in the ICAAP/ILAAP reports annually intended for the Oversight Authority.

Banca UBAE's financial sources are represented by its own funds and by deposits made mainly on the interbank market.

Taking into account the composition of the Bank's assets, the type of activity carried out, the strategies defined by the Board of Directors and oriented mainly towards short-term investments, the liquidity risk for Banca UBAE does not represent an element of particular criticality under normal financial market conditions.

Furthermore, in consideration of interbank relations, to support the majority shareholder and to establish an "eligible" bond portfolio that can be used in repurchase agreements with the central bank, as well as the type and quality of its assets, Banca UBAE holds financial resources appropriate to its needs.

In any case, the Bank is constantly committed to seeking diversification of its sources of financing with particular attention to volumes and costs.

The corporate functions of the Bank responsible for ensuring the correct application of the liquidity policy are the Treasury, which deals with the direct management of liquidity, the Risk Management Sector, which is responsible for identifying the most appropriate risk indicators and monitoring their progress in relation to the pre-established limits, and to support the activities of the Risk Committee which is responsible for proposing funding and liquidity risk management policies annually to the Board of Directors and suggesting any appropriate interventions to ensure the performance of full harmony with approved risk policies.

Banca UBAE's policy, in addition to outlining the management guidelines, allocates roles and responsibilities among the internal structures involved, while the contingency funding plan, connected to a system of early-warning indicators highlights any crisis situations, defines the intervention in the event of liquidity tensions, providing for the extraordinary procedures to be activated to ensure the Bank's survival even under conditions of stress. In this context, the escalation procedure envisaged by the Recovery Plan is inserted for which, also with reference to the liquidity indicators (LCR and NSFR), alarm thresholds and activation thresholds of the Plan with the related recovery options are established.

The policy also provides for the integration of internal processes with the stress testing defined for ILAAP purposes and with the Risk Appetite Framework, for the purposes of the latter, for liquidity risk, periodic monitoring and reporting of the risk appetite and risk tolerance expressed not in terms of capital requirement but in terms of attention thresholds for the LCR indicator in line with the Bank's Recovery Plan.

The Risk Management Sector, in compliance with the provisions of the liquidity risk management policy, monitors the warning thresholds for early-warning indicators (LCR and NSFR) and periodically conducts stress tests. It also produces weekly liquidity reporting (in standard format) for Banca d'Italia for reporting purposes, while for internal purposes it produces a report on monitoring activities intended for the Risk Committee, the Audit & Risk Committee and the Board of Directors.

In particular, the Risk Management Sector on a weekly basis builds the maturity ladder (on the basis of the outflows and inflows distributed by time band of expiry) and monitors the trend of the early-warning indicators. Then, on a monthly basis, the Sector calculates the ratios relating to the concentration of the collection and the monitoring tools in order to evaluate the time trend. As regards liquidity ratios (LCR and NSFR), it conducts periodic monitoring and reporting.

In particular, in light of the current regulatory framework (Basel 3), the Bank monitors the level of the Liquidity Coverage Ratio on a daily basis, using a specific management tool, and reports it to Banca d'Italia on a monthly basis.
The monitoring of this ratio shows compliance with the regulatory limit in force (100%), and the 2021 average was over 350%. Furthermore, on a quarterly basis, the level of NSFR is reported to Banca d'Italia and, following the entry into force of the regulatory limit in June 2021, the Bank monitors compliance. The monitoring of this ratio shows compliance with the regulatory limit (100%) in the second half of the year, averaging over 150%.

QUANTITATIVE INFORMATION

1.A Time distribution for residual contract duration of financial assets and liabilities - EUR

		ITEMS/TIMING	AT SIGHT	FROM OVER 1 DAY TO 7 DAYS	FROM OVER 7 DAYS TO 15 DAYS	FROM OVER 15 DAYS TO 1 MONTH	FROM 1 MONTH TO 3 MONTHS	FROM 3 MONTHS TO 6 MONTHS	FROM 6 MONTHS TO 1 YEAR	FROM 1 YEAR TO 5 YEARS	MORE THAN 5 YEARS	INDETERMINATE DURATION
A		**CASH ACTIVITIES**	**40,187**	**28,329**	**17,075**	**25,121**	**87,298**	**40,718**	**24,804**	**578,195**	**11,209**	**10,843**
	A1	GOVERNMENT BONDS					57	1,887	793	540,000	1,200	
	A2	OTHER DEBT SECURITIES						9	2,080	34,000	1,000	959
	A3	O.I.C.R. PORTIONS										
	A4	FINANCINGS	40,187	28,329	17,075	25,121	87,241	38,822	21,931	4,195	9,009	9,884
		- BANKS	1,000	14,133	3,158	6,667	5,308	8,037	12,071			9,884
		- CUSTOMERS	39,187	14,196	13,917	18,454	81,933	30,785	9,860	4,195	9,009	
B		**CASH LIABILITIES**	**198,908**	**3,725**	**20,034**	**4,383**	**27,116**	**99,153**	**241,680**	**55**	**100,000**	
	B1	DEPOSITS AND CURRENT ACCOUNTS	196,180	3,725	20,034	4,383	27,103	99,137	241,663		100,000	
		- BANKS	123,059	3,725	20,034	4,234	27,103	99,137	241,663		100,000	
		- CUSTOMERS	73,121			149						
	B2	DEBT SECURITIES										
	B3	OTHER LIABILITIES	2,728				13	16	17	55		
C		**"OFF-BALANCE-SHEET" OPERATIONS**	**1,483**	**50,200**								
	C1	FINANCIAL DERIVATIVES WITH CAPITAL EXCHANGE		50,200								
		- LONG-TERM POSITIONS		4,850								
		- SHORT-TERM POSITIONS		45,350								
	C2	FINANCIAL DERIVATIVES WITHOUT CAPITAL EXCHANGE	1,483									
		- LONG-TERM POSITIONS	984									
		- SHORT-TERM POSITIONS	499									
	C3	RECEIVABLE DEPOSITS AND FINANCINGS										
		- LONG POSITIONS										
		- SHORT POSITIONS										
	C4	IRREVOCABLE COMMITMENTS TO DISBURSE FUNDS										
		- LONG POSITIONS										
		- SHORT POSITIONS										
	C5	FINANCIAL GUARANTEES ISSUED										
	C6	FINANCIAL GUARANTEES RECEIVED										
	C7	CREDIT DERIVATIVES WITH CAPITAL EXCHANGE										
		- LONG POSITIONS										
		- SHORT POSITIONS										
	C8	CREDIT DERIVATIVES WITHOUT CAPITAL EXCHANGE										
		- LONG POSITIONS										
		- SHORT POSITIONS										

1.B Time distribution for residual contract duration of financial assets and liabilities – USD

		ITEMS/TIMING	AT SIGHT	FROM OVER 1 DAY TO 7 DAYS	FROM OVER 7 DAYS TO 15 DAYS	FROM OVER 15 DAYS TO 1 MONTH	FROM 1 MONTH TO 3 MONTHS	FROM 3 MONTHS TO 6 MONTHS	FROM 6 MONTHS TO 1 YEAR	FROM 1 YEAR TO 5 YEARS	MORE THAN 5 YEARS	INDETERMINATE DURATION
A		**CASH ACTIVITIES**		**2,237**	**114,855**	**75,920**	**71,379**	**45,948**	**72,563**	**127,000**	**4,275**	
	A1	GOVERNMENT BONDS			125	2,834	3,276	1,179	25,741	109,041	4,275	
	A2	OTHER DEBT SECURITIES					130		130	4,415		
	A3	O.I.C.R. PORTIONS										
	A4	FINANCINGS		2,237	114,730	73,086	67,973	44,769	46,692	13,544		
		- BANKS		1,481	97,854	60,338	31,685	44,012	46,542	13,244		
		- CUSTOMERS		756	16,876	12,748	36,288	757	150	300		
B		**CASH LIABILITIES**	**227,554**	**6,207**	**167,796**	**47,587**	**46,958**	**14,233**	**8,865**	**264,877**		
	B1	DEPOSITS AND CURRENT ACCOUNTS	227,554	6,207	167,796	47,587	46,958	14,233	8,865	264,877		
		- BANKS	197,225	6,181	167,796	47,182	46,958	4,423	8,865	264,877		
		- CUSTOMERS	30,329	26		405		9,810				
	B2	DEBT SECURITIES										
	B3	OTHER LIABILITIES										
C		**"OFF-BALANCE-SHEET" OPERATIONS**	**19,666**	**50,181**	**17,420**			**17,030**	**1,324**			
	C1	FINANCIAL DERIVATIVES WITH CAPITAL EXCHANGE		50,181	17,420							
		- LONG-TERM POSITIONS		45,338	17,420							
		- SHORT-TERM POSITIONS		4,843								
	C2	FINANCIAL DERIVATIVES WITHOUT CAPITAL EXCHANGE	1,311									
		- LONG-TERM POSITIONS	20									
		- SHORT-TERM POSITIONS	1,291									
	C3	RECEIVABLE DEPOSITS AND FINANCINGS										
		- LONG POSITIONS										
		- SHORT POSITIONS										
	C4	IRREVOCABLE COMMITMENTS TO DISBURSE FUNDS	18,355					17,030	1,324			
		- LONG-TERM POSITIONS						17,030	1,324			
		- SHORT-TERM POSITIONS	18,355									
	C5	FINANCIAL GUARANTEES ISSUED										
	C6	FINANCIAL GUARANTEES RECEIVED										
	C7	CREDIT DERIVATIVES WITH CAPITAL EXCHANGE										
		- LONG-TERM POSITIONS										
		- SHORT-TERM POSITIONS										
	C8	CREDIT DERIVATIVES WITHOUT CAPITAL EXCHANGE										
		- LONG-TERM POSITIONS										
		- SHORT-TERM POSITIONS										

1.C Time distribution for residual contract duration of financial assets and liabilities – others

ITEMS/TIMING			AT SIGHT	FROM OVER 1 DAY TO 7 DAYS	FROM OVER 7 DAYS TO 15 DAYS	FROM OVER 15 DAYS TO 1 MONTH	FROM 1 MONTH TO 3 MONTHS	FROM 3 MONTHS TO 6 MONTHS	FROM 6 MONTHS TO 1 YEAR	FROM 1 YEAR TO 5 YEARS	MORE THAN 5 YEARS	INDETERMINATE DURATION
A	**CASH ACTIVITIES**		**2,144**	**3,546**		**13,776**						
	A1	GOVERNMENT BONDS										
	A2	OTHER DEBT SECURITIES										
	A3	O.I.C.R. PORTIONS										
	A4	FINANCINGS	2,144	3,546		13,776						
		- BANKS	2,142									
		- CUSTOMERS	2	3,546		13,776						
B	**CASH LIABILITIES**		**2,519**									
	B1	DEPOSITS AND CURRENT ACCOUNTS	2,519									
		- BANKS	2,197									
		- CUSTOMERS	322									
	B2	DEBT SECURITIES										
	B3	OTHER LIABILITIES										
C	**"OFF-BALANCE-SHEET" OPERATIONS**				**17,369**							
	C1	FINANCIAL DERIVATIVES WITH CAPITAL EXCHANGE			17,369							
		- LONG-TERM POSITIONS										
		- SHORT-TERM POSITIONS			17,369							
	C2	FINANCIAL DERIVATIVES WITHOUT CAPITAL EXCHANGE										
		- LONG-TERM POSITIONS										
		- SHORT-TERM POSITIONS										
	C3	RECEIVABLE DEPOSITS AND FINANCINGS										
		- LONG POSITIONS										
		- SHORT POSITIONS										
	C4	IRREVOCABLE COMMITMENTS TO DISBURSE FUNDS										
		- LONG-TERM POSITIONS										
		- SHORT-TERM POSITIONS										
	C5	FINANCIAL GUARANTEES ISSUED										
	C6	FINANCIAL GUARANTEES RECEIVED										
	C7	CREDIT DERIVATIVES WITH CAPITAL EXCHANGE										
		- LONG-TERM POSITIONS										
		- SHORT-TERM POSITIONS										
	C8	CREDIT DERIVATIVES WITHOUT CAPITAL EXCHANGE										
		- LONG-TERM POSITIONS										
		- SHORT-TERM POSITIONS										

SECTION 5 – OPERATIONAL RISK

QUALITATIVE INFORMATION

A. General aspects

Banca UBAE calculates the capital requirement for operational risks by applying the Basic Indicator Approach, as required by current prudential regulations.
At the moment, the Bank does not intend to require the application of the standardised approach.
Despite having opted for the basic calculation methodology, Banca UBAE is implementing an operational risk management system capable of assessing and monitoring exposure to operational risks over time and the extent of the losses that may arise. In this sense, on the one hand, a review project of all processes has been launched, and on the other, an internal project is underway to implement a "transversal" tool aimed at risk assessment and loss data collection activities.

The calculation of the capital requirement on operational risk as at 31 December 2021 was determined by taking as a reference the indicator referred to in article 316 of CRR.

In the context of ICAAP, operational risks were included in the perimeter of stress testing in 2021 by means of the equity impact of the estimated operating losses according to the fall-back approach.

As part of the Risk Appetite Framework, the Risk Management Sector, on a quarterly basis, monitors compliance with the macro-risk limit and risk tolerance for operational risks; the results of the analyses are subject to periodic reporting for the Risk Committee, the Audit & Risk Committee and the Board of Directors.

QUANTITATIVE INFORMATION

		TOTAL (31.12.2021)	TOTAL (31.12.2020)
OPERATIONAL RISK		**4,268**	**4,187**
1	BASIC METHOD	4,268	4,187
2	STANDARDIZED METHOD		
3	ADVANCED METHOD		

SECTION 6 – OTHER RISKS: COUNTERPARTY AND SETTLEMENT RISK

QUALITATIVE INFORMATION

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

Brokerage activities in OTC interest rate and exchange rate derivatives generates the risk that, upon maturity, the counterparty will not meet the payment obligations deriving from the stipulated contracts (counterparty risk), after this contractual deadline, in case of failure settlement, the counterparty risk is transformed into settlement risk.

Counterparty risk is monitored, both overall and with reference to individual types of exposure, through the ObjFin front office system which manages the system of internal operating limits.

Each counterparty (banking and corporate), authorised to trade derivative instruments, is entrusted by the Board of Directors, the Credit Committee or other competent body of the Bank, through the granting of specific ad hoc credit lines. The limits are controlled by the Middle Office through the front office system which carries out a daily recalculation of all outstanding positions, based on updated prices. The Risk Management Sector, on the basis of the results deriving from the internal analyses, produces periodic reporting for the Risk Committee, the Audit & Risk Committee and the Board of Directors.

The measurement of internal capital against counterparty risk is carried out by applying the current value method.

As part of the Risk Appetite Framework, the Risk Management Sector, on a quarterly basis, monitors compliance with the macro-risk limit and risk tolerance for counterparty risk (including Credit Valuation Adjustment); the results of the analyses are subject to periodic reporting for the Risk Committee, the Audit & Risk Committee and the Board of Directors.

B. General aspects, managing processes and methods for measuring settlement risks

With the exception of operations in OTC derivatives, which generate counterparty risk, Banca UBAE trades financial and foreign exchange instruments, both listed and unlisted, exclusively with a payment-versus-delivery clause, limiting exposure to settlement risk at a low level.

SECTION 7 - CONCENTRATION RISK

QUALITATIVE INFORMATION

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

In order to limit the overall concentration level of exposures, the Bank operates in compliance with the legislation on Large Exposures, identifies and reports the exposures with a weighted amount exceeding 10% of the eligible capital and monitors compliance with the lending limit by providing for possible reporting of overriding positions to the Oversight Authority.

In order to reduce the risk of possible overruns of the lending limit, the Bank has equipped itself with an automatic calculation tool that enables business units to continuously monitor the percentage of absorption of said limit.

The prudential regulation (Pillar II) provides for the calculation of an additional capital requirement for the single name concentration risk for the corporate portfolio; substantially, the simplified algorithm applied for the purposes of determining the capital absorption is based on the Herfindal concentration index and is calculated quarterly for the purposes of capital adequacy and the RAF.

In addition to conducting analyses of capital adequacy, the Risk Management Sector conducts quarterly stress testing by simulating, with equal corporate exposures, an increase in the level of concentration of the portfolio.

Also, the analyses in terms of capital adequacy are integrated with the capital absorption expected for the Geo-Sectoral Concentration risk; to this end, the quantitative methodology developed by the trade association is applied for the determination of an equity add-on for exposures to corporate entities resident in Italy.

As part of the Risk Appetite Framework, the Risk Management Sector, on a quarterly basis, monitors compliance with the macro-risk limit and risk tolerance for both single name concentration risk and Geo-Sectoral concentration risk; the results of the analyses are subject to periodic reporting to the Risk Committee, the Audit & Risk Committee and the Board of Directors.

The concentration related to exposures to banking counterparties does not fall within the calculation perimeter of capital absorption, although in line with regulatory provisions, the Bank has established a system of internal operating limits aimed at containing exposure to this risk. The limits are monitored quarterly by the Risk Management Sector and are subject to periodic reporting to the corporate bodies.
In order to contain the concentration risk with corporate counterparties, the Bank has introduced an internal lending limit that is prudentially lower than the regulatory limit and equal to the threshold identifying the "Major Risks".

In addition, the Risk Management Sector conducts quarterly portfolio composition analyses according to the economic sector in which the counterparty operates and the geographical area in which it resides. This information integrates and completes the analysis on the Bank's concentration profiles and is preparatory to conducting stress tests in the credit risk area.

As part of the Risk Appetite Framework, the Risk Management Sector, on a quarterly basis, monitors compliance with the macro-risk limit and risk tolerance for single name concentration risk and geo-sectoral concentration risk; the results of the analyses are subject to periodic reporting for the Risk Committee, the Audit & Risk Committee and the Board of Directors.

Lastly, the Bank has defined an internal policy for managing concentration risk, Large Exposures and SBEs (Shadow Banking Entities); this policy defines the roles and responsibilities of the various corporate bodies and functions, the process of monitoring internal and external limits also introducing a system of internal operating limits, as well as the reports and reporting process.

SECTION 8 – COUNTRY RISK AND TRANSFER RISK

QUALITATIVE INFORMATION

A. General aspects, processes for managing and measuring country risk

Banca UBAE measures the capital requirement against country risk by applying an internal calculation method aimed at determining additional capital absorption that completes the internal analyses in terms of capital adequacy. The rationale for this additional requirement, although not prescribed by law, is essentially attributable to the specific operations of the Bank in certain geographical areas.

From the management point of view, the granting of a ceiling or plafond for each country is envisaged, which is the responsibility of the Board of Directors, and which regulates loans to countries that have a rating below BBB or which are unrated.

The internal policy, on the other hand, governs the methods for identifying, assessing, measuring and monitoring the country risk and the transfer risk. This policy has been revised in the past in order to implement the decisions of the European Commission on banks resident in non-equivalent countries (SBE).

With regard to the transfer risk, the Bank has decided to include, from a quantitative point of view, this risk in the broader context of the country risk; while from a qualitative point of view, the periodic assessment of the materiality of this risk is envisaged through the analysis of the composition of the loan portfolio and the determination of the relevance of the exposures to countries belonging to the transfer risk classes provided by the trade association.

The Risk Management Sector prepares a periodic report containing the results of the analyses and intended for the Risk Committee, the Audit & Risk Committee and the Board of Directors.

As part of the Risk Appetite Framework, the Risk Management Sector, on a quarterly basis, monitors compliance with the macro-risk limit and risk tolerance for country risk; the results of the analyses are subject to periodic reporting for the Risk Committee, the Audit & Risk Committee and the Board of Directors.

SECTION 9 – STRATEGIC RISK

QUALITATIVE INFORMATION

A. General aspects, processes for managing and measuring strategic risk

Banca UBAE measures the capital requirement against strategic risk by applying an internal calculation method aimed at determining an additional capital absorption that completes the internal analyses in terms of capital adequacy. The rationale of this additional requirement, although not prescribed by law, is attributable to the relevance of the strategic planning process and the economic effects associated with potential changes in the operational and regulatory contexts and/or non-timely processes for adapting the strategic lines to such changes.

As part of the Risk Appetite Framework, the Risk Management Sector, on a quarterly basis, monitors compliance with the macro-risk limit and risk tolerance for strategic risk; the results of the analyses are subject to periodic reporting for the Risk Committee, the Audit & Risk Committee and the Board of Directors.

SECTION 10 – RISK OF EXCESSIVE FINANCIAL LEVERAGE

QUALITATIVE INFORMATION

A. General aspects, processes and methods for measuring the risk of excessive financial leverage

The prudential regulations in force require banks (in line with the principle of proportionality) to monitor the risk of excessive financial leverage, including it among the risks to be subjected to assessment in the ICAAP framework and introducing a representative indicator of financial leverage (Leverage Ratio), calculated as the ratio between the Tier 1 Capital and the Bank's overall exposure. The ratio is expressed as a percentage and is subject to a minimum regulatory limit of 3% (reference value of the Basel Committee).

In the context of stress testing, this risk was included in the scope of analysis by assessing the impacts of adverse scenarios on the level of Leverage Ratio.

The Bank has an internal policy governing the process of managing this risk, defining the methods for identifying, assessing, measuring and monitoring the risk and dividing tasks and responsibilities among the internal structures.

The Risk Management Sector prepares a periodic report containing the results of the analyses and intended for the Risk Committee, the Audit & Risk Committee and the Board of Directors.

PART F: INFORMATION ON SHAREHOLDERS' EQUITY

Section 1 – Shareholders' equity

A. QUALITATIVE INFORMATION

Managing the assets concerns the set of policies and choices necessary to establish the size of the assets in order to ensure that it is consistent with the activities and risks assumed by the Bank which is subject to the capital adequacy requirements established by the European regulators (CRR/CRD) and in particular the capitalisation objectives that the Oversight Authority sets within the SREP (Supervisory Review and Evaluation Process).

Verifying compliance with the minimum supervisory requirements and the consequent adequacy of the capital is a function of the objectives set in the planning stage, which take into account the possible evolution of the risk, and the elements governed at the level of the Risk Appetite Framework (RAF).

Also in accordance with the recommendations of the European Central Bank of 28 January 2017, compliance with capital adequacy is also ensured by the observance of a dividend distribution policy related to the achievement of the minimum capital requirements mentioned above.

On a quarterly basis, the Risk Management Sector monitors compliance with the Oversight coefficients, draws up prospective estimates of the ratios and verifies the adequacy with respect to the provisions of the RAF.

A further phase of analysis and preventive control of the Bank's capital adequacy takes place whenever exceptional transactions are planned (transactions of major importance). In this case, the impact on the system of risk limits is estimated and an opinion of consistency with the RAF is formulated by the Risk Manager.

Lastly, with the aim of ensuring integration between the core business processes, a prospective analysis of the capital ratios is carried out as part of the strategic planning process and on the basis of budgeting data, in order to verify the capital sustainability of the strategic guidelines outlined by the management bodies.

B. QUANTITATIVE INFORMATION

B.1 Shareholders' equity: breakdown

ITEMS/VALUES		AMOUNT 31.12.2021	AMOUNT 31.12.2020
1	CAPITAL	261,186	261,186
2	ISSUE SURCHARGES	870	870
3	RESERVES	(77,870)	(20,103)
	- OF PROFITS:	6,041	6,041
	A) LEGAL	13,494	13,494
	B) STATUTORY		
	C) OWN ACTIONS		
	D) OTHERS	(7,453)	(7,453)
	- MISCELLANEOUS	(83,911)	(26,144)
3.5	ADVANCES ON DIVIDENDS (-)		
4	CAPITAL INSTRUMENTS		
5	(OWN ACTIONS)		
6	VALUATION RESERVES	652	617
	- EQUITY SECURITIES DESIGNATED AT FAIR VALUE WITH IMPACT ON TOTAL PROFITABILITY		
	- COVERAGE OF EQUITY SECURITIES DESIGNATED AT FAIR VALUE WITH IMPACT ON TOTAL PROFITABILITY		
	- FINANCIAL ASSETS (OTHER THAN EQUITY SECURITIES) MEASURED AT FAIR VALUE WITH IMPACT ON TOTAL PROFITABILITY	860	835
	- TANGIBLE ASSETS		
	- INTANGIBLE ASSETS		
	- HEDGING OF FOREIGN INVESTMENTS		
	- HEDGING OF FINANCIAL FLOWS		
	- HEDGING INSTRUMENTS (NON-DESIGNATED ELEMENTS)		
	- EXCHANGE RATE DIFFERENCES		
	- NON-CURRENT ASSETS AND GROUPS OF ASSETS HELD FOR SALE		
	- FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE WITH IMPACT ON INCOME STATEMENT (CHANGES IN OWN CREDITWORTHINESS)		
	- ACTUARIAL GAINS (LOSSES) RELATING TO DEFINED BENEFIT PENSION PLANS	(208)	(218)
	- SHARES OF VALUATION RESERVES RELATING TO SUBSIDIARIES VALUED AT NET EQUITY		
	- SPECIAL REVALUATION LEGISLATION		
7	PROFIT (LOSS) FOR YEAR	1,393	(57,767)
TOTAL		186,231	184,803

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

ASSETS/VALUES		TOTAL (31.12.2021)		TOTAL (31.12.2020)	
		POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE
1	DEBIT SECURITIES	860		835	
2	CAPITAL SECURITIES				
3	FINANCINGS				
TOTAL		860		835	

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

DEBT SECURITIES			DEBT SECURITIES	CAPITAL SECURITIES	FINANCINGS
1	**OPENING BALANCE**		**834**		
2	**POSITIVE CHANGES**		**26**		
	2.1	FAIR VALUE INCREASES	26		
	2.2	VALUE ADJUSTMENTS FOR CREDIT RISK			
	2.3	TRANSFER TO INCOME STATEMENT OF NEGATIVE RESERVES FROM REALISATION			
	2.4	TRANSFERS TO OTHER COMPONENTS OF EQUITY (EQUITY SECURITIES)			
	2.5	OTHER VARIATIONS			
3	**NEGATIVE CHANGES**				
	3.1	REDUCTIONS IN FAIR VALUE			
	3.2	WRITE-BACKS FOR CREDIT RISK			
	3.3	TRANSFER TO INCOME STATEMENT FROM POSITIVE RESERVES: FROM REALISATION			
	3.4	TRANSFERS TO OTHER COMPONENTS OF EQUITY (EQUITY SECURITIES)			
	3.4	OTHER VARIATIONS			
4	**CLOSING BALANCE**		**860**		

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 2021 were determined based on the new harmonized framework set out in Directive 2013/36/EU (CRD IV) and Regulation (EU) 575/2013 (CRR) dated 26 June 2013, as well as Banca d'Italia Circulars no. 285 and 286 (issued during 2013) and the update to Circular no. 154.

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:

- 261.2 million Euro in paid-up capital instruments;
- 0.8 million Euro in share premium;
- accumulated other comprehensive income, positive to the tune of 0.7 million Euro and consisting of:
    - 0.2 million Euro in the negative reserve for actuarial losses deriving from defined-benefit plans in accordance with the new IAS19;
    - 0.9 million Euro in positive reserves for HTC&S;

- accumulated negative retained earnings/ losses as at 31 12 2021: 7.9 million Euro.

- EUR 27 million resulting from a new transitional IFRS9 calculation method introduced by the European authorities in response to the COVID-19 pandemic.

D) Items to be deducted from CET1

2. Additional Tier 1 Capital (AT1)

PART 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

No data to report.

B. QUANTITATIVE INFORMATION

		TOTAL (31.12.2021)	TOTAL (31.12.2020)
A	**COMMON EQUITY TIER 1 (CET1) BEFORE APPLICATION OF PRUDENTIAL FILTERS**	**186,231**	**184,803**
	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)**	**186,231**	**184,803**
D	**ITEMS TO BE DEDUCTED FROM CET1**	(234)	(264)
E	**TRANSITIONAL REGIME - IMPACT ON CET1 (+/-)**	27,081	4,616
F	**TOTAL COMMON EQUITY TIER 1 (CET1) (C-D+/-E)**	**213,078**	**189,155**
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**		
	OF WHICH T2 INSTRUMENTS SUBJECT TO TRANSITIONAL PROVISIONS		
N	**ITEMS TO BE DEDUCTED FROM T2**		
O	**TRANSITIONAL REGIME - IMPACT ON T2 (+/-)**		
P	**TOTAL TIER 2 CAPITAL (T2) (M-N+/-O)**		
Q	**TOTAL OWN FUNDS (F+L+P)**	**213,078**	**189,155**

A.2 CAPITAL ADEQUACY

A. QUALITATIVE INFORMATION

The self-assessment process of Banca UBAE's overall capital adequacy was defined by applying the principle of proportionality (according to the approach allowed by the Oversight Body for Class 3 banks). It aims to continuously ensure compliance with the capital requirements (with reference to the risks considered in Pillar I and the quantifiable risks considered in Pillar II, according to the simplified methods), and to provide the Board of Directors and General Management with the information necessary to set up the Bank's capital strengthening policies in an efficient and effective manner.

To achieve these two objectives, the process, albeit with the approximations of estimation due to the application of standard methods, focuses on the determination and monitoring of four quantities:

- the total internal capital, given by the sum of the minimum capital requirements required for the different risk categories of Pillar I (credit risk, counterparty risk, market risk and operational risk), of Pillar II (concentration risk by counterparty or groups of connected counterparties and interest rate risk on the banking book) and of the risk categories considered by the Bank to be relevant (country risk, geo-sectoral concentration risk and strategic risk), with reference to the specific date;

- the total internal capital under stress conditions, given by the total internal capital at the specific date, modified to take into account the stress assumptions envisaged for credit risk, concentration risk (single name), interest rate risk on banking book and country risk;

- the prospective total internal capital, given by the total internal capital calculated on the approved balance sheet figures as a result of the planning and budgeting process and having an impact on credit risk, operational risk, concentration risk and country risk;

- the total capital, given by the sum of the capital resources and the hybrid capitalization instruments available to the Bank to cover the internal capital and therefore the unexpected losses connected to the various risks.

The Risk Management Sector assesses the adequacy of capital resources with reference to Pillar I and Pillar II risks on a quarterly basis and on the basis of supervisory reporting data and according to three analysis perspectives: under ordinary conditions and under stress. The Sector prepares a periodic report containing the results of the analyses and intended for the Risk Committee, the Audit & Risk Committee and the Board of Directors; while every year it prepares the annual report submitted to the attention of the Oversight Authority, subject to the Board's approval.

B. QUANTITATIVE INFORMATION

CATEGORIES/VALUES			NON-WEIGHTED AMOUNT		WEIGHTED AMOUNT	
			31.12.2021	31.12.2020	31.12.2021	31.12.2020
A	**RISK ASSETS**					
A1	**CREDIT AND COUNTERPARTY RISK**					
	1	STANDARD METHODOLOGY	1,880,786	1,861,838	981,999	832,548
	2	METHODOLOGY BASED ON INTERNAL RATINGS				
		2.1 BASED				
		2.2 ADVANCED				
	3	SECURITIZATION				
B	**REGULATORY CAPITAL REQUIREMENTS**					
B1	**CREDIT AND COUNTERPARTY RISK**				78,560	66,604
B2	**CAPITAL REQUIREMENTS**				2	74
B3	**CAPITAL REQUIREMENTS**					
B4	**MARKET RISK**				6,391	8,310
	1	STANDARD METHODOLOGY			6,391	8,310
	2	INTERNAL MODELS				
	3	CREDIT CONCENTRATION RISK				
B5	OPERATIONAL RISK				4,268	4,187
	1	BASIC INDICATOR APPROACH			4,268	4,187
	2	STANDARDIZED APPROACH				
	3	ADVANCED METHOD				
B6	OTHER CALCULATION FACTORS					
B7	**TOTAL PRUDENTIAL REQUIREMENTS**				**89,221**	**79,175**
C	**RISK ASSETS AND CAPITAL REQUIREMENT RATIOS**					
C1	RISK-WEIGHTED ASSETS				1,115,264	988,765
C2	COMMON EQUITY TIER 1 CAPITAL/RISK-WEIGHTED ASSETS (CET 1 CAPITAL RATIO)				**19.11%**	**19.13%**
C3	CAPITAL /RISK-WEIGHTED ASSETS (TIER 1 CAPITAL RATIO)				**19.11%**	**19.13%**
C4	TOTAL OWN FUNDS/ RISK-WEIGHTED ASSETS (TOTAL CAPITAL RATIO)				**19.11%**	**19.13%**

PART G: MERGERS INVOLVING CORPORATE UNITS OR LINES OF BUSINESS

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.

The tables below show the Bank's outstanding economic and financial positions with related parties as at 31 December 2021.

1. Remuneration of Directors, Auditors and Management

Remuneration during 2021 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		TOTAL
SHORT-TERM BENEFITS (1)		**2,049**
- DIRECTORS	1,057	
- AUDITORS	100	
- MANAGEMENT	892	
POST-SEVERANCE BENEFITS (2)		**49**
OTHER BENEFITS (3)		**266**

(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.

The following table shows assets and liabilities with such individuals:

DESCRIPTION	SENIOR CORPORATE OFFICIALS	CONNECTED PARTIES	TOTAL
FINANCIAL ASSETS	92		92
FINANCIAL LIABILITIES	241		241

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 aforesaid 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. 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).

Dealings with the majority shareholder Libyan Foreign Bank (LFB) and its 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, amongst which the parent entity, Central Bank of Libya.

DESCRIPTION	LFB	CONNECTED PARTIES	TOTAL
FINANCIAL ASSETS	768	15,486	16,254
FINANCIAL LIABILITIES	796,543	300,562	1,097,105
ISSUED COMMITMENTS	2,539	161,989	164,528

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

COSTS

DESCRIPTION	LFB	CONNECTED	TOTAL
COMM. ON LETTERS OF CREDITS		519	519
COMM. ON LETTERS OF GUARANTEES	594	816	1,410
INTEREST	4,011	646	4,657
SUBORDINATED LOANS			
TOTAL	4,605	1,981	6,586

REVENUES

DESCRIPTION	LFB	CONNECTED	TOTAL
COMM. ON LETTERS OF CREDITS	109	4,537	4,646
COMM. ON LETTERS OF GUARANTEES	331	300	631
INTEREST	5	378	383
TOTAL	445	5,215	5,660

Transactions and operations with related parties do not present any critical elements, as they relate to ordinary credit or service activities.
During the financial year, no atypical or unusual transactions were carried out with related parties that, due to their significance or amount, might have given rise to doubts regarding the safeguarding of the bank's assets.
Transactions with related parties are regularly carried out at market conditions and, in any case, on the basis of assessments of economic convenience carried out in compliance with current regulations, providing adequate justification for the reasons and convenience of concluding them.
For the purposes of the 2021 financial statements, only collective write-downs were applied to exposures with related parties, as there were no grounds for analytical write-downs or losses.

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

No data to report.

PART L: SEGMENT REPORTING

No data to report.

PART M: LEASING INFORMATION

No data to report.

STATUTORY AUDITORS' REPORT PURSUANT TO AND FOR THE PURPOSES OF ART. 2429 OF THE CIVIL CODE

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

During the financial year ended 31 December 2021 the activity of the Board of Statutory Auditors was inspired by the provisions of the law and the "Rules of conduct of the Board of Statutory Auditors" issued by the National Council of Chartered Accountants and Accounting Experts. For the sake of clarity, this unitary report consists of section A) relating to supervisory activity and section 13) relating to the results of the financial year as well as to the activity carried out; lastly, the report sets out the observations and proposals regarding the financial statements and their approval.

A) Supervisory activities

The Board of Statutory Auditors:

- has exercised, with diligence and good faith, within the framework of the effective knowledge-accessibility of corporate events, the supervisory function that falls to it in terms of compliance with the law and the bylaws and compliance with the principles of proper administration, on ''the adequacy of the organizational structure and of the internal control system" taking into account the regulatory framework for Banks, as a reference;

- has participated in the Shareholders' Meetings and the meetings of the Board of Directors, in which, in relation to the resolutions taken, on the basis of the information provided, no violations were found of the law and of the Articles of Association, nor operations manifestly imprudent, risky, in potential conflict of interest or such as to compromise the integrity of the corporate assets.

- during the discussions and periodic meetings, the Board of Statutory Auditors obtained from the Administrative Body, the General Management and the Area Managers, information on the general performance of the management and on the foreseeable evolution, as well as on the most important operations, by size or characteristics, carried out by Banca UBAE and can reasonably ensure that the actions taken comply with the law and the bylaws and are not manifestly imprudent, risky, in potential conflict of interest and in contrast with the resolutions passed by the Shareholders' Meeting or such as to compromise the integrity of the social assets;

- as part of the periodic accesses to the company, the Board of Statutory Auditors, which, in its current composition, assumed the office by virtue of the resolution of the Shareholders' Meeting of 18 May 2021, carried out, during the year just ended, 16 meetings (of which 4 in the previous composition), during which no relevant data and information emerged that need to be highlighted in this report.

The statutory audit pursuant to legislative decree no. 39/2010 was carried out by the auditing firm KPMG S.p.A. to which, during the year just ended, no further tasks were assigned with reference to contractual relationships with associated companies, and therefore the Board of Statutory Auditors found the absence of influential or complementary activities to the Statutory Audit activity conferred.

In the meetings held with the auditors, no significant data or information emerged that should be highlighted in this report. The Board of Statutory Auditors received from the firm KPMG S.p.A. the report made pursuant to art. 10 and 17 of legislative decree no. 39/2010 regarding its independence and/or incompatibility, with particular reference to article 6, paragraph 2, letter A of EU Regulation no. 537/14 with the specification regarding the absence of limitation to the assignment carried out on behalf of BANCA UBAE S.p.A ..

The Board of Statutory Auditors:

- met with the heads of the Internal Audit, Risk Management, Anti-Money Laundering and Compliance units, exchanging data and news with them, as well as examining their action by analysing the checks carried out;

- issued the opinions requested by the Board of Directors on the basis of the current provisions of the law and the Articles of Association;

- in the exercise of its functions as a Supervisory Body, the Board did not detect any critical issues with respect to the organizational model, which should be highlighted in this report.

In carrying out its activities, the Board of Statutory Auditors acquired knowledge and supervised, as far as it is concerned, the adequacy and functioning of the organizational structure of Banca UBAE, also through the collection of information from the heads of the functions. In this regard, the Board has no particular observations to report.

The Board of Statutory Auditors acquired knowledge and supervised, to the extent of its competence, the adequacy and functioning of the administrative-accounting system, as well as the reliability of the latter in correctly representing management events, by obtaining information from heads of functions, by the person in charge of the statutory audit and examination of corporate documents, and in this regard has no particular observations to report.

It is also appropriate to point out that the Board of Statutory Auditors:

- monitored compliance with anti-money laundering and financial regulations countering terrorism and ascertained the related training activity aimed at staff in the workforce;

- the Board has verified that the obligations regarding the protection of personal data pursuant to EU Regulation 2016/679 and subsequent amendments and additions (known as the Privacy Law) are observed.

During the year, the Board of Statutory Auditors did not receive any complaints or exposures pursuant to article 2408 of the Civil Code.

The Board of Statutory Auditors did not encounter any atypical and/or unusual transactions during the year.

During the supervisory activity, as described above, no other significant facts emerged such as to require mention in this report.

B) Balance sheet and financial statements

The Board of Statutory Auditors examined the draft financial statements for the year ended 31 December 2021, made available by the Directors within the terms set out in Article 2429 of the Civil Code and approved by the Board of Directors on 29 March 2022, which highlights a profit for the year equal to Euro 1,392,729 =.

The draft financial statements for the year ended 31 December 2021 are made up of the Balance Sheet, the Income Statement, the Explanatory Notes and the Management Report as required by law. These documents were delivered to the Board of Statutory Auditors in time for them to be deposited at the company's registered office accompanied by this report, and this regardless of the term provided for by article 2429, paragraph 1, of the Civil Code.

Since the statutory audit of the financial statements was not entrusted to the Board of Statutory Auditors, who supervised the overall approach given to the same, its general compliance with the law as regards its formation and structure, and in this regard the Board has no particular observations to report.

In this regard, the Board of Statutory Auditors states that:

a) the periodic accounting control and the legal audit of the financial statements are entrusted to the auditing firm KPMG S.p.A. to whose report, therefore, reference is made for the relative professional judgment;

b) the auditing firm KPMG S.p.A. was appointed on 8 May 2021 and therefore part of the accounting control was carried out by the previous firm BDO S.p.A.;

c) the accounting control and auditing activities conducted by KPMG S.p.A. were carried out on the basis of the guidelines of the ISA Italia auditing standards, and the report on the financial statements was prepared pursuant to articles 14 and 16 of legislative decree 39/2010 and includes the opinion of consistency and compliance with the management report required by article 14, paragraph 2, letter e) of the same decree.

As far as its competence is concerned, the Board of Statutory Auditors verified compliance with the law relating to the preparation of the Management Report and has no particular observations to report in this regard.

As highlighted in the Explanatory Notes, the financial statements were prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and on the basis of the relative interpretations of the International Financial Reporting Interpretations Committee (IFRIC), approved by the European Commission, as established by EU regulation no. 1606 of 19 July 2002, by legislative decree no. 38/2005 and in compliance with the instructions for the preparation of financial statements of banking institutions prepared by the Italian Accounting Organization (O.I.C.) and by the Italian Banking Association (ABI), as recalled by the seventh update of Circular no. 262: "The bank balance sheet: compilation schemes and rules" issued by Banca d'Italia on 2 November 2021.

The activity was carried out through interviews with the Management and the officers responsible for preparing the financial statements, direct checks, as well as through the information obtained from the appointed auditing firm which issued its report with an opinion without prejudicial findings.

In particular, it should be noted that the accompanying documents of the financial statements provide an exhaustive illustration of the risks to which the assets are exposed and the related hedging policies adopted by Banca UBAE. With regard to these checks, there are no particular observations to report

The Board verified the compliance of the financial statements with the facts and information which it became aware of following the performance of duties and there are no observations in this regard.

In the course of the activities described above, no significant elements and facts emerged such as to require reporting to the supervisory bodies or mention in this report, nor were there any violations of the law or of the Articles of Association.

Conclusions

With regard to the foregoing and also considering the results of the activity carried out by the auditing firm in charge of the statutory audit of the financial statements, the Board of Statutory Auditors expresses its favourable opinion on the proposal to approve the financial statements for the year ended 31 December 2021, as drawn up by the Directors, as well as the proposal to allocate the profit for the year to the legal reserve for Euro 69,636.00 and to the extraordinary reserve "profit surplus for the year 2021" for the remainder.

Rome, 13 April 2022

THE BOARD OF STATUTORY AUDITORS

Ms Ersilia Bartolomucci - Chair

Mr Angelo Pappadà - Statutory auditor

Mr Michele Testa - Statutory auditor

LEGAL AUDITORS' REPORT

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(This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Banca UBAE S.p.A. (the "bank"), which comprise the statement of financial position as at 31 December 2021, the income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of Banca UBAE S.p.A. as at 31 December 2021 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and article 43 of Legislative decree no. 136/15.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the financial statements*" section of our report. We are independent of the bank in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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20124 Milano MI ITALIA

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Classification and measurement of loans and receivables with customers recognised under financial assets at amortised cost

Notes to the financial statements "Part A - Accounting policies": paragraph A.2.3 "Financial assets at amortised cost"

Notes to the financial statements "Part B - Information on the statement of financial position - Assets": section 4 "Financial assets at amortised cost - caption 40"

Notes to the financial statements "Part C - Information on the income statement": section 8.1 "Net impairment losses for credit risk on financial assets at amortised cost: breakdown"

Notes to the financial statements "Part E - Risks and related hedging policies": section 1 "Credit risk"

Key audit matter	Audit procedures addressing the key audit matter
Lending to customers and issuing letters of credit and guarantee are one of the bank's core activities. Loans and receivables with customers recognised under financial assets at amortised cost (net of debt instruments of €684.9 million at the reporting date) totalled €285.3 million at 31 December 2021, accounting for approximately 17% of total assets. Net impairment losses for credit risk on financial assets at amortised cost amounted to €1.4 million in 2021. Furthermore, given the characteristics of the bank's business, the letters of credit and guarantee issued by the bank are a potential key audit matter. The provision for credit risk relating to loan commitments and financial guarantees issued recognised under liabilities amounts to €6.2 million at 31 December 2021. For classification purposes, the directors make analyses that are sometimes complex in order to identify those positions that show evidence of impairment after disbursement. To this end, they consider both internal information about the performance of exposures and external information about the reference sector or the borrowers' overall exposure to banks. Measuring loans and receivables with customers is a complex activity, with a high	Our audit procedures included: — gaining an understanding of the bank's processes and IT environment in relation to the disbursement, monitoring, classification and measurement of loans and receivables with customers; — assessing the design and implementation of controls and performing procedures to assess the operating effectiveness of material controls, especially in relation to the identification of exposures with indicators of impairment and the calculation of impairment losses; — analysing the classification criteria used for allocating loans and receivables with customers to the IFRS 9 categories (staging); — analysing the individual and collective impairment assessment policies and models used and checking the reasonableness of the main assumptions and variables included therein; we carried out these procedures with the assistance of experts of the KPMG network; — selecting a sample of exposures tested collectively, checking the application of the measurement models applied and checking that the impairment rates

Key audit matter	Audit procedures addressing the key audit matter
degree of uncertainty and subjectivity, with respect to which the directors apply internal valuation models that consider many quantitative and qualitative factors, including historical collection flows, expected cash flows and related estimated collection dates, the existence of any indicators of impairment, an assessment of any guarantees, the impact of macroeconomic variables, future scenarios and risks of the sectors in which the bank's customers operate. For the above reasons, we believe that the classification and measurement of loans and receivables with customers recognised under financial assets at amortised cost are a key audit matter.	applied complied with those provided for in such models; — selecting a sample of exposures tested individually and checking the reasonableness of the indicators of impairment identified and of the assumptions about their recoverability, including considering the guarantees received; — checking the reasonableness of the indicators of impairment identified and of the assumptions about their recoverability, including considering the guarantees received; — analysing the significant changes in the loan and receivable categories and in the related impairment rates compared to the previous years' figures and discussing the results with the relevant internal departments; — assessing the appropriateness of the disclosures about loans and receivables with customers recognised under financial assets at amortised cost, loan commitments and financial guarantees issued.

Other matters - Comparative figures

The bank's 2020 financial statements were audited by other auditors, who expressed their unqualified opinion thereon on 15 April 2021.

Responsibilities of the bank's directors and board of statutory auditors ("Collegio Sindacale") for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the bank's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the bank or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the bank's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

— identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

— obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank's internal control;

— evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

— conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the bank to cease to continue as a going concern;

— evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 30 April 2021, the bank's shareholders appointed us to perform the statutory audit of its financial statements as at and for the years ending from 31 December 2021 to 31 December 2029.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the bank in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The bank's directors are responsible for the preparation of a directors' report and a report on corporate governance and ownership structure at 31 December 2021 and for the consistency of such reports with the related financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the bank's financial statements at 31 December 2021 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the bank's financial statements at 31 December 2021 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Rome, 13 April 2022

KPMG S.p.A.

(signed on the original)

Riccardo De Angelis
Director of Audit

Banca UBAE S.p.A.
Relazione della società di revisione
31 dicembre 2021

Con riferimento alla dichiarazione di cui all'art. 14, comma 2, lettera e), del D. Lgs. 39/10, rilasciata sulla base delle conoscenze e della comprensione dell'impresa e del relativo contesto acquisite nel corso dell'attività di revisione, non abbiamo nulla da riportare.

Roma, 13 aprile 2022

KPMG S.p.A.

Riccardo De Angelis
Socio

RESOLUTIONS PASSED BY SHAREHOLDERS' ORDINARY GENERAL MEETING HELD ON 18.05.2022

AGENDA

1. Review and approval of the accounts for the Financial year ended 31 December 2021 and of the Annual Report on operations;

2. Statutory Auditors' report;

3. Legal Auditors' report;

4. Proposal for the allocation of net profit and resolutions pertaining thereto;

5. Approval of a bonus for the members of the Board of Directors in relation to the Bank's 2021 result;

6. Appointment of the Board of Directors, after establishing the number of members, for the three-year period 2022-2024 pursuant to article 15 of the Articles of Association; subsequent related resolutions;

7. Appointment of an Alternate Auditor;

8. Approval of the 2022 remuneration-and-incentives policy for Directors, Auditors, Salaried Staff and Personnel not in the Bank's direct employment (ref. Banca d'Italia's circular directive 285/2013, containing supervisory provisions on remuneration-and-incentives policies and practices for banks and banking groups) and approval of the policy on identifying significant personnel.

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 2021, the AGM unanimously resolved:

- to approve the financial statements of Banca UBAE at 31 December 2021, which shows a profit for the year of **Euro 1,392,729**;

- to approve the proposal to allocate 5%, amounting to **Euro 69,636** to the legal reserve (article 30 letter A of the Articles of Association) and the remainder, amounting to **Euro 1,323,093**, to a reserve "Profit surplus for year 2021".

Following this decision, the total assets of the Bank as at 31 December 2021 will amount to Euro 186,231,600 divided as follows:

SHARE CAPITAL	Euro 261,185,870
LEGAL RESERVE	Euro 13,563,736
SHARE PREMIUM ACCOUNT	Euro 870,226
IFRS9 FTA RESERVE FROM 2018 LOSS	Euro (7,757,798)
IAS FTA RESERVE FROM 2005 IAS PROFIT	Euro 305,239
REVALUATION RESERVES	Euro 652,300
PREVIOUS YEARS' LOSSES	Euro (83,911,066)
PROFIT SURPLUS FOR YEAR 2021	Euro 1,323,093
	186,231,600

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

BANCA UBAE

مصرف اليوباي

ANNEX A
COUNTRY-BY-COUNTRY REPORTING AS AT 31 DECEMBER 2021

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 2021.

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 Invest Complex
Corporate capital: EUR 261,185,870 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 - Milan, Banque Centrale Populaire and Bank of Africa (BMCE Group) - 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 mission 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 34,233,132
c) Number of employees on equivalent full-time basis[2] = 157
d) Economic Result (before tax)= EUR 1,769,412
e) Income tax on year's result = 376,683
f) Public contributions received = None

1) "Turnover" is understood as the gross operating income as per item 120 of the income statement.
"Loss before tax" means item 260 on the income statement.
"Taxes" means the total amount of taxes as shown in item 270 on 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.

BANCA UBAE

TRADE COMMERCIAL BUSINESS

L/Cs Finance and Guarantees for Export - Import Operations

SYNDICATIONS & ENERGY

Managing Trade in the Energy and Infrastructure Sectors

FACTORING

A service for which the Bank has set up a dedicated desk at its Milan Branch

FINANCE

Treasury and Forex Business

ADVISORY ACTIVITIES

Traditional banking products and distinctive tailor- made solutions, as well as linking our customers with primary foreign banks in countries we cover

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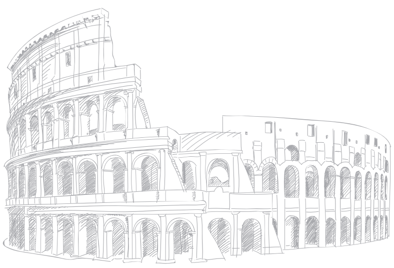

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