BANCA UBAE

مصرف اليوباي

YOUR PARTNER IN TRADE FINANCE

ANNUAL REPORT

Report and Financial Statements 2023

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

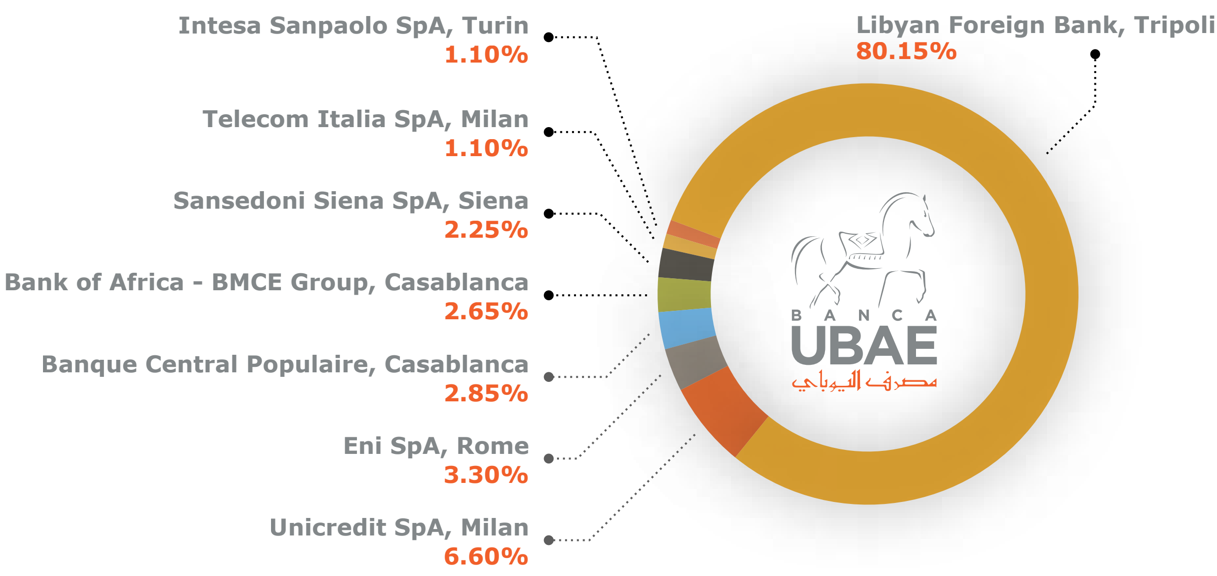
Be one of the reference banks in Italy for International Business leveraging our close connections with emerging markets in the Middle East, North Africa and especially in Libia.

STRATEGY

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

SHARE CAPITAL AND SHAREHOLDERS

Euro 261,185,870 fully paid up



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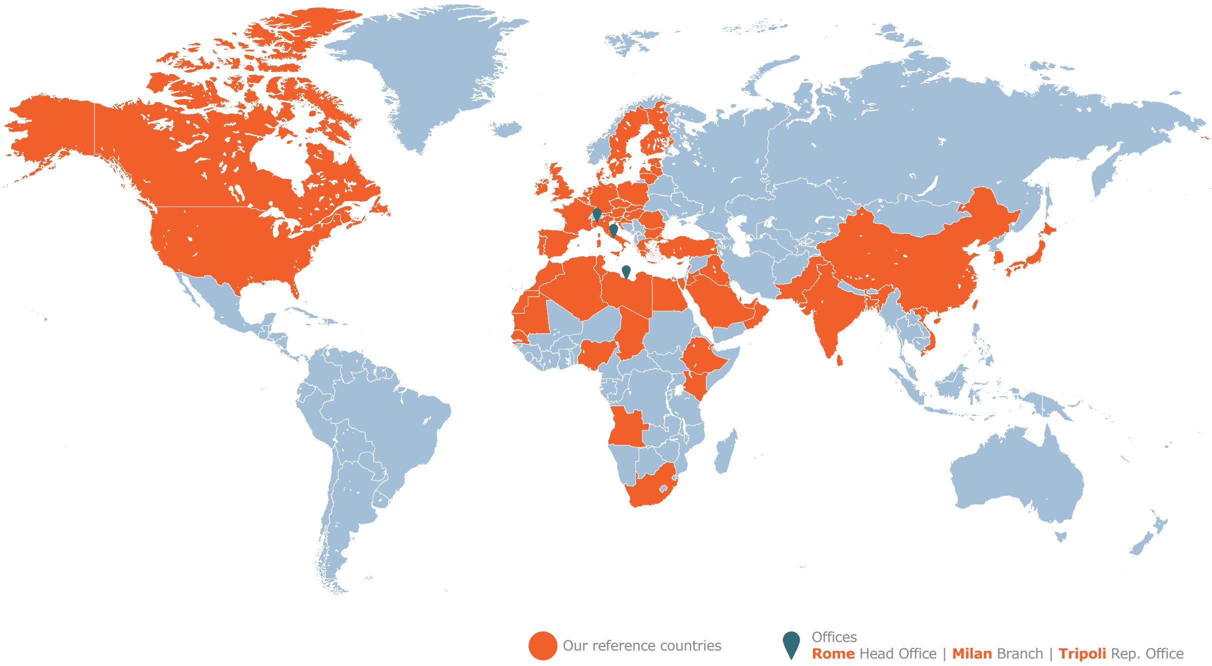
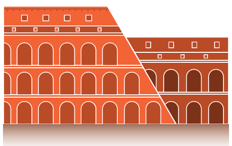
THE BANK OPERATES IN MORE THAN 50 COUNTRIES



HEAD OFFICE AND OPERATIONAL UNITS



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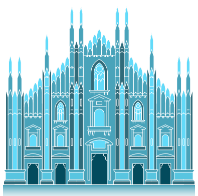

MILAN BRANCH

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BOARD OF DIRECTORS 2022-2024

Appointed by Shareholders' Meeting on 10 May 2022

Chairman	Othoman Mohamed Alnouseri
Vice Chairman	Antonio Piras
Directors	Sharef S. Alwan* Saleh A. M. Edbayaa Karima Munir Elguel** Amal A. Khalifa Eshater** Rauf Ibrahim Gritli Abdalkhalig Mohamed M. Ibrahim Paul Henry Jennings Alaeddin Mokhtar Salim Msellati Abdulmonam Geat Ali Tbigha
Secretary of the Board of Directors	Lavinia Callegari

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 Carlotta Fasani****

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

(*) Resigned as of 30.01.2024

(**) Appointed by the General Meeting of Shareholders on 20.07.2022

(***) Members of the Oversight Body as per legislative decree no. 231/2001

(****) Appointed by the General Meeting of Shareholders on 10.05.2022

On February 23, 2024, the Board of Directors co-opted Mr. Aiman Hussein M. Laswad as a Member of the Board of Directors to replace Mr. Alwan.

GENERAL MANAGEMENT

General Management	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

(*) End of secondment from the Libyan Foreign Bank: 31 January 2024

On 20 December 2023, the Board of Directors appointed Mr. Sharef S. Alwan as Deputy General Manager; the effective appointment was made in May 2024.

SUMMARY OF DATA, ECONOMIC AND FINANCIAL INDICES, CORPORATE GRAPHS

	31 Dec 2021	31 Dec 2022	31 Dec 2023
Financial Assets	€ 285,911,965	€ 138,713,795	€ 168,559,453
Banks Financing	€ 239,144,189	€ 255,762,158	€ 325,972,018
Deposits to banks	€ 143,275,837	€ 58,545,497	€ 61,440,715
Customer Financing	€ 973,874,511	€ 1,116,143,384	€ 1,459,343,120
Earning assets	€ 1,642,206,502	€ 1,569,164,834	€ 2,015,315,307
Total Assets	**€ 1,701,828,808**	**€ 1,638,782,341**	**€ 2,103,204,037**
Deposits from banks and a/c with banks	€ 1,363,206,277	€ 1,253,506,124	€ 1,152,898,702
Customer funding	€ 117,007,479	€ 144,440,873	€ 646,318,181
Total funding	€ 1,480,213,756	€ 1,397,946,997	€ 1,799,216,883
Reserves	€ (76,347,000)	€ (74,266,292)	€ (62,693,051)
Share capital	€ 261,185,870	€ 261,185,870	€ 261,185,870
Net Profit/Loss	€ 1,392,729	€ 11,752,052	€ 23,826,408
Gross worth	**€ 186,231,599**	**€ 198,671,629**	**€ 222,319,228**
Net interest income	€ 18,789,882	€ 27,236,691	€ 29,688,004
Net Commissions	€ 13,304,779	€ 14,070,361	€ 14,960,329
Net financial income	€ 2,138,472	€ 11,078,712	€ (817,538)
Net trading income	€ 34,233,132	€ 52,385,765	€ 44,717,216
Operating charges	€ (25,919,916)	€ (26,900,900)	€ (28,756,318)
Net operating profit	€ 8,313,216	€ 25,484,865	€ 15,960,898
Net profit	**€ 1,392,729**	**€ 11,752,052**	**€ 23,826,408**
No cash asset (L/C)	€ 395,533,347	€ 220,504,547	€ 436,676,611
No cash asset (L/G)	€ 282,619,050	€ 253,791,953	€ 312,700,183
Turnover letters of credit oil	€ 84,960,572	€ 42,230,660	€ 18,656,397
Turnover letters of credit non-oil	€ 1,293,394,575	€ 1,386,613,493	€ 2,122,450,329
Turnover guarantees	€ 45,435,261	€ 80,668,878	€ 108,809,152
Outstanding guarantees	€ 297,937,690	€ 268,913,409	€ 320,440,270
NPL	€ 166,953,246	€ 184,311,019	€ 159,218,116
Gross worth/Total assets	10.94%	12.12%	10.57%
Loans/Deposits ratio	88.98%	109.45%	154.85%
Interbank Ratio	28.05%	25.07%	33.60%
NPL/total cash & no cash assets	6.83%	8.50%	5.52%
TEXAS Ratio	30.62%	31.47%	25.19%
ROE net profit/paid capital	0.53%	4.50%	9.12%
ROE net profit/gross worth	0.75%	5.92%	10.72%
ROA net profit/total assets [*]	0.08%	0.72%	1.13%
Operating charges/net trading income	71.47%	59.16%	64.81%
Net profit/number of employees	€ 8,928	€ 78,347	€ 154,717
Number of employees (Fixed and not Fixed terms)	156	150	154
LCR (Liquidity Coverage Ratio)	321.00%	540.50%	217.04%
NSFR (Net Stable Funding Ratio)	183.99%	123.38%	163.66%
Total Capital ratio (Capital Adequacy Ratio)	19.11%	19.08%	18.02%
Cet1/Tier I capital ratio (Equity Asset Ratio)	19.11%	19.08%	18.02%
Banking Own Funds	€ 213,077,966	€ 206,507,983	€ 214,251,679

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

Board of Directors

ANNUAL REPORT

1 January - 31 December 2023

Othoman Mohamed Alnouseri

CHAIRMAN'S LETTER

To all shareholders,

In the year just ended, global market conditions were weak and marked by high volatility.

International trade flows have grown less than expected a year ago - 2023 is expected to close with a moderate recovery, not sufficient to guarantee the recovery of pre-pandemic global volumes.

The monetary tightening decided by the central banks of the major industrialized countries - although it contributed, together with the drop in energy costs, to a sharp decline in inflation - continued to slow down demand, with the sole exception of the USA, where domestic demand and production activity continued to grow at a rapid pace.

The uncertainty fuelled by the conflicts in Ukraine and the Middle East as well as the difficulties of the Chinese economy, afflicted by a real estate crisis and a general weakening of domestic demand, are weighing ever more heavily on the international economy.

In particular, the obstacles to navigation in the Red Sea, through which a good percentage of world trade passes, lead to the use of alternative routes for goods coming from Asia.

This situation delays deliveries, again straining supply chains, and increases transportation costs, especially for European destinations.

Global GDP growth is definitively expected to be around 3.1% for 2023, and 0.5% in particular for the Euro Area, in both cases with a significant slowing down in the last quarter due to the causes mentioned above.

The final average annual inflation is forecast therefore at 5.4% as an effect of the restrictive monetary policies adopted by the European Central Bank.

In Italy, in particular, GDP growth stands at a modest 0.7% at the end of 2023, with a level that has however fully recovered the values prior to the outbreak of the pandemic.

In particular, industrial production is strongly affected by the crisis in the German economy;

other Italian sectors did not shine, with the exception of the construction sector, whose impulse activity is in any case running out due to the end of the tax breaks from which the sector benefited.

As regards the economies of the countries with which the Bank traditionally operates, they were still able to benefit from discreet growth (expected to be around 2%), supported - in particular for exporting countries - by the price of energy raw materials as well as the increase in their production volumes.

In the year just ended, Banca UBAE succeeded in achieving an important economic result for its stakeholders.

It was a particularly intense year, rich of initiatives, and not only in the commercial field.

The Bank was able, even more than in previous years, to seize the business opportunities offered by the international and domestic markets, evaluating the prospective risks at the level of individual countries adequately, in particular in some geographical areas such as the Middle East and North Africa, which represent its historical interest.

The Bank's 2023 financial statements express an extremely positive result, considerably higher than expected and among the best ever achieved in its history testifying to the correct strategic choices made.

The Tier 1 ratio and Total capital ratio capital ratios, which stood at 18.02% at the end of the year, are well above the regulatory minimums; the cost income ratio stabilized (64.81%) at levels in line with that shown by Italian banks of the same size, confirming the management's commitment to operational efficiency, despite a context of gradual recovery in technological investments and other aspects.

During 2023, the Board of Directors promoted and supported the path of consolidating corporate profitability from a medium/long term perspective, accompanying the technical-organizational development with particular attention to the internal control structure.

These decisions have significantly influenced the development of the new 2024-2026 Business Plan, drawn up at the end of 2023, which shows highly respectable future economic and capital targets, in a context of a very cautious approach towards risks.

The overall assessment by the Fitch rating agency was positive during the year, confirming both the credit rating (B+) and the outlook (stable), despite a difficult international context.

The 2024 economic projections continue to reflect objective elements of uncertainty, deriving primarily from the continuation of existing conflicts and all from the multiple situations of political and institutional instability in some specific geographical areas.

Growth forecasts for the world economy are estimated at +3.1%, while those relating to the Euro Area and Italy are at +0.9% and +1% respectively. Inflation is expected to reach +2.7% during 2024.

In Italy, in particular, a positive economic growth is expected in 2024 resulting from the implementation of the reforms and investments connected to the National Recovery and Resilience Plan (PNRR).

For 2024, the growth prospects of the economies of the Bank's main core countries, i.e. those of the MENA area, and in particular Libya, where the International Monetary Fund estimates GDP growth of around 2.9%.

To all shareholders

2023 was a year in which your Bank achieved positive economic results rarely expressed in the past - a very positive event if the context of political-institutional and economic uncertainty is taken into adequate consideration with particular reference to some areas of interest to the Bank.

Although in a scenario still characterized by external elements of uncertainty (political even before strictly economic ones) we remain convinced that, in 2024, as shown by the aforesaid Business Plan 2024-2026, the Bank will achieve significant results.

Also through the support of strategic decisions by its governing bodies and thanks to the financial support of its reference shareholder Libyan Foreign Bank, which has never failed in all these years, UBAE will be able to further increase its international vocation and thus confirm the excellent commercial and economic results achieved in the financial year just concluded, for the benefit of all stakeholders.

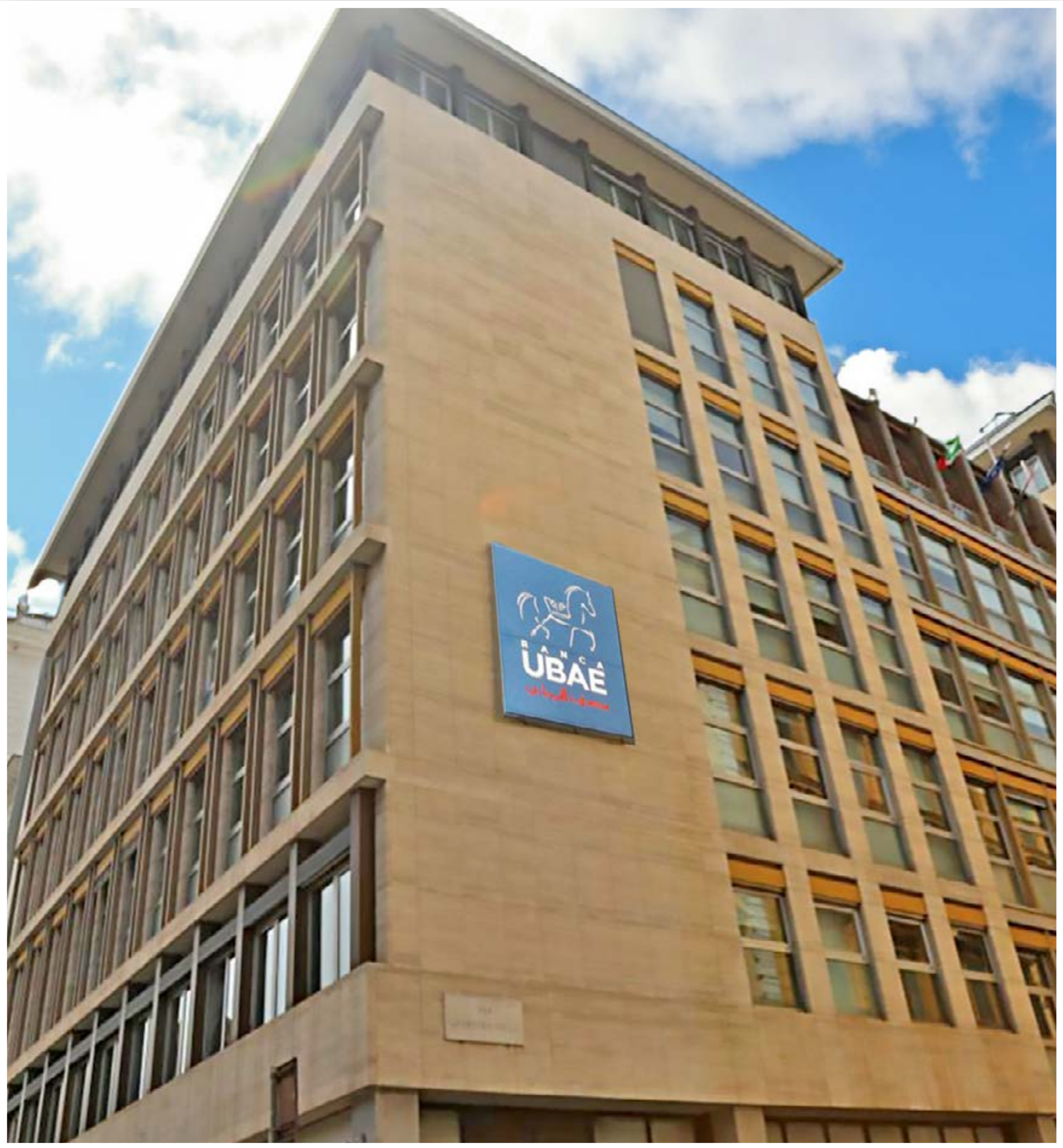
Finally, we would like to thank the Directors, Auditors, General Management and Staff of the Bank who, by all working - with commitment and effectively - for the same objectives, have contributed to the achievement of absolutely prestigious results, laying the foundations for an ever-present and most successful future.

Othoman Mohamed Alnouseri
Chairman of the Board of Directors

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

EUR/mln

COUNTRIES	2023		2022		2021	
	IMPORTS	EXPORTS	IMPORTS	EXPORTS	IMPORTS	EXPORTS
LIBYA	7,365	1,701	9,146	1,939	5,570	1,201
BANGLADESH	1,640	556	1,882	629	1,287	516
TURKEY	11,548	14,267	11,351	12,109	9,850	9,533
SWITZERLAND	17,936	30,527	17,151	28,522	11,147	27,252
EGYPT	2,635	3,325	2,596	3,251	2,011	3,800
MAURITANIA	151	35	128	28	174	31
SPAIN	32,757	32,962	28,012	29,623	24,177	25,542
UAE	2,152	6,679	2,010	5,438	2,073	4,821
TUNISIA	3,516	3,349	2,827	3,691	2,618	2,856
PAKISTAN	1,095	428	1,115	627	764	754
HONG KONG	471	4,998	315	4,160	295	4,815
QATAR	3,004	2,654	5,255	2,574	2,049	2,007
ALGERIA	14,079	2,816	15,820	2,070	5,579	1,763
JORDAN	69	630	73	538	46	497
UNITED KINGDOM	8,727	26,089	7,588	25,430	8,068	23,450
SLOVAKIA	4,733,9	4,027	4,249,9	3,644	3,478,3	3,401
BAHRAIN	246	269	285	267	228	318
CHAD	1	10	0.002	4	0.1	8
FRANCE	46,537	63,359	44,754	57,517	39,186	52,766
HUNGARY	8,490	5,813	7,138	5,959	6,133	5,368
SUDAN	278	46	434	86	171	83
SLOVENIA	5,868	5,980	6,244	6,453	4,052	4,428
ROMANIA	9,574	10,216	8,524	9,049	7,147	8,234
SINGAPORE	674	2,842	676	2,192	541	2,191
MOROCCO	1,976	2,784	1,487	2,544	1,292	2,205
CHINA	47,589	19,172	54,070	14,682	38,525	15,691
YEMEN	8	78	73	66	12	71
MALTA	290	2,032	282	1,826	270	1,647
CYPRUS	136	1,104	110	1,227	95	867
Total	**233,547**	**248,747**	**233,597**	**226,145**	**176,837**	**206,118**
UBAE'S SHARE	**17**	**1,472**	**20**	**760**	**20**	**773**
%	0.01	0.59	0.01	0.34	0.01	0.8



Rome Head Office

BANKING OPERATIONS IN 2023

Brief Summary

COMMERCIAL ACTIVITIES

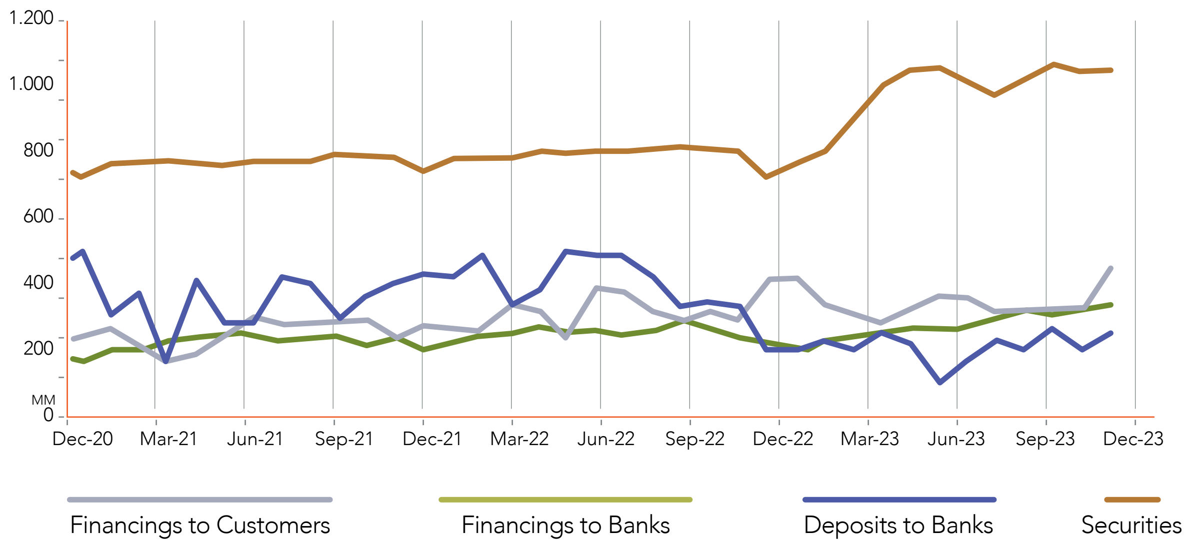
Loans

The Bank's activities are mainly aimed at encouraging financial intermediation interventions in support of commercial operations with counterparties carrying out import/export activities or infrastructure works in Banca UBAE's reference countries, with limited commitments in the retail - sector.

In the year under review, loans recorded a significant increase both towards non-banking and banking counterparties.

Overall loans stood at significant volumes; more specifically, the increase seen in the banking sector stood at around 11%, while the growth in loans to corporate entities at national and international levels showed circa +9%.

The graph below reflects the pursuit of a policy to reposition overall loans, the structure of which has been rebalanced over time:



Considering their risky nature, but above all due to their lack of relevance to the Bank's core business, short-term loans of a non-commercial nature, to corporate entity counterparties show an irrelevant volume and tend to be limited to customers for whom the Bank already offers its assistance for trade finance operations.

Operations on foreign markets

Also in the financial year under review, despite a context of increased international instability, commercial activity towards countries of historical interest represented the Institute's greatest strength, which was able to significantly increase the volumes traded and, with them, revenues.

Globally, the recovery from multi-year shocks - the Covid pandemic, the Russian invasion of Ukraine and the widespread rise in the cost of living - is proving far more robust than anyone might have expected. In the second half of 2023, economic growth was stronger than expected in the United States, China and many major emerging and developing economies.

At the same time, inflation has fallen from its 2022 peak more rapidly than expected, reflecting the effects of favourable developments in supply chains and, more generally, the supply of raw materials and semi-finished products as well as the restrictive monetary policy undertaken by central banks.

Against this backdrop, global growth in 2024 is forecast to remain broadly unchanged from 2023 at 3.1% and will increase to just 3.2% in 2025.

However, this forecast remains below the historical average, in how much we expect the increase in central bank rates and the even partial withdrawal of fiscal support with a view to containing the debt stock to have a negative impact on the economy.

Nominal global inflation is expected to fall to 5.5% in 2024 and further to 4.4% in 2025.

Downside risks resulting from international political tensions, particularly in the Middle East, remain high.

Towards the end of the year, despite the attacks on maritime traffic in the Red Sea, the prices of crude oil and natural gas remained essentially stable, as did those of the main raw materials.

Situation in 2023 and the estimates for 2024:

In Italy, the final estimate of GDP growth in 2023 stands at 0.7%, affected by the tightening of credit conditions, as well as energy prices which remained at high levels for a large part of the year; consumption stagnated, and investments contracted.

Activity began to decline again in manufacturing, while it basically stabilized in services; as might be expected, it increased in the construction sector, which continued to benefit from tax incentives.

GDP is expected to stand at 0.7% in 2024 and 1% in 2025. Growth would be limited due to the tightening of financing conditions and the weakness of international trade, although it could benefit from the effects of the intervention measures included in the PNRR.

The average annual inflation is expected to reduce (from 6.1% in 2023) to 2.4% in 2024 up to 1.9% in 2025.

In Europe, the situation of substantial stagnation in the Euro Area would continue into the last quarter of 2023, as an effect of the lack of dynamism in domestic and foreign demand. The persistent weakness of the manufacturing and construction cycle has progressively extended to services as well.

Employment, however, continued to grow. In the last months of the year, in particular, inflation was lower than expected and disinflation spread to all the main goods.

In the projections of the Euro system experts available to date, the inflation dynamic will fall further: from 5.4% in 2023, it is expected to reduce to 2.7% in 2024 and then again to 2.1% in 2025 and to 1.9% in 2026.

Conversely, the GDP of the Euro Area is expected to stand at 0.5% in 2023 and then rise to 0.9% in 2024 and 1.7% in 2025.

In this context, the European Central Bank (ECB) reiterated that it intends to reinvest selectively and flexibly, at least until the end of 2024, the capital repaid on maturing securities under the pandemic emergency bond purchase programme (PEPP).

In emerging Countries, the overall financial outlook leads to a final estimate for GDP growth of 4.1% in 2023.

In 2024, substantial confirmation is expected, with a view to a subsequent slight increase to 4.2% for 2025.

China's growth is forecast at 4.6% in 2024 and 4.1% in 2025: the data reflect stronger than forecast 2023 growth, also supported by an increase in the government budget allocated in particular for the strengthening of safeguards against natural disasters.

India's growth is expected to remain strong, around 6.5%, in both 2024 and 2025, mainly thanks to the stability of domestic demand.

In the countries of traditional interest to the Bank, such as those of the MENA area (Middle East, North Africa), the continuing conflict in Gaza and Israel is yet another shock for an already endemically unstable region and is further jeopardizing the stability of financial institutions in countries such as Egypt and Tunisia.

Overall, the main factors weighing on regional growth in the MENA region are (i) the impact of conflict, (ii) oil production cuts (although robust non-oil sector activity continues to support growth in several exporting countries) and (iii) the persistence of the necessary restrictive policy settings in several economies.

The projected growth for the year 2024 in the MENA region (3.4%) was reduced by 0.5 percentage points to 2.9%, compared to the already weak growth of 2.0% in 2023.

Due mainly to regional conflicts, the average growth in low-income countries in the MENA area will remain negative also in 2024, in line with the sharp decline estimated for 2023.

On the other hand, disinflation continues in most MENA economies, although in some countries price pressures have proven to be persistent due to specific local factors.

In conclusion, the prospects for the MENA region are very uncertain and the risks of a slowdown in individual economies are increasing.

An escalation or extension of the conflict beyond Gaza and Israel, as well as an intensification of disruptions to shipping traffic in the Red Sea, could have a serious economic impact, both direct (trade) and indirect (tourism).

The appropriate political response will depend on countries' exposure to conflict as well as pre-existing vulnerabilities.

Crisis management and precautionary policies will be key where the impact is most acute and, therefore, risks are highest.

Monetary policy will have to remain focused on price stability while fiscal policy will have to be adapted to the needs of individual countries, depending on the fiscal space available.

Structural reforms remain key to stimulating growth and strengthening resilience in both the short and long term.

In Libya, UBAE's focus country - the International Monetary Fund, as part of its first economic health check in a decade, has identified key strengths and opportunities that will support Libya's recovery.

The Libyan Central Bank has been able to maintain a large stock of international reserves, supported by a fixed exchange rate, capital controls and various temporary arrangements.

This played an important role in helping the country overcome the exceptional swings in oil production and revenue that occurred after the revolution.

Thanks to vast oil and gas reserves, Libya has one of the highest levels of GDP per capita in Africa.

Hydrocarbon production will continue to represent a key part of Libya's economic future, making up approximately 95% of exports and state revenues.

According to projections, production will be around 15% in 2023 and around 9% in 2024.

In the banking sector, the international economic landscape, characterized by uncertainty and volatility, has put the stability of the banking systems of various nations to the test.

In this context, the remarkable solidity of the Italian banking system has emerged.

One of its strengths is represented by the robust and prudent regulation imposed by the supervisory authorities, which constitutes an effective safeguard for the monitoring and management of risks, thus making operators more solid and resilient to potential financial shocks.

Furthermore, the significant liquidity buffer of Italian banks has made it possible to maintain market confidence and prevent potential liquidity crises, unlike what happened for example in the United States.

In a global view, a study by a specialized firm highlighted, that in the coming years, even more rigorous supervision and increased vigilance on shocks that could amplify the impact of interest rates on risk-sensitive assets should be expected, leading to increased rates on debt service costs and, more generally, on financial stability.

In fact, where risks are already crystallizing, reductions in buffers or macro-prudential easing could occur.

Major jurisdictions implementing final Basel III rules could further de-incentivize investment in riskier assets.

Governance, climate, financial crimes and cyber risks will remain in the spotlight.

In November 2023, **Banca UBAE** prepared a new 2024/2026 Strategic Plan which took into account the changed international economic and financial scenarios and redefined - confirming or implementing them - the previous commercial and operational strategies, establishing new objectives in terms of volumes and profitability.

This strategy, illustrated extensively in the aforesaid new Plan, sees, in a nutshell, the optimization of the allocation of regulatory capital, the maximization of interest margins taking into account the risks assumed, the confirmation of objectives of increasing trading activity finance as well as the development of interesting prospective financing volumes in the geographical areas of historical interest of the Bank, always guided by the logic of appropriate diversification of credit risk and control of the level of concentration.

The three-year plan has confirmed, as demonstrated by the latest financial years (2022 and 2023), the return to solid and stable economic results over time.

The main strategic activities contained in the Plan are aimed at confirming the Bank's institutional role in supporting business development between Italy (and other European countries) and some African countries (in particular North Africa) and the Middle East, to support the Bank's growth in the near future.

The Plan is briefly based on some pillars: (i) concrete commercial push, (ii) consolidation of international activity, (iii) support for trade flows, especially towards Libya and other countries in the MENA area, and (iv) effective support from the Finance Division's activities.

Despite a still difficult macroeconomic context influenced by critical political and social situations - which remain in the geographical areas of specific interest - the Bank, thanks to the market position acquired, was able to operate during 2023 with confirmed incisiveness, laying the foundations for new commercial opportunities and for strengthening existing relationships.

The Bank continued to work towards efficiently ensuring its services and adequately support its customers in line with its historical mission of supporting trade flows in particular towards the countries of the MENA area, primarily Libya, which represent the most consolidated operational area.

Revenues from commercial activity stood at Euro 27 million in 2023 (previously Euro 25 million), of which 50.6% came from commissions on letters of credit and guarantees, 33.2% from financing operations and commercial discounts and 16.2% from Factoring Desk activities.

With particular reference to geographical origin, it should be noted that 84.77% of the revenues were generated abroad and 15.23% in Italy.

At the end of 2023, there were a total of 405 borrowers (formerly 406), of which 235 banks (Italian and foreign) and 170 companies with an international vocation.

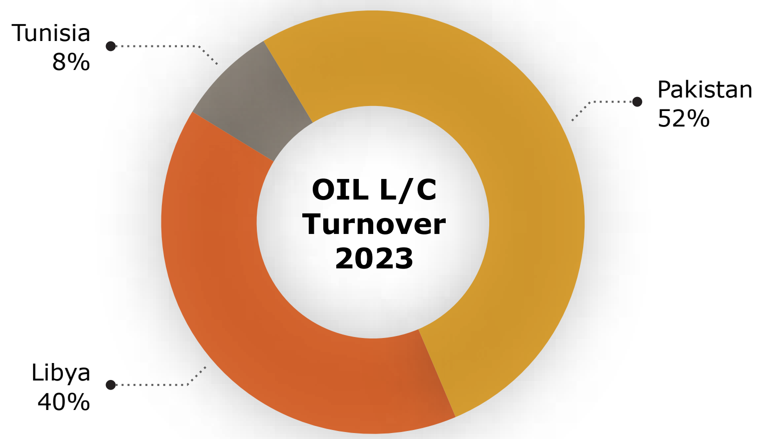
Below, the main qualitative and quantitative information on the Bank's operations during 2023; for further details, please refer to the information contained in the explanatory notes.

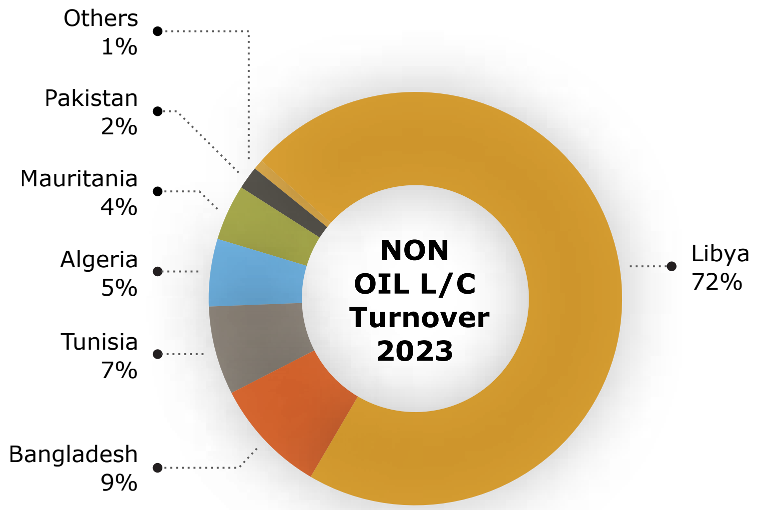
In 2023, the overall turnover of letters of credit (see table) exceeded the amount of 2 billion euros, with a significant increase with respect to 2022 (+53.07%)

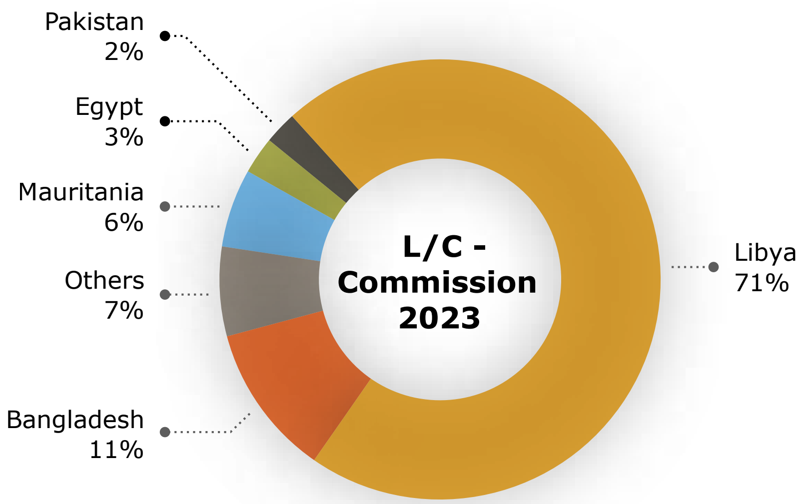
The stock at year's end 2023 of guarantee letters issued by the Bank amounted to 320 million euros, higher than the forecast data and a marked increase compared to the 2022 data.

The analysis of letters of credit received and intermediated by country of origin of the business is as follows:

Geographic Analysis







Detailed analysis of the annual data showed the following evolution:

EUR/000

	2023		2022		2021	
	Value/no.	**+/- %**	**Value/no.**	**+/- %**	**Value/no.**	**+/- %**
Letters of credit: number	2,207	(1.60)	2,243	(15.07)	2,641	(35.84)
Non oil letters of credit: turnover	2,122,450	53.07	1,386,610	7.21	1,293,390	(38.90)
Oil letters of credit: turnover	18,660	(55.81)	42,230	(50.29)	84,960	(81.37)
Commissions accrued	11,026	4.88	10,513	5.79	9,938	(32.84)

The volumes recorded in 2023 confirmed a recovery linked to the renewed and growing operations in this sector - with an increase in the unit value of letters of credit - especially in the markets where Banca UBAE has traditionally operated; this increase had positive effects on the commissions earned, which rose by circa 5%.

The Bank has paid particular attention to this sector, boosting relationships with leading international companies and starting new ones with some important counterparties.

Detailed analysis of the guarantee sector data showed the following trend:

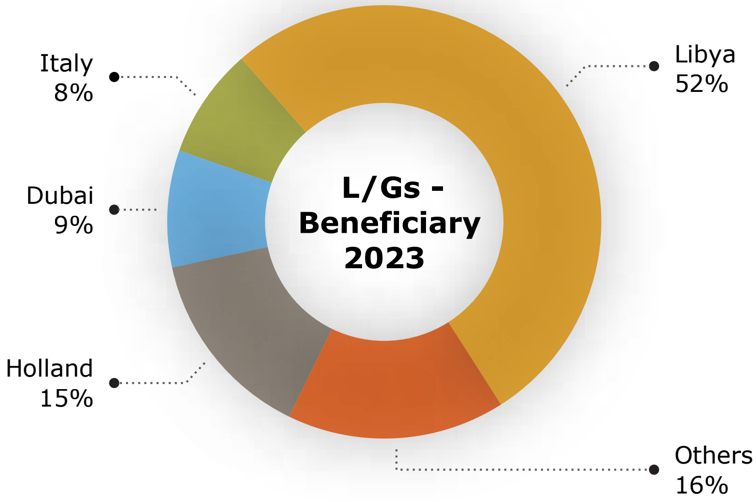
EUR/000

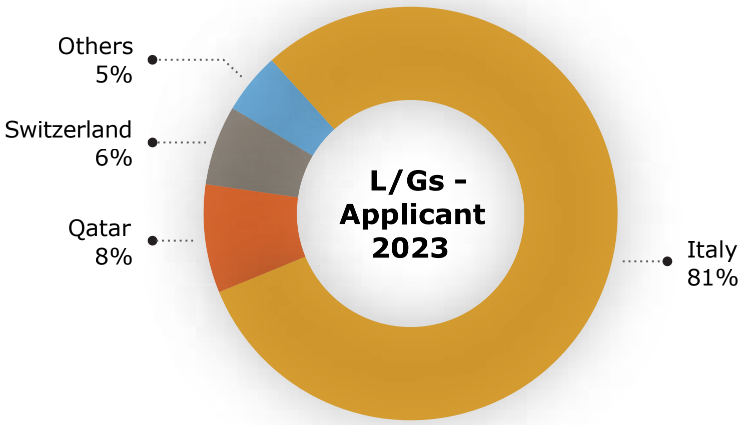
	2023		2022		2021	
	Value	**+/- %**	**Value**	**+/- %**	**Value**	**+/- %**
Guarantees issued in year	108,809	34.88	80,669	77.55	45,435	(47.02)
Guarantees: outstanding at Eoy	320,440	19.16	268,913	(9.74)	297,939	(16.06)
Commissions received	2,667	0.09	2,665	19.95	2,221	(10.50)

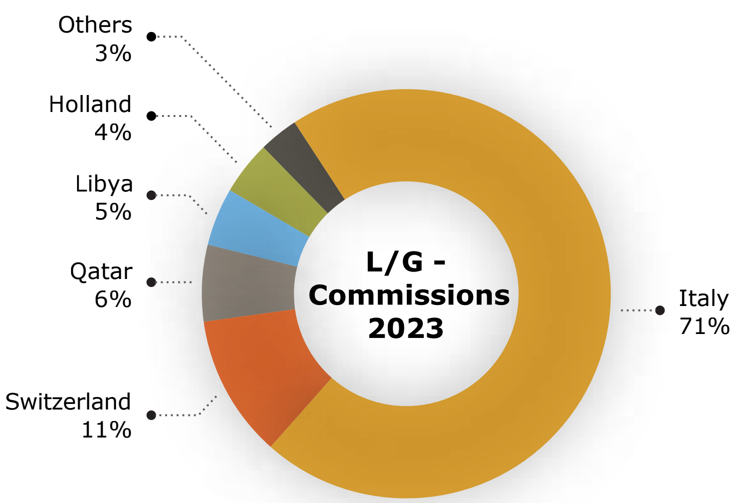
The guarantee sector - issued mainly on behalf of leading Italian and European companies in response to exports and/or significant orders in the markets of interest - highlighted a significant increase not only in turnover (+34.8%) but also in exposure (+19% circa) compared to the previous financial year.

Income stood at satisfactory values, confirming the positive result of the latest financial year.

Geographic Analysis







Activities on financial markets

The average volumes of financial assets managed by the Bank during the year stood at levels in line with those of the previous period.

The financial year just ended was characterized by high volatility and significant changes in the financial markets, which returned to expressing positive interest rates as a consequence of the attitude of the Central Banks aimed at counteracting strong inflationary phenomena, a year which saw the Bank actively engaged in the search for more profitable forms of investment in light of the funds collected from institutional counterparties and customers.

The collection, during the 2023 financial year, had a fairly regular trend, remaining at values adequate for the investments and planned uses; this dynamic is confirmation of the trust placed in the Bank and in its ability to efficiently manage its own funds, primarily by the Libyan Foreign Bank as reference shareholder.

Evidence of this trust is the security agreement, within whose framework the Libyan Foreign Bank (LFB) continued to guarantee two deposits of USD 300 million and EUR 100 million respectively, the duration of which increased from one year to two years, with the dual aim of strengthening the Bank's collection as well as supporting the business aimed at the Libyan Foreign Bank's related parties.

The use - for significant volumes - of short-term open market operations with the ECB was very satisfactory.

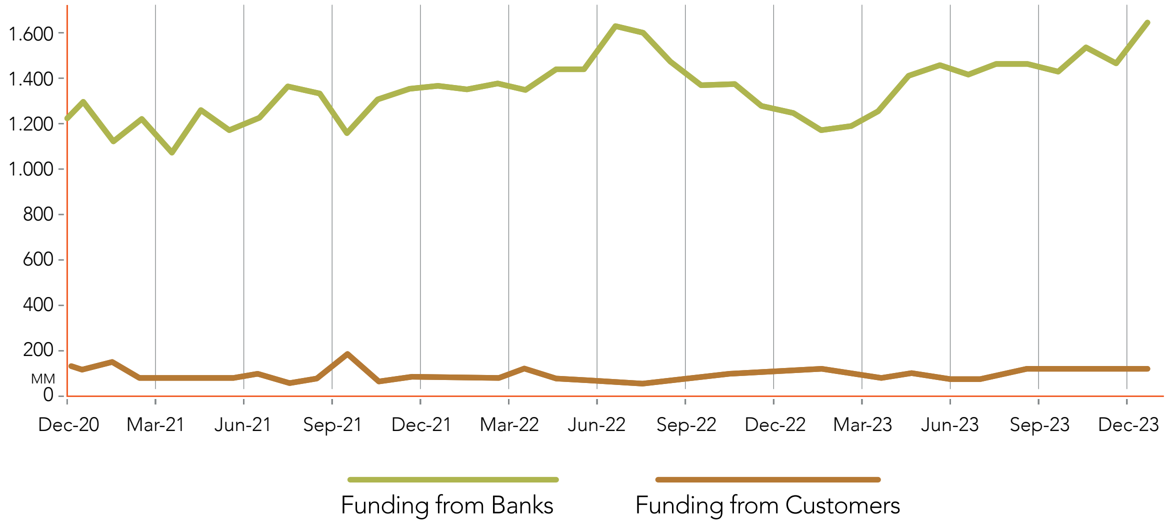
This activity has enabled the Bank to efficiently diversify its funding sources.

The average balance of total funding (from banks and customers) in the period in question and the percentage changes compared to the previous quarter are summarized in the following table:

EUR/000

FUNDING 2023							
First quarter		Second quarter		Third quarter		Fourth quarter	
Value	+/- %	Value	+/- %	Value	+/- %	Value	+/- %
1,340,051	(6.53)	**1,536,862**	14.69	**1,585,547**	3.17	**1,686,813**	6.39

The performance of the main funding items in the last three years (2020-2023) is shown below:



Managing financial activities

The securities portfolio owned by the Bank is made up almost exclusively of government securities issued by the Italian State; it represents support for managing liquidity commitments and follows a logistical approach based on predominantly medium/long-term time spans.

Also during FY 2023, the strategy adopted by the Bank ensured satisfying returns together with an investment quality compatible with more than adequate levels of LCR - Liquidity Coverage Ratio and NSFR - Net Stable Funding Ratio, both of which remained constantly above the minimum requirement of current regulations.

In this regard, 2023 saw a significant increase in financial investments in Italian government bonds, partly financed by REPO operations.

The year-end size of the investment portfolio (HTC) was approximately 1 billion euros, with a very low risk profile as it consists mainly of Italian government securities (93.4 percent).

The portfolio therefore almost entirely meets the eligibility requirements for ECB and LCR (Liquidity Coverage Ratio) purposes, guaranteeing the possibility of refinancing through the REPO MTS market or at the Central Bank.

The portfolio structure is composed as follows:

- 63% floating-rate securities (of which 18% in inflation-linked BTPs)
- 37% fixed-rate securities

The average residual duration of the investment portfolio is 4.4 years.

In order to mitigate interest rate risk, the 37% fixed-income component of the portfolio was fully hedged through OIS rate derivatives, with the effect of bringing the average duration of the portfolio down to within 6 months.

The investment portfolio also consists of 5% of securities with sustainability requirements.

To date, the Bank has chosen not to use new and additional technical forms of investment or proprietary portfolio management tools, such as harmonized products and collective savings investment organizations (OICR).

Interbank activities

Activity in this sector continued to be conditioned by the anti-inflationary monetary policies imposed by central banks during the year.

Over the last two years, the ECB's monetary policy has rapidly moved from a very expansionary orientation to a clearly restrictive one, due to the inflationary shocks of historic proportions generated by the difficulties in global production chains and above all by the increase in energy prices.

Although this change of pace was essential to prevent inflation from self-reinforcing and consolidated for too long, monetary easing is expected in the second half of 2024 at the latest, in order to limit the risks to price stability and potential damage to the real economy.

At the end of 2023, the ECB's main refinancing rate rose to 4.50%, with a similar trend to that on bank deposits, which reached 4.00%, and to the marginal refinancing rate, which rose to 4.75%.

Also in this financial year, the results of the Bank's finance division reached appreciable levels, far higher than the budget estimates, while always paying close attention to compliance with the limits set by the regulator on liquidity (NSFR and LCR).

The overall amount administered by the Finnce Sector in the various currencies remained at circa 1.75 billion euros on average.

The main results achieved during the year

The net economic result for the year under review, equal to Euro **23 million**, marked a strong increase compared to 2022 (Euro 11.7 million).

In more detail:

- **the interest margin** stood at circa Euro **29.7 million**, with an increase of 9% compared to 2022; this increase comes from the good return due to commercial loans and financial investments as well as the prudent and appropriate positioning of the Bank with respect to national and international inflationary dynamics and the interest and exchange rate market;
- **"brokerage income"** stood at approximately Euro **15 million** (previously Euro 25 million); this result, although decreasing compared to that of 2022, which was influenced by some non-recurring elements, must be evaluated positively with respect to the strategic decisions made, despite a context of high volatility in the reference markets.

  This is the result of brokering activities for international letters of credit and guarantees;
- the item "value adjustments and provisions for risks" reflects the prudential assessment carried out by the decision-making body which, in line with the criteria adopted and the methodology applied in previous years, deemed the amount of the funds allocated to cover risks to be appropriate. Write-downs during the period under consideration were reduced overall by circa Euro **4 million**, as a combined effect of a lower write-down of circa 0.9 million euros deriving from the application of the international accounting standard IFRS 9 on loans and securities classified as performing (Stages 1 and 2) and the recovery of 3.1 million euros due to positions classified in previous years as impaired and prudentially written down.

  In particular, the recovery of Stages 1 and 2 depended on changes in the composition of the Bank's portfolio, currently concentrated almost exclusively on Italian government bonds);

- **"personnel costs"**, amounting to circa **Euro 18 million**, increased by approximately 12.93% as a net effect of actual structural costs (decreasing), together with the allocation of the bonus due to personnel, reflecting the excellent results achieved by the Bank and in compliance with current remuneration policies, as well as the implementation of the charges due to the renewal of the National Contract which took place at the end of the financial year.

Furthermore, the result also reflected the effects of Banca d'Italia's decision, reiterated in the first half of 2023, to request significant economic contributions from the entire national credit sector - on an ordinary basis - to be paid to the Single Resolution Fund (FRU).

The overall amount of these mandatory contributions, allocated among administrative expenses, was approximately Euro **0.9 million** (previously Euro 1.1 million).

The Bank, on the basis of the recovery possibilities as highlighted in the three-year business plan, has recognized for the first time in the financial statements "Deferred tax assets" from tax losses related to previous years in the total amount of approximately **Euro 7.6 million.**

1. ORGANIZATION AND PERSONNEL

During 2023, the Bank continued with its plan to gradually build a reality based on people (and for people) on the capacity and professional qualification of the staff, on their spirit and their corporate identity, with the aim of maximizing the benefits for stakeholders, and in particular of offering customers adequate levels of service, thus guaranteeing satisfactory profitability also in the medium-long term.

In this framework, one of the main strategic drivers of Banca UBAE is to build a reality oriented towards the valorisation of its human capital.

The path undertaken therefore sees the Bank's management responsible for a process of continuous change based on the close interdependence existing between environment-strategy-structure, through the activation of all the levers necessary for the care and development of its employees, in order to create added value for the Bank as a whole and for its stakeholders.

a) Main initiatives for 2023

A qualifying aspect of the year 2023 was the enrichment of the **human capital** management and enhancement project, launched in 2022, with issues related to **diversity and sustainability**.

In this context, training represented (and represents) a lever considered strategic for achieving business objectives; the management has, in fact, **launched a diversified training plan** to develop the technical, behavioural and managerial skills of the entire workforce, contributing to the implementation of organizational change.

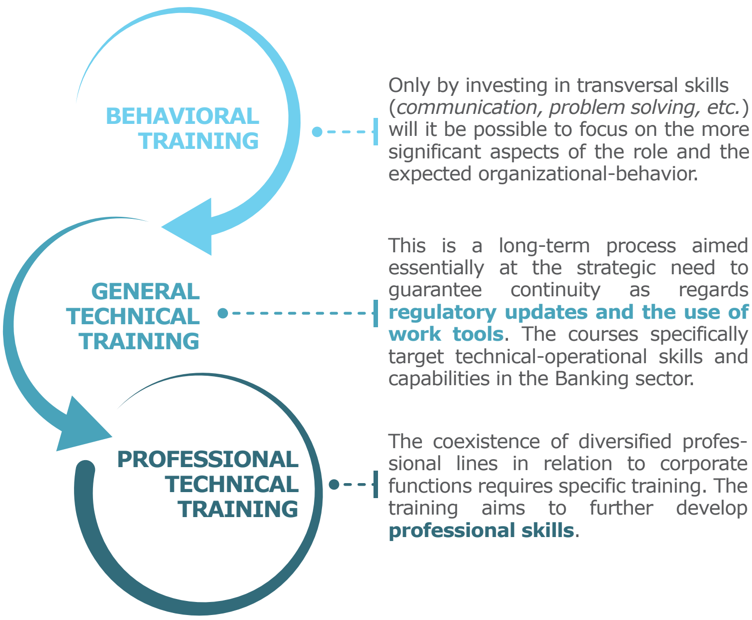
Through measured and studied training activities, the Bank therefore wants to support the culture of **flexibility** viewed in all its forms, and encourage the growth of the knowledge and professional skills of each person.

The training activity is therefore based on a principle of **social sustainability** which means offering equal opportunities for development and professional growth to all employees.

The Bank has therefore launched a 2023-2024 action plan, based on **differentiated training paths** aimed at supporting career paths and improving the professionalism already possessed.

Specifically, the training project is based on the following guidelines:

- **transversal**, i.e. providing, particularly to junior employees, basic knowledge of what it means to be a Bank, as well as supporting organizational behaviour based on the development of transversal and managerial skills;
- **horizontal**, i.e. making operational a medium-long term vision relating to the roles that people will be able to acquire over time (replacement positions);
- **vertical**, i.e. supporting the deeper knowledge required to carry out one's role in the short term



Specifically, the main features of the 2023-2024 Training Plan are as shown in the table below:

Course organization: overview

	PERSONS INVOLVED	NUMBER OF COURSES	TRAINING TYPE
TWO-YEAR TRAINING PLAN	**653**	**18**	**Blended**
COMPUTER-LANGUAGE SKILLS	**224**	**3**	**Asynchronous /Blended**
TECHINICAL SKILLS	**429**	**15**	**Synchronous**

A further initiative was to enhance the **diversity** existing and/or potentially present within the Bank.

The diversification of skills, abilities, cultural and social backgrounds, as well as the creation of an inclusive space, which encourages constructive comparison between the multiple experiences, represent an opportunity for Banca UBAE to enrich its business with new perspectives and to generate organizational solutions -innovative management.

The Bank considers inclusion, or feeling part of the institution, an essential value for promoting organizational well-being and a corporate climate based on fairness and transparency.

With this spirit, a **corporate event** was designed to support an organizational culture based on integration and social sustainability, with a particular focus on corporate identity and the spirit of belonging.

The Bank intended to support the individual growth path already undertaken, strongly underlining that training interventions represent the main investment dedicated to the **development of its people**, as well as supporting the importance of the culture of **flexibility** (understood in all its forms) and increase in the wealth of knowledge and professional skills.

The founding objectives of this event were to:

- contribute to the implementation of organizational change and corporate identity;
- encourage an increasingly deeper and more lively participation of staff in the general objectives of the Bank;
- develop the affirmation of a common professional culture, also based on social sustainability, understood in its meaning of equal opportunities for development and professional growth for all employees.

Always part of the initiatives aimed at supporting a culture of inclusion, the Bank has joined the "**Charter for Women in Banking**", promoted by ABI.

The Bank is therefore committed to enhancing its corporate policies according to the following principles for equal opportunities:

- promote an inclusive work environment open to the values of diversity, including gender;
- strengthen the selection and development methods suitable for promoting equal gender opportunities, in a corporate environment oriented at every level towards equal role opportunities and equal treatment;
- spread full and effective female participation at every corporate level;
- promote gender equality even outside the Bank, for the benefit of the relevant communities;
- implement appropriate initiatives to direct and enhance its corporate policies regarding gender equality.

b) More initiatives and projects

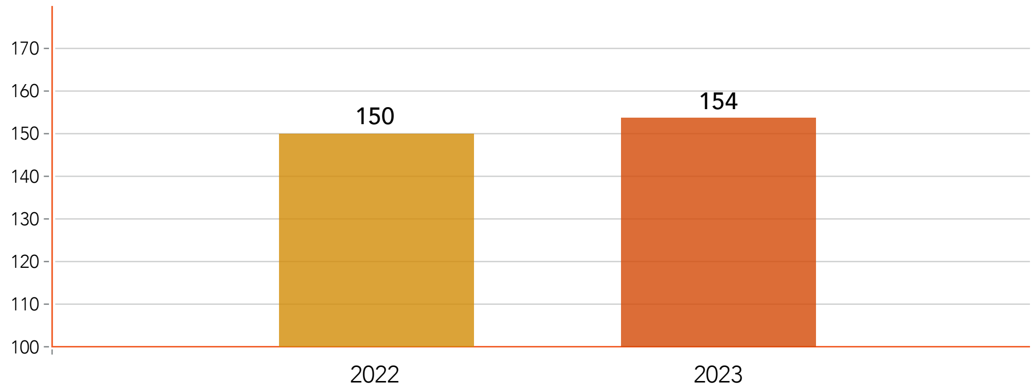
HR management was also involved in the following activities:

1. **Maintaining and updating of the performance management system**, aimed at greater understanding and evaluation of professional performance; the attention was to orient management's action on objectives and behaviour patterns that directly govern Banca UBAE's business (identifying the critical factors of the Bank's success and translating them into organizational objectives and behaviour patterns to manage);
2. **Promoting the culture of safety at work** through training/information initiatives, as well as the activities regulated by legislative decree no. 81/2009 (e.g. annual meetings, risk assessment, etc). The Bank has also implemented all the necessary measures to combat the spread of the Covid pandemic, described in the specific corporate protocol;

3. **Launching a project devoted to the effectiveness of the organizational model**, placing a focus on processes, activities and workloads, in order to identify optimization opportunities;
4. **Strengthening the "Corporate Welfare" system**, aimed at making goods and services available to employees linked to the needs of their working, personal and family lives. This initiative has set itself, as qualifying objectives, improving the corporate climate, increasing productivity, boosting staff satisfaction and motivation. Worthy of note was the Bank's promotion of the flu vaccination campaign;
5. **Launching solidarity initiatives**, through a solidarity collection in favour of the Kim Association and its reception centre "Kim's place";
6. Also in 2023, the Bank wanted to continue managing **the Covid emergency**, strengthening all safeguards and taking appropriate measures to combat the spread of the virus, including the use of smart working. The decisions taken from time to time were inspired by protecting the health of the Bank's staff, following approaches that were sometimes even more prudent than those that were legally required.

c) Quantitative data

At the end of 2023, the workforce consisted of **154** people distributed over the employment framework:

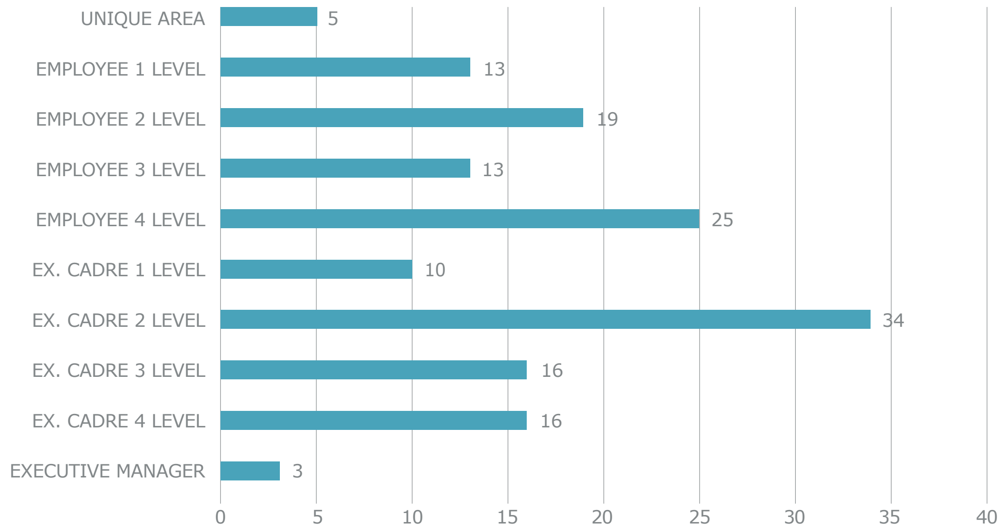


- 2% executives
- 49% managers
- 49% professional areas

The table below shows the dynamics of the composition for the framework in 2022 and 2023.

	31.12.2022		31.12.2023	
	N°	Incidence	N°	Incidence
EXECUTIVES	3	2%	3	2%
CADRES	70	46.7%	76	49.4%
PROFESSIONAL AREAS	77	51.3%	75	49.7%
	150		154	

In more detail the composition of the workforce at 31 December 2023 was:



2. ORGANIZATION, IT SYSTEMS, SECURITY AND PRIVACY

The Organizational and IT Systems unit is responsible for activities aimed at improving corporate business functioning, organizational structures, ICT security, regulations and corporate processes.

During 2023, in compliance with what is requested in Banca d'Italia circular no. 285 (Part One, Title IV, Chapter IV "The information system"), the Bank, has monitored the outsourced services with the main suppliers (Cedacri and Finwave), carefully following the updates of the respective IT systems and continuously monitoring the quality of the IT solutions released.

Furthermore, particular attention was paid to compliance with SLAs.

In the Cedacri context, in collaboration with the consultancy firm Mazars, periodic monitoring continued on the adequacy of the interventions prepared in the Recovery Plan drawn up by the supplier following the inspections carried out by Banca d'Italia at Cedacri (see Banca d'Italia communication dated 11/10/2021 file no. 1445055/21).

The Organization & IT Department also confirmed, already since last year, from an architectural, infrastructural, economic and risk perspective, the choice to continue with the use of the services offered by Cedacri, finalizing the renewal of the outsourcing contract until 2030.

Periodic analyses of performance indicators have highlighted service levels in line with the contractual terms (SLAs).

During 2023, two incidents were highlighted with a critical impact on the information system, which were appropriately reported to senior executives and, in compliance with current regulatory provisions, to the regulatory bodies (Banca d'Italia and the privacy guarantor).

As regards developing and maintaining business applications, several projects were completed in 2023 aimed at improving manufacturing processes in terms of effectiveness and efficiency.

In the factoring sector, investment continues on the K4F platform and its related web portal "WOF-Web Online Factoring".

In particular, the total migration of automotive operations on the dedicated platform was completed during 2023 and finalized analyses were launched to a wider integration of the platform itself with the CEDACRI information system.

On the Trade Finance front, the optimization process of the dedicated application continues, with the adoption of the evolution of the Guarantees Cockpit, which enables more efficient management of Guarantees and Stand-by Letters of Credit.

On the finance front, the on-boarding process began on the Raisin collection platform with the simultaneous adoption of automation tools aimed at managing funding operations for foreign customers in a fully automatic manner.

This initiative will see its complete application during 2024.

The process relating to managing REPOs has also been improved through the platform made available by the Bank Agency.

Furthermore, in conjunction with the contractual renewal with the outsourcer Cedacri, a development plan for the Estero application was agreed.

In this context, some improvements have, during 2023, already been released aimed at ensuring a general efficiency of operational processes and security levels in the trade finance and payments area.

The release is planned to conclude during 2024.

In terms of Anti-Money Laundering, in addition to improving the Gianos4D platform and the further integration with the CEDACRI information system, a specific workflow has been developed for managing Correspondent Banks.

In terms of network messaging, the T2-T2S consolidation project was completed; at the same time, the RNI-type network messaging used for conversing with the Treasury Bank was completely withdrawn and the ISO20022 standard messaging was adopted.

Furthermore, the developments envisaged as part of the November changes to the SWIFT project were adopted.

In terms of IT architecture and infrastructure, Disaster Recovery controls have been increased by improving backup procedures and the immutability of saved data, as well as prevention measures against cyber threats of data encryption.

Furthermore, in terms of Disaster Recovery and Business Continuity, the tests indicated in the annual plan were carried out, without finding any significant critical issues.

In the "Governance" area, with reference to the issues referred to in the "General Data Protection Regulation (GDPR)", the IT register of data processing was updated (EU regulation 679/16).

During 2023, the project to rationalize the corporate document system was launched, already planned for 2022, which includes, among the various components, the division of documents into policies, procedures and operating manuals.

During the year, following the entry into force of the 40th update of Banca d'Italia circular no. 285/2013, the requested changes have been made to both the organizational chart and the affected policies/procedures.

This activity will be completed during 2024.

Furthermore, the Business Impact Analysis (BIA) process was subjected to review, carrying out the usual interviews with process managers, leading to revision of the business continuity plan.

In terms of IT risks and security of payment services, it is worth pointing out that the result of the Cedacri IT risk assessments reported a level of residual risk in line with the expectations and limits indicated by the RAF.

Consistently with the regulatory/procedural system set up for the analysis of IT and operational risks, the final results were produced with the aid of IT applications.

In 2023, periodic vulnerability checks of the IT infrastructures were also carried out.

As regards the area of IT security, the PAM Delinea (Privileged Access Management) solution was implemented, replacing the previous Centrify platform.

A careful analysis of all network management assets was carried out and, in the event of obsolescence, they were replaced.

On the subject of privacy, in 2023 the annual review activities of the electronic processing register and some DPIA (Data Protection Impact Analysis) were carried out on specific issues that emerged during the year.

Please note that, starting from January 2023, a new data protection officer (DPO) has been appointed.

Furthermore, the Bank proceeded, with the support of a leading international law firm, to carry out a GDPR assessment, resulting in full compliance with current legislation.

Also for 2024, in relation to procedural developments on important management aspects, the commitment to adapting information systems to the new regulations remains a priority, in a logic of pursuing maximum operational efficiency and adequate protection of IT security.

3. EXTERNAL AND INSTITUTIONAL RELATIONS

In the area of External Relations, the main activities of the Board Secretariat and External Relations are:

- the development and consolidation of institutional relations with Italian and foreign counterparties, such as Embassies, Consulates, Financial Institutes, Associations, Entities and Chambers of Commerce;
- planning strategic marketing projects, communications and product development;
- the valorization of the company's corporate identity, aimed at communicative consistency as the key to the consolidation and growth of the Bank's brand awareness towards the market, customers and, more generally, all stakeholders.

The objectives underlying the activities of the Sector are aimed at the innovation and quality of the products and services offered to customers, correspondent banks and corporate entities, at the preservation of the corporate reputation and at the correct conveyance of the Bank's image, also through the monitoring and constant updating of the corporate website as well as the development and management of the Bank's social channels.

In detail, the main activities carried out by the Sector are:

- writing of press releases and articles;

- creation and production of sales materials;
- content management and graphics of the corporate website;
- development and management of the bank's social channels (Linkedin and Facebook) as communication channels aimed at promoting Banca UBAE, through the creation - on a regular basis - of content, interaction with its community and sponsorship of internal and external corporate activities (development missions, on-the-job training, seminars, corporate events, newspaper articles and interviews, job offers as well as eco-solidarity initiatives);
- organisation of corporate events;
- eco-solidarity initiatives;
- revision and updating of company forms, also on input from the structures concerned;
- coordination of the process of graphic layout, printing and conformity control of the Annual Report;
- management of membership fees and relations with the Associations and Chambers of Commerce of which Banca UBAE is a member/member;
- updating publications (Bankers Almanac, ABI Yearbook, etc.) also on input from the offices concerned;
- receiving and analysing advertising and sponsorship proposals.

Furthermore, the Sector participates in Business Development activities in collaboration with the Commercial Area and the Finance Division, aimed at increasing the strategic opportunities of the Bank and at developing and consolidating relationships with the main Italian and foreign customers.

4. MANAGING RISK

The Bank has continued to apply the procedures and methodologies for calculating comprehensive internal capital, as described in the ICAAP report (Internal Capital Adequacy Assessment Process).

Its business operations have respected domestic and international legislation, keeping a watchful eye on corporate exposure to risks, with particular reference to the risk management process for liquidity as per ILAAP (Internal Liquidity Adequacy Assessment Process), and continuing to conduct analyses of asset adequacy based on the various types of risk.

We should point out that, for the purposes of applying the prudential regulations issued by Banca d'Italia, and in particular the risk measurement methodologies envisaged by Pillar II, Banca UBAE falls into class 3 of intermediaries, characterized 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 prudential requirements for country risk, geo-sectoral concentration risk and strategic risk are also considered.

These requirements are not prescribed by law, but have been included in the internal capital adequacy assessments with the aim of considering all the risks considered to be of particular importance for the Bank's business.

In particular, the country risk, estimated according to an internal calculation methodology, takes into account the exposure to risk generated by the particular operations carried out by the Bank in certain geographical areas.

It is worth pointing out that the regulatory framework regarding the internal control system also provides for the inclusion of country risk (and transfer risk) among the last risks to be subjected to analysis within the ICAAP framework.

The definition of a risk management process consistent with the strategic decisions taken represents a prerequisite for the pursuit of the risk policies adopted by the appropriate corporate bodies.

The prudential control process aims to ensure, on an ongoing basis, 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 General Management with the information necessary to efficiently and effectively set up the Bank's capital strengthening policies.

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

- raise awareness among top management bodies about issues relating to risk and asset planning;
- make the Bank aware of the exposure to the various types of risk deriving from carrying out the company's business;
- introduce further types of risk into the field of measurement (such as concentration and interest rate risks on the banking book, as well as country, geo-sectoral and strategic concentration risks);
- strengthen organizational controls and management tools for other risks (liquidity risk, risk of excessive financial leverage, reputational risk, money laundering risk and IT risk);
- stress the need to equip ourselves with increasingly efficient and adequate risk measurement and monitoring tools;
- broaden the time horizon of internal analyses (prospective analysis) and the reference scenario (stress testing);
- improve the strategic planning process by introducing capital policies strictly connected to the risk profile of the Bank and therefore to the results that emerge from the ICAAP and ILAAP, as well as the levels of risk propensity established by the strategic supervision body (Risk Appetite Framework - RAF).

As regards the change in the regulatory and operational context, the Bank launched, in the period under review, study activities, impact analyses and internal development projects.

In particular, the following topics were addressed:

- **Recovery Plan**: in light of the indications provided by the Supervisory Body following the evaluation process, the Bank has taken steps to review and integrate some aspects of the Plan, with particular reference to the system of recovery indicators and the related attention thresholds. The new version of the plan was approved by the 306th BoD on 21 June 2023.
- **Credit risk**: the regulatory sources governing the credit process were updated, in particular the new version of the Credit Policy was approved by the 312th Board of Directors on 24 November 2023. With reference to the implementation of the early-warning system, aimed at making the performance control process more effective, the project of the Credit Catalyst tool provided by Moody's was launched in 2023 and the parameterization activities of the indicators are being finalized together with the related attention thresholds.

- **Concentration risk:** the monitoring and reporting process relating to the internal limit by economic sector approved by the 296th Board of Directors on 28 September 2023 has been started.
- **Risk policy**: at the beginning of 2023, the risk policies governing the management processes of the various types of risk, were subjected to review in an organic and structured way in order to capture the regulatory, organizational and procedural changes that occurred in the period between latest issue/revision of the same. A document aimed at regulating the entire stress testing process was also outlined for the first time. The revisions were approved by the 300th BoD on 25 January 2023.
- **ICT and security risk**: also in light of the regulatory changes introduced by the 40th update of Banca d'Italia circular no. 285, the Bank has assigned to the Risk Management Sector the function of second-level control of ICT risk and safety.

  In the first half of 2023, an internal assessment was carried out aimed at outlining the division of tasks and responsibilities between the second-level control function and the first-level ICT function.

  In the second half of 2023, the Risk Management Sector oversaw the revision of the Information Security Policy (approved by the 311th BoD on 26 October 2023) and the ICT risk and security management methodology (approved by the 313th BoD on 20 December 2023).
- **Strategic planning**: in the last quarter of 2023, the Bank outlined the strategic guidelines for the three-year period 2024-2026.

  The Risk Management Sector estimated the prospective capital impacts by verifying the sustainability of the new Strategic Plan.

Management of Credit Risk and Counterparty Risk

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

Counterparty risk, on the other hand, represents the risk that a trading counterparty does not fulfil its obligations when the contract expires; once the contractual deadline has passed, in the event of non-compliance, the counterparty risk is transformed into settlement risk.

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

In particular, in relation to credit risk, the following aspects are foreseen:

- the systematic release of entry scores, both for banking and corporate counterparties;
- periodic credit performance monitoring with evidence of internal anomalies (overdrafts) and external ones (Risk Centre);
- periodic stress tests and prospective analyses.

Exposure to credit and counterparty risk is constantly monitored, both in terms of compliance with the operational credit limits (performance control) - by a specific first level organizational unit - and deterioration in the quality of the portfolio in terms of capital absorption (credit risk control), managed by the Risk Management Sector.

The measurement of internal capital for credit risk is carried out using the standardized method, as required by the current prudential rules in force.

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

With regards to counterparty risk, the Risk Management Sector, in collaboration with the Finance Division, periodically monitors the exposures reassessed at the mark-to-market price, in order to verify compliance with the credit lines granted to each individual counterparty.

The measurement of internal capital against counterparty risk is carried out using the current value method, as required by legislation.

In compliance with the existing regulatory framework, the capital requirement is also calculated for the risk of adjusting the assessment of the counterparty's creditworthiness, called Credit Valuation Adjustment (CVA).

Market Risk Management

The following risks are included within the market risk category:

- exchange rate risk, which represents the risk of suffering losses due to adverse variations in the prices of foreign currencies on all positions held by the Bank, regardless of the allocation portfolio;
- position risk, which can derive from the fluctuation 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, interest rate risk (on the trading book) is highlighted, i.e. the risk of suffering losses in the value of assets or increases in the value of liabilities as a result of adverse movements in market interest rates;
- settlement risk: transactions in debt securities, equity securities, derivative contracts, currencies and goods not yet settled after their expiry date, regardless of the portfolio they belong to, expose the Bank to the risk of loss resulting from failure to settle the transaction.

The operations of the Finance Division and compliance with the operational limits established 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 reporting, produced daily, is broken down by desk of competence and has as its object the composition of the positions, the performance and the trend of the various risk/sensitivity indicators (VaR, Stop Loss).

Compliance with internal operating limits is monitored daily and any anomalies are promptly reported to the structures involved to enable the necessary corrective interventions to be carried out and/or the start of the authorization process governed by internal regulations.

The measurement of internal capital against market risks is carried out using the standard methods envisaged by current prudential legislation.

The Bank did not request the recognition of internal models for the purposes of calculating the capital requirement for market risks.

Operational Risk Management

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

Despite having opted for the basic calculation methodology (Basic Indicator Approach) in determining the capital requirement required by prudential regulations, the Bank has started the implementation of an operational risk management system capable of evaluating and monitoring the actual exposure over time of operational risks and the extent of losses that result (or could result) from them.

To this end, the Bank continued its project activities aimed at implementing a "transversal" tool which, containing a common mapping of internal processes and rules, can be used from 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.

Management of other risks

Liquidity risk

Liquidity risk represents the risk of not meeting requests for reimbursement of liabilities, which are unexpected in terms of volume and/or time expiry, due to an inability to raise funds (funding liquidity risk) or to limits on the disinvestment of assets (market liquidity risk).

Exposure to liquidity risk is constantly monitored by the Treasury Desk, while the Risk Management Sector is entrusted with second-level monitoring of compliance with the operational limits established by internal and external regulations, as well as the processing of the report sent weekly to Banca d'Italia.

The process of managing this risk is governed by internal policy and provides for a Contingency Funding Plan.

The system of internal operating limits currently includes various attention thresholds (of internal relevance) for the Liquidity Coverage Ratio (hereinafter LCR) and for the Net Stable Funding Ratio (hereinafter NSFR), in line with the Recovery Plan in force.

Performance monitoring is also envisaged regarding the early-warning indicators, the concentration funding ratio and the liquidity monitoring tools.

The internal policy reflects its integration with the Recovery Plan, the escalation process regulated therein and the ILAAP process.

From the point of view of tools, the Bank uses the JCompass tool, connected to the system of the IT outsourcer Cedacri, and an automated management tool for the daily processing of the LCR.

Concentration risk

Concentration risk arises from exposures to counterparties, groups of connected counterparties and counterparties belonging to the same economic sector or carrying out the same activity or belonging to the same geographical area.

Essentially, it is the risk of suffering losses as a result of the correlation between several counterparties.

The current prudential legislation (Pillar II) provides for a specific capital requirement to take into consideration 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 required by law), the Bank uses a calculation tool fed with data from supervisory reports.

With a view to stress testing, the Risk Management Sector conducts internal simulations on a quarterly basis to evaluate the impacts of any strategic-operational changes.

The Bank has also integrated the internal measurements by providing for an additional capital requirement for the risk of Geo-Sectoral Concentration, determined according to the quantitative methodology developed by the ABI and applied to the portfolio of Italian companies.

As regards the monitoring of regulatory lending limits, the Bank monitors compliance with them, prepares supervisory reporting and submits quarterly reports to the corporate bodies/functions.

In this context, the system of external limits envisaged for connected entities also applies while, with reference to the concentration profile of loans to corporate entities or groups of connected corporate entities, the Bank has set an internal lending limit equal to the threshold for identifying Major Risks (10% of eligible capital).

As regards the "single name" concentration risk towards banking counterparties, the Bank has in place a system of internal operating limits subject to quarterly monitoring and reporting, aimed at containing this risk exposure.

With regard to concentration risk by economic sector and geographical area, for which the legislation does not prescribe any quantification, the Bank has opted to adopt a qualitative assessment of its credit portfolio as a whole and has established internal investment limits by economic sector.

With reference instead to geographical concentration, and in particular to countries considered "non-equivalent", the Bank has a system of internal limits set for Shadow Banking Entities (SBEs) according to a clustering mechanism and on the basis of large exposures regulations.

Interest rate risk on the banking book

Interest rate risk on the banking book represents the risk of suffering losses in value 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), starting from 2021 the Bank has adapted its processes in line with the new regulatory method.

The stress scenarios envisaged by the EBA and based on various shocks to the interest rate curve were also implemented; on a quarterly basis, the Risk Management Sector monitors the level of the risk indicator and prepares periodic reports for senior management.

Furthermore, in compliance with the relevant regulatory obligations, the measurement of the effects produced by a shift in the interest rate curve occurs not only in terms of change in the economic value, but also in terms of change in the interest margin.

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, businesses, 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, undergoes losses due to the debtor's difficulties in converting its currency into the currency in which the exposure is denominated.

For internal analysis purposes, this regulatory description is expanded to also include the risk associated with restrictions, imposed by the authorities, on capital movements and the repatriation of dividends and profits.

In light of the prevailing international nature of the operations carried out by the Bank, the political risk connected to some countries on which the business is concentrated has deserved careful attention, also in 2023.

From a management point of view, the granting of a specific limit of use for each individual country is envisaged, under the responsibility of the Board of Directors, which regulates the scale of credits towards those countries with a rating lower than BBB or without a rating.

From the point of view of quantifying risk exposure, the Risk Management Sector has already introduced for several years an internal estimation methodology aimed at determining additional capital absorption for country risk, which integrates internal analyses in terms of capital adequacy.

This capital requirement, although not prescribed by law, is calculated according to an internal estimate methodology based on exposure data for Supervisory Body reporting purposes and on the probabilities of banking or currency crisis differentiated by country.

In order to comply with the supervisory guidelines regarding stress testing, the Bank has decided to include country risk in the list of risks subjected to stress tests (credit risk, concentration risk and interest rate risk 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 situations consistent with credit risk stress testing are assumed.

The inclusion of country risk in the stress testing was also reflected in the RAF area, with the provision of a risk tolerance appropriately calibrated based on the calculation methodology in use.

With regard to transfer risk, the Bank has decided to include, from a quantitative point of view, this risk in the more global context of country risk; vice versa, from a qualitative point of view, the periodic evaluation of the materiality of this risk was envisaged through the analysis of the composition of the credit portfolio and the determination of the relevance of the exposures to the countries belonging to the transfer risk classes provided by ABI (the Italian banking association).

Risk of Excessive Financial Leverage

The risk of excessive financial leverage represents the risk that a particularly high level of debt compared to its own resources makes the Bank vulnerable, so as to require the adoption of corrective measures to its strategic plan, including the enforced sale of assets with accounting for losses which could also lead to value adjustments on the remaining assets.

The risk of excessive financial leverage is included among the risks to be assessed within the ICAAP, and the Supervisory Body provides a minimum threshold to be respected expressed in terms of Leverage Ratio.

The internal policy regulates the methods of identification, evaluation, measurement and monitoring of 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 set objectives in terms of expected economic results due to the volatility of market scenarios (business risk) and errors made when setting up and executing the strategy (pure strategic risk).

Strategic risk has always presented a high level of management complexity and has required qualitative and scenario assessments in order to quantify the possible impacts deriving from changes in the operational and/or regulatory context.

The Bank has regulated the internal process as well as the strategic planning model and tools within a specific policy.

With reference instead to capital adequacy analyses, the Bank assumes the variability of the intermediation margin from the corporate targets as an approximation of the risk and as a measure of an additional capital requirement which integrates and completes the methodological approach in the ICAAP context.

This risk is also included in the scope of risks subject to internal limits in the Risk Appetite Framework.

Reputational risk

Reputational risk represents the risk, current or prospective, 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, markets in general).

Due to the complexity inherent in its treatment, this risk requires qualitative assessments and mitigation policies, especially preventive ones with respect to the manifestation of the prejudicial event.

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

Risk of money laundering and terrorism financing

The risk of money laundering and terrorism financing is subject to constant monitoring and in-depth analysis by the Bank, taking into account the nature, size and complexity of the activity carried out, the type of services provided as well as the countries of reference of the counterparties involved.

In this regard, in compliance with the general regulatory provisions and the supervisory provisions, specific organizational controls have been established as an essential condition for preventing and mitigating the risk factors, described in the corporate policy adopted by the Bank and in the detailed operating procedures.

The main elements that characterize the above regulatory/organizational system are:

- customer due diligence obligations commensurate with the different degree of risk of the customer, the operation and the ongoing relationship;
- the obligations to apply strengthened measures towards customers resident in high-risk third countries, politically exposed persons (PEPs) and transactions characterized by unusually high amounts;
- the obligation to report suspicious transactions to the appropriate authority if you suspect, or have reasonable grounds to suspect, that money laundering or terrorism financing operations are underway or have been carried out;
- the obligations regarding the conservation of data and documents to prevent, identify or ascertain any money laundering activities and to enable analyses to be carried out, within the scope of their respective responsibilities, by the UIF and the appropriate authorities.

In consideration of the transversal profile of money laundering risk, for the purposes of managing it, the role of the corporate bodies and corporate control functions assumes importance, in addition to that of the internal structures (business and operational), whose tasks and responsibilities are defined in the money-laundering risk management policy mentioned above.

Continuous verification of the adequacy of the money-laundering risk management process and the suitability of the internal control system and procedures is entrusted to the anti-money laundering function, a function independent of the other operational structures, located within the Compliance and Anti-Money Laundering Sector.

This function is also responsible for carrying out the annual assessment for the evaluation of the money laundering risk to which the Bank is exposed, the results of which are shown in the annual report by the Compliance and Anti-Money Laundering Sector, submitted to the Board of Directors for the relevant examination of any deficiencies and anomalies found and the adoption of suitable remedial actions.

ICT risk and security

ICT and security risk represents the risk of incurring economic, reputational and market share losses in relation to the use of information and communication technology (ICT).

In the integrated representation of corporate risks for prudential purposes (ICAAP), this type of risk is considered, according to the specific aspects, among operational, reputational and strategic risks.

Cyber risk is a subcategory of ICT risk. The term Cyber Security refers to that branch of information security that deals with the analysis of threats, internal vulnerabilities to the organization and the risk (Cyber Risk) deriving from the use of IT assets in an interconnected context operating on the web, in order to protect the organization from possible attacks, internal and external, having potentially significant operational, economic and reputational impact, causing direct or indirect damage.

The Bank, in compliance with the provisions of Banca d'Italia circular no. 285, has outlined an ICT risk management process, defining roles and responsibilities, adverse scenarios, as well as a methodological framework aimed at assessing risk exposure.

In light of the regulatory changes from the 40th update to the above circular, the Bank has introduced the distinction between the role assigned to the first-level ICT function (headed by the Organization & IT Sector) and the role assigned to the control function (second-level) of ICT and security risk (headed by the Risk Management Sector).

The tasks were outlined in accordance with the relevant external legislation (both national and European) and were regulated within the "Information Security Policy", subjected to review and approval in the fourth quarter of year 2023.

The risk scenarios with the related threats and the IT risk assessment methodology were instead regulated within the "ICT and security risk management methodology", submitted to the approval of the BoD last December.

With reference to the assessment of the risk connected to external IT resources, an approach is adopted consistent with that in use by the outsourcer Cedacri and based on the residual probabilities of occurrence to which the impact levels identified internally during the BIA (Business Impact Analysis) are associated.

With reference to the risk assessment connected to internal IT resources, a cyber security framework (NIST) is applied based on 108 controls grouped into 18 categories and whose level of maturity is assessed.

The evaluation of the residual risk as a function of the probability of occurrence and the level of impact for each corporate application and individual risk scenario leads to the construction of a risk matrix from which the overall assessment of the corporate risk arises.

Depending on the case, comparison between the internal risk assessment and the risk propensity established by the BoD leads to a risk treatment plan.

Climatic risks and ESG factors

ESG risk is made up of three components (Environment, Social, Governance) that are closely linked to each other.

Furthermore, it does not represent a type of stand-alone risk, but exerts an influence on the financial and non-financial risks present in the Bank, at various levels.

With reference to climate and environmental risks, the definitions of physical risk and transition risk are as follows:

- **Physical risk** refers to the economic impact deriving from the expected increase in natural events whose manifestation can be defined as "extreme" or "chronic".

  Acute physical risks depend on the occurrence of extreme environmental phenomena (such as floods, heat waves and droughts) linked to climate change which increase their intensity and frequency. Chronic physical risks, on the other hand, are determined by climate events that manifest themselves progressively (e.g. the gradual rise in temperatures and sea levels, the deterioration of ecosystem services and the loss of biodiversity);

- **Transition risk** refers to the economic impact deriving from the adoption of regulations aimed at reducing carbon emissions and encouraging the development of renewable energy, from technological developments as well as from changing consumer preferences and market confidence.

Environmental, social and governance (ESG) issues, as well as the associated opportunities and risks, are becoming increasingly relevant to financial institutions.

For banks, sustainability no longer represents just an ethical issue, but is increasingly becoming a priority issue with important economic implications, generating a new type of risk: ESG risk.

The change of pace, in this sense, was mainly dictated by a political desire which - especially within the European Union - led to the financial sector being given a driving role in transferring "ESG sensitivity" towards businesses, encouraging the reorientation of financial flows (in the form of credits and investments granted by banks and financial institutions) towards sustainable counterparties and transactions, promoting their transparency, in order to achieve balanced and inclusive growth (known as "Sustainable Finance").

In this context, the Bank took steps, on 31 March 2023, to send the action plan on climate and environmental risks to Banca d'Italia.

This plan, approved by the 303rd Board of Directors on 28 March 2023, aims to define, over a three-year period (2023/2025), a path of progressive alignment with supervisory expectations on climate and environmental risks (C&E).

Therefore, starting from the second quarter of 2023, the Bank has started the activities linked to the implementation of the activities envisaged by the above plan.

5. REPORTING ON CORPORATE MANAGEMENT

During the 2023 financial year, the Bank continued to update and implement its internal management reporting systems, with the aim of providing the governing bodies, the Executive Board and the entire structure with a well-articulated, complete set of information, aimed at offering a current representation of the Bank's financial and economic situation and ensuring real-time monitoring of the corporate situation.

In the last part of the year, the Business Plan for the three-year period 2024-2026 was revised, with a rather conservative approach that took into adequate consideration the possible negative impacts that could arise from both the geopolitical crises underway and the fragility of the national and international economy.

Notwithstanding this rather cautious approach, the Plan - which was also submitted to the Board of Directors for approval - expresses respectable forecast results.

6. LOGISTICS

The Bank continued to carry out improvement works on the Rome and Milan premises in order to ensure optimal usability of company premises, in parallel with more ordinary maintenance activities.

These interventions, carried out in full compliance with the relevant laws and regulations, were performed with a particular focus on safety, energy saving, respect for the environment, and the containment of operating costs.

In the Rome headquarters, a number of ordinary and extraordinary maintenance works were carried out to ensure that the building remained efficient, also in consideration of the regulations for the protection of workers and third parties; in particular, the building's stairways were completely restructured, adapting them to the new safety and fire prevention standards; a project was also started up to provide the building with a 'roof garden' to host meetings and events in a pleasant and efficient environment.

At the end of 2023, a project was launched - the finalisation of which is expected in early 2024 - to equip all floors of the Rome office (as well as the Milan branch) with water dispensers, as an action aimed at the individual wellbeing of staff as well as environmental sustainability through the reduction of the use of plastics.

The Milan branch has undergone a total renovation with more invasive renovation works, in order to equip it also with new and more efficient air-conditioning systems, in full compliance with the most recent regulations on energy saving and pollution.

This intervention will be finalised in 2024, including the replacement of window frames, which will allow for offices at the highest levels of comfort, energy efficiency and noise abatement.

Finally, the choice made in terms of outsourcing the management of the physical document archive proved to be totally appropriate in terms of efficiency.

7. SUSTAINABILITY IN BANCA UBAE - ESG PROJECT

Foreword

The ECB and some national authorities, including Banca d'Italia, have published the "first supervisory expectations" on integrating climate and environmental risks into corporate strategy and organisation, governance and internal controls, risk management and market disclosure.

To verify the degree of integration of climate risks in the practice of banking and financial intermediaries, thematic investigations were carried out with the aim of evaluating the adequacy of the initiatives launched as part of the supervisory dialogue.

The ECB has published the final text of the guidelines on climate and environmental risks, against which, in the early months of 2021, the "significant" banks (SI) conducted a self-assessment and, on the basis of this, drafted an action plan to be viewed by the ECB.

In 2022, a second thematic analysis was conducted, with an in-depth analysis of strategies, governance, systems and processes for managing climate and environmental risks, which involved a significant number of banks known as Less Significant Institutes (LSI), as well as the national Supervisory Authorities, including Banca d'Italia.

On this occasion, all LSIs were asked to adopt appropriate action plans aimed at defining, for the three-year period 2023-2025, a gradual integration path for climate and environmental risks into corporate operations, in line with the supervisory expectations.

The Regulatory Body continues to hope for a process of rapid, tangible and structured adaptation of the Institutes to the supervisory expectations.

Furthermore, these measures will be periodically reviewed to verify that they remain adequate and aligned with the objectives of the Paris Agreement and, in general, with the EU's climate neutrality objectives.

In this context, Banca UBAE has defined and transmitted to Banca d'Italia its alignment plan on climate and environmental risks, consistently with the supervisory expectations published in April 2022.

During 2023, the Bank started the preparatory activities to achieve the objectives communicated to Banca d'Italia, requiring the involvement of all the relevant corporate structures.

The path identified turns out to be an opportunity for:

- broadening the Bank's thinking, while taking environmental, social and governance issues as an all-round reference;
- defining a sustainability strategy with reference to the Bank's entire value chain;
- creating a voluntary sustainability disclosure for the Bank, also in anticipation of future regulatory changes.

In terms of governance, the project activity aimed at aligning supervisory expectations was entrusted to a member of staff belonging to the Risk Management function, identified as project leader (PMO).

Governance area

As part of defining structured sustainability governance, also with reference to the active role of management and governance in integrating climate and environmental risks into the corporate culture and strategy by the Board of Directors, the Bank dealt with defining roles and responsibilities regarding sustainability of the main functions overseeing the Bank (i.e. Board of Directors, General Management, advisory and managerial committees, control elements, etc).

In this regard, the most significant activities that the Bank has implemented are shown below:

- induction activities for the Board of Directors, with the aim of increasing the skills of corporate representatives in the ESG field. The training focused on topics related to ESG factors such as the evolution of sustainability, the opportunities for sustainability in the banking world, current and prospective ESG legislation and the main guidelines for integrating climate and environmental risks in corporate strategies;
- identification of specific roles, responsibilities and tasks of the various corporate functions, with particular reference to the decision-making bodies and control functions, with respect to the main sustainability processes, such as sustainability strategy, ESG policies and procedures, materiality analysis and stakeholder engagement, managing risks connected to sustainability issues, sustainability preparation and reporting, etc;
- formalization of the Bank's sustainability policy, which, among the topics, specifies the roles and responsibilities of the corporate bodies and structures involved in the process of managing ESG factors and risks.

Again with reference to the governance area, Banca UBAE has started the first moves regarding the revision of its remuneration model, with the aim of integrating risks and sustainability factors within its remuneration definition metrics.

This initiative will continue and is expected to end in 2024.

Business models and strategies

As part of defining and implementing the general strategy, and in particular the process of identifying the climate and environmental risks that impact the corporate context, Banca UBAE conducted an initial materiality analysis, which represents the starting point for gradually integrating the climate and environmental risk factors into the Bank's business model, in order to identify the issues with the greatest impact for itself and its stakeholders.

The materiality analysis, approved by the Board of Directors in February 2024, was formalized within a specific sustainability disclosure document and is functional to identifying the topics to be reported; in this specific case, 11 themes have been identified that focus on Business & Governance, customers, personnel and Community & Environment, integrating further types of risk that impact operations as a whole.

Defining the sustainability strategy, therefore, is oriented towards the issues relevant to the Bank in order to ensure its healthy and prudent management.

During 2024, Banca UBAE will define a sustainability roadmap, with the aim of identifying the most suitable ESG strategies in the years to come, even beyond just climate and environmental issues.

Risk Management area

As part of defining Risk Management strategy, there was also the requirement to integrate the risk management system by mapping the events that might occur as a result of climate and environmental risks, so as to enable the identification of the risks that would be potentially influenced and the prudential implications.

The Risk Management strategy, therefore, aims at a complete and integrated vision of risks, strengthening a transparent and accurate representation of the riskiness of the business milieu as a whole.

In particular, Banca UBAE has prepared a risk map aimed at identifying the climate and environmental risks related to the first and second pillar risks; it has also prepared an analysis on the exposure to physical and transition risks of individual counterparties active in the credit sector, using tools made available by external info-providers for the provision of specific data and information necessary for understanding the main metrics of risk for each counterparty.

From this analysis, it was therefore possible to identify the level of risk to which the Bank is indirectly exposed.

The preparation of the risk map was carried out according to the following roadmap:

1. assessing the materiality of ESG risks on the Bank's activities;
2. identifying the information set necessary to carry out the risk assessment;
3. identifying the most relevant risk metrics and the Bank's related risk exposure.

The main findings emerging from the preliminary qualitative analysis, also based on the Bank's business peculiarities, revealed:

- moderate sensitivity to physical risk factors due to geographical concentration; however, the Bank reserves the right to carry out more detailed assessments once the structured information collection systems for assessing counterparty vulnerability against physical risks have been identified;
- moderate sensitivity to transition risk factors caused by the concentration in sectors in which decarbonisation regulations could significantly impact the profitability of counterparties (for instance: automotive or oil & gas sectors).

During 2024, Banca UBAE will expand the analysis of risk exposure towards credit counterparties, also integrating social and governance risks; furthermore, it will integrate its risk management models by identifying specific KPIs and KRIs, which will then be integrated into the Risk Appetite Framework.

Organizational system, operational processes and training area

As part of defining the organizational system, the Board of Directors, with reference to interventions on the organization and operational processes in the face of climate and environmental risks, the Bank has opted for a "decentralized" governance approach, identifying the Risk and Sustainability Committee (managerial committee) as the structure responsible for monitoring climate and environmental risks, reporting to the Audit & Risk and Sustainability Committee (advisory committee) as well as the Board of Directors.

As part of the corporate risk management activity, and working to integrate environmental factors into the activities themselves, the Risks and Sustainability Committee, together with the General Management, delegates specific responsibilities defined from time to time to the operational functions, and coordinates the activities.

Furthermore, the Bank is actively committed to reducing environmental impacts by optimizing the main consumption of energy, paper and water and their rationalisation, in order to limit emissions and ensure correct waste management.

For 2024, the Bank plans to carry out training courses on sustainability, in relation to integrating climate and environmental risks and with reference to the social and good governance components.

Market information framework

As part of external communication activities, the Bank is required to integrate the drivers identified for assessing climate and environmental risks and the metrics used to evaluate the strategic sustainability objectives, the internal organization and the risk management mechanisms of its disclosure to the market.

The Bank also plans to adapt its information taking into account the evolution of the regulatory framework regarding environmental sustainability and the development of new corporate practices.

In this sense, Banca UBAE plans to publish, during 2024, a document through which to communicate, in greater detail, the strategies adopted, the activities carried out and the results achieved.

RECLASSIFIED BALANCE SHEET

EUR/000

	Balance as at:		Change	
	31.12.2023	31.12.2022	Amount	%
ASSETS				
Cash and cash equivalents	168,559	138,714	29,845	21.52
Loans and advances				
- to customers	464,304	427,008	37,296	8.73
- to banks	387,413	281,436	105,977	37.66
Financial assets held for trading	4,989	6,338	(1,349)	(21.28)
Fixed assets				
- financial [1]	1,009,830	722,007	287,823	39.86
- tangible	20,707	20,549	158	0.77
- intangible	391	251	140	55.78
Other assets [2]	47,011	42,479	4,532	10.67
Total assets	**2,103,204**	**1,638,782**	**464,422**	**28.34**
LIABILITIES				
Accounts payable				
- to customers	646,318	144,441	501,877	347.46
- to banks	1,152,899	1,253,506	(100,607)	(8.03)
Earmarked provisions [3]	51	82	(31)	(37.80)
Hedging Derivaties	12,702	47	12,655	n/a
Financial liabilities held for trading	18,672	13,616	5,056	37.13
Other liabilities [4]	50,243	28,419	21,824	76.79
Shareholders' equity				
- Capital and reserves	198,493	186,919	11,574	6.19
- Net profit (Loss) for the year	23,826	11,752	12,074	102.74
Total liabilities	**2,103,204**	**1,638,782**	**464,422**	**28.34**

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	
	31.12.2023	31.12.2022	Amount	%
Net interest income	29,688	27,237	2,451	9.00
Net non-interest income [1]	15,029	25,149	(10,120)	(40.24)
Gross operating income	**44,717**	**52,386**	**(7,669)**	**(14.64)**
Personnel expenses	(18,381)	(16,276)	(2,105)	12.93
Administration expenses and other operating expenses/income	(5,226)	(10,244)	5,018	(48.98)
Gross operating result	**21,110**	**25,866**	**(4,756)**	**(18.39)**
Net adjustments to tangible and intangible fixed assets	(1,323)	(1,188)	(135)	11.36
Provisioning, write-downs and write-ups [2]	327	(15,505)	15,832	n.a.
Pre-tax profit (Loss) from continuing operations	**20,114**	**9,173**	**10,941**	**119.27**
Income tax for the yeas	3,712	2,579		
Net profit (Loss) from continuing operations	**23,826**	**11,752**	**12,074**	**102.74**
Net profit (Loss) for the year	**23,826**	**11,752**	**12,074**	**102.74**

Inclusive:
[1] of net commissions, dividends and net income from trading and hedging gains (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 investigation, granting, managing and control process is based on involving the Bank's entire organizational structure at various levels, so as to ensure prompt and effective responses to customer needs with a logic of appropriate risk management.

This process underwent updating during the year 2023 for the purpose of adapting the process to the relevant regulatory changes and operational efficiency.

From a credit quality point of view, Banca UBAE's loan portfolio continued to confirm its stability.

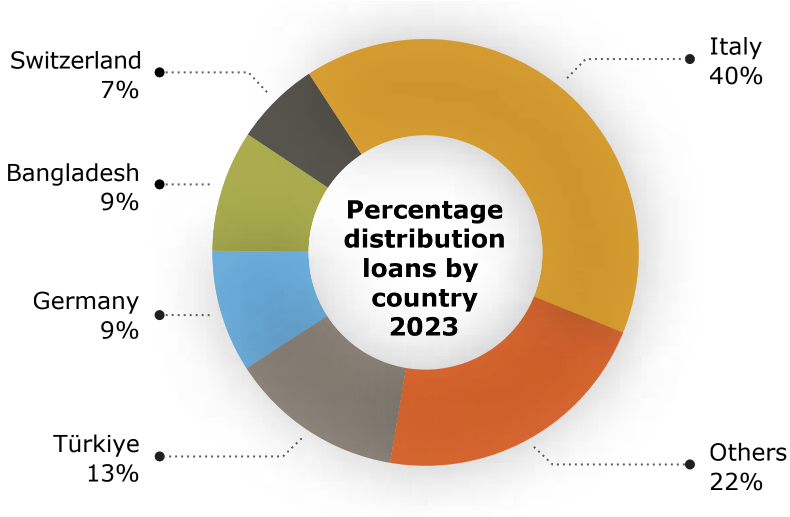
The careful credit granting policies adopted starting in recent years, supported by adequate monitoring, lead us to expect a reduced impact on the credit quality of the portfolio resulting, in particular, from a possible worsening of the social and economic context.

The table below shows the amounts of receivables at the end of the year:

EUR/000

	Balance as at:		Variation	
	31.12.2023	31.12.2022	Amount	%
Loans and advances to customers:				
In euros	382,847	317,765	65,082	20.48
In other currencies	81,457	109,244	(27,786)	(25.44)
Loans and advances to banks:				
In euros	74,299	55,768	18,531	33.23
In other currencies	313,114	293,636	19,477	6.63
Total	**851,717**	**776,413**	**75,304**	**9.70**

Below is the graphical representation by country of the loans granted by the Bank as of 31 December 2023:



During the 2023 financial year, the Bank continued to support commercial action through the credit risk diversification policy.

The prevailing nature of the operations carried out by the Bank was confirmed to be that of financial support to Italian and foreign operators for their trade finance activities conducted with core business countries.

The factoring activity was also, according to forecasts, subject to consolidation, reaching satisfactory levels of exposure at the end of the financial year.

In terms of loans to customers, which stood at circa 464 million euros at 31 December 2023, with an increase of approximately 8.73% on the equivalent figure for 2022; this increase was the effect of the commercial strategies implemented and of a more general recovery in international trade flows.

Thanks to the high liquidity present on the financial markets, loans to banks at the end of the year stood at circa 387.3 million euros (+10.88%), with an average annual level higher than that of the previous period.

The Bank continued its credit risk diversification policy, with the aim of respecting the concentration limits set by the legislation on large exposures as well as to protect current and future profitability.

Activities in securities and derivatives

The consistency of financial assets including securities and minority interests in equity investments stood at 1,013.7 million euros and represents, compared to the previous year, a net increase of 285.5 million euros.

This change was in particular a consequence of the increase in financial assets allocated to the investment securities portfolio (HTC).

This portfolio, made up mainly of securities issued by the Italian State, responds to the dual objective of supporting the interest margin in a market context characterized by high inflation and volatility, and of supporting the Bank's liquidity profile.

The Bank, in line with its strategic aims, has used short, medium and long-term derivative instruments in order to hedge (fair value hedging) against the risk of interest rate volatility.

As of 31 December 2023, the nominal value of the securities in the HTC&S portfolio amounted to circa 13.7 million euros (compared to 4.3 million euros as of 31 December 2022), while the securities portfolio at amortized cost (HTC) is increasing compared to that of the last financial year and stands at 995 million euros.

The policy followed by the Bank was to continuously maintain the stock of High Quality Liquid Assets (HQLA) at adequate levels, in order to easily comply with the short-term coverage indicator (Liquidity Coverage Ratio) required by current legislation.

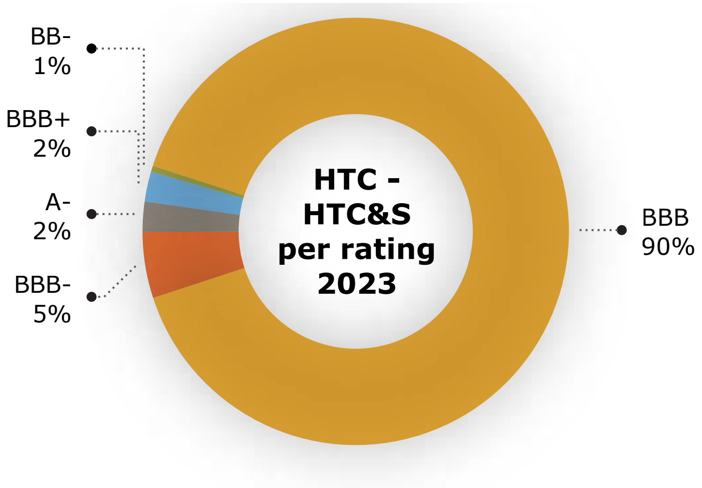
As of 31 December 2023, the Bank has outstanding guarantee operations with the Euro-system for approximately 513 million euros of proprietary securities, for open market operations (see explanatory note, section B - other information - table 2 assets set up as collateral for own liabilities and commitments).

The following table shows the portfolio composition of financial assets held:

EUR/000

	Balance as at:		Variation	
	31.12.2023	31.12.2022	Amount	%
Financial assets				
Assets held for trading	4,989	6,338	(1,349)	(21.28)
Liabilities held for trading	(51)	(82)	31	(37.80)
Assets HTC&S	13,773	4,302	9,471	220.15
Assets HTC	995,039	717,705	277,334	38.64
Total	**1,013,750**	**728,263**	**285,487**	**39.20**

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



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

	31.12.2023			
	Gross Exposure	Write-downs	Net Exposure	Coverage %
Impaired assets	159,218	(105,239)	53,980	66.1%
Bad debts	80,535	(74,363)	6,172	92.3%
Probable impairments	78,683	(30,876)	47,808	39.2%
Non Impaired assets	2,828,702	(6,004)	2,822,698	0.2%
Cash and non cash assets (deposits excluded)	2,987,920	(111,242)	2,876,678	3.7%

EUR/000

	31.12.2022			
	Gross Exposure	Write-downs	Net Exposure	Coverage %
Impaired assets	184,311	(119,327)	64,984	64.7%
Bad debts	30,580	(28,819)	1,760	94.2%
Probable impairments	153,731	(90,508)	63,223	58.9%
Non Impaired assets	2,168,242	(6,925)	2,161,317	0.3%
Cash and non cash assets (deposits excluded)	2,352,553	(126,252)	2,226,301	5.4%

Managing impaired loans implies, depending on the case, taking suitable steps to bring back into performing mode the exposures that have begun to show problems of irregular payments rather than interventions aimed at prompt recovery, if necessary even partial, of the exposures themselves.

In both cases, mitigating the expected negative effects on the income statement as well as on the NPL ratio represents the primary objective of the actions to be implemented.

The overall level of impaired loans, gross of value adjustments on loans, amounted to 159 million euros at the end of 2023, a decrease of approximately 25 million euros compared to the figures for the previous year.

This decrease represents the combined effect of recoveries on existing positions, cancellations and, to a lesser extent, new reclassifications.

As a result of this combination of factors, a recovery of circa 4 million euros was recorded in the balance sheet deriving from write-backs on previous write-downs and coverage of potential losses on loans to customers and on securities classified as impaired.

As part of the 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 portfolio), accounted for in compliance with the provisions of the IFRS9 standard, write-backs were recorded for a total value of circa 0.9 million euros.

The ratio between gross bad debts and loans (cash and signature) is equal to 2.74% (previously 1.33%), while that between bad loans net of write-downs and loans is equal to 0.22% (formerly 0.09%).

The ratio between gross impaired loans and gross loans to customers (NPL ratio) went from 8.5% to 5.2%, while the overall coverage percentage of impaired loans moved from 64.7% to 66.1%, the latter in line with the evidence relating to the Italian banking sector.

In particular, the NPL ratio at the end of the year was well below that envisaged by the activation threshold for the recovery plan, as approved by the Bank's Board of Directors and communicated to Banca d'Italia.

A summary of the Bank's impaired loan, both by cash and by signature, is shown in the table below:

Hedging of credits by status	31.12.2023	31.12.2022	31.12.2021
Bad debts	92.34%	94.24%	93.51%
Probable impairments	61.97%	61.97%	52.96%
Overall impairments	66.10%	64.74%	60.92%
"In bonis"	0.21%	0.32%	0.60%
Overall of credits	3.78%	5.50%	4.70%
Percentage composition of credits towards customers (cash and signature)	**31.12.2023**	**31.12.2022**	**31.12.2021**
Credits "in bonis"	99.79%	99.68%	99.67%
Impaired credits:	1.91%	3.00%	2.78%
- Bad debits	0.22%	0.08%	0.09%
- Probable impairments	**1.69%**	**2.92%**	**1.99%**
Risk ratios	**31.12.2023**	**31.12.2022**	**31.12.2021**
Gross impaired credits/gross credits	5.63%	8.50%	6.79%
Gross bad debts/gross credits	2.74%	1.33%	1.33%
Net impaired credits/net credits	1.91%	3.00%	2.78%
Net bad debts/net credits	0.22%	0.08%	0.09%
Texas ratio	**31.12.2023**	**31.12.2022**	**31.12.2021**
Impaired credits/Shareholders' equity	25.06%	32.71%	35.03%

Debts

Eur/000

	Balance as at:		Variation	
	31.12.2023	31.12.2022	Amount	%
Payable to customers				
In euros	582,789	98,126	484,663	493.92
In other currencies	63,529	46,315	17,214	37.17
Payable to banks				
In euros	657,476	613,426	44,050	7.18
In other currencies	495,439	640,080	(144,642)	(22.60)
Total	**1,799,233**	**1,397,947**	**401,286**	**28.71**

Payables to banks and customers are shown in the balance sheet, as per current legislation, at amortized cost.

The table above shows the amounts and changes in collections in euros and currencies from customers and correspondent banks.

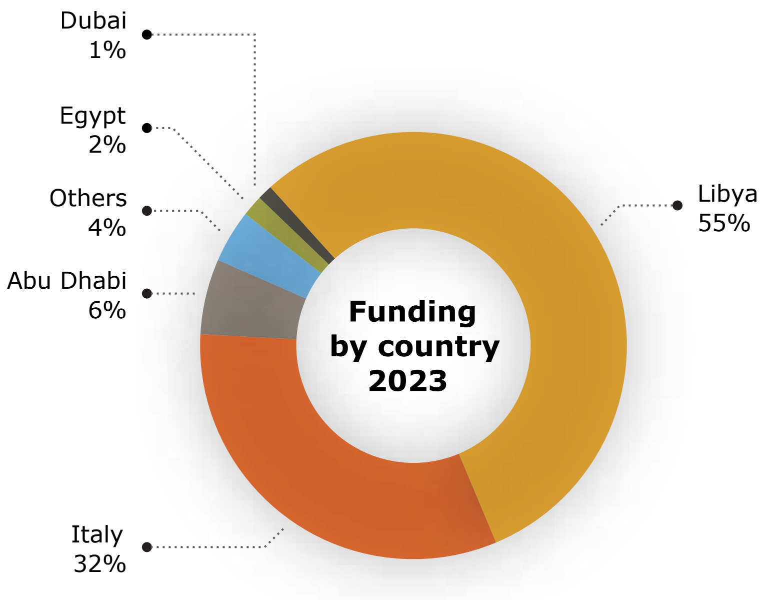
Overall collection remained at adequate levels during the year to support investments and loans, in terms of amount and duration; as at 31 December, collection amounted to 1.8 billion euros, with a significant increase of 28.7% compared to the previous year.

During 2023, collections from banking counterparties overall showed a decline compared to the previous year as regards the currency component (USD), while an increase of 7% was recorded as regards the component in euros.

Funding from corporate customers - both in foreign currency and in euros - marked a clear increase compared to the previous year.

In particular, funding in euros was favourably conditioned by open market operations (REPO) carried out by the Bank also with the aim of diversifying funding sources.

The following graph shows the collection distribution by country.



Assets

Net assets is a basic element for evaluating the solidity of a financial broker, from the viewpoint of the Supervisory Body and that of the Rating Agencies, as well as for any other stakeholder, since it is useful for establishing the expected stability in the short/medium/long period, and for measuring all the various risk components (concentration, commitment limits, etc).

The table below shows the changes that have taken place in the Bank's assets:

EUR/000

	Capital	Share premium	Reserves	Net profit	Total
31.12.2022	**261,186**	**870**	**(75,137)**	**11,752**	**198,671**
Appropriation of profit:					
Reserves			11,752	(11,752)	
Dividends					
Other reserves					
Valuation reserve			(178)		**(178)**
Net profit				23,826	**23,826**
31.12.2023	**261,186**	**870**	**(63,563)**	**23,826**	**222,319**

Net assets, including valuation reserves and results for the period at 31 December 2023, amounted to circa 223 million euros and showed an increase compared to that of the previous financial year (198 million euros), due to the calculation of the operating profit.

The Shareholders' Ordinary Meeting, while approving the balance sheet 2022, resolved to allocate the entire profit to a reserve.

At the end of the 2023 financial year, Banca UBAE had a Cet1/Tier1 and Total Capital Ratio of 18.02% (compared to 19.08% as of 31 December 2022).

Furthermore, following the prudential review and evaluation process carried out by Banca d'Italia (SREP), as of 31 December 2023, the OCR values stood at the following levels:

Coefficient of:	31.12.2023	Limit expected by Banca d'italia
Cet 1	**18.02%**	8.75%
Class 1	**18.02%**	10.84%
Total Capital	**18.02%**	13.62%

Up until 31 December 2022, the Bank had made use of the Own Funds calculation option according to the IFRS9 principle, introduced on a transitional basis by the European authorities in response to the Covid pandemic crisis.

This methodology, during 2022, had a positive impact on Own Funds amounting to 13 million euros.

Furthermore, when approving the financial statements, the Bank allocated the tax deriving from law no. 136 of 9 October 2023 to a non-distributable net equity reserve which introduced an extraordinary tax for banks calculated on the increase in the interest margin.

This provision, currently in force only for the year 2024, provides for the application of the 40% rate to the tax base consisting of the amount of the interest margin (item 30 of the income statement) relating to the financial year prior to the one as of 1 January 2024, which exceeds the same margin in the financial year prior to the one in progress as of 1 January 2022 by at least 10%.

The amount of the new tax cannot, in any case, be higher than 0.26% of the overall amount of exposure to country risk on an individual basis with reference to the closing date of the financial year prior to the one in progress on 1 January 2023.

The legislator has established that this tax can be paid in two alternative ways: the payment of the tax due by 30 June 2024 or the allocation of a non-distributable reserve of net worth of no less than two and a half times the amount of the extraordinary tax due.

For further information regarding the establishment of the aforesaid reserve, please refer to the paragraph "tax on extra profits" explanatory notes, part A - accounting policies.

Stocks and shares

The Bank's share capital at 31 December 2023 amounted to 261,185,870 million euros, subdivided into 2,374,417 ordinary shares each worth 110 euros.

COMMENT ON ECONOMIC DATA

Interest margins

EUR/000

	Balance as at:		Variation	
	31.12.2023	31.12.2022	Amount	%
10. Interest income and related revenue	81,905	45,488	36,417	80.06
20. Interest charges	(52,217)	(18,251)	(33,966)	186.10
Net interest income	**29,688**	**27,237**	**2,451**	**9.00**

The net interest margins rose by 9% circa to 29.7 million euros (compared to 27.2 million euros in the previous financial year).

The 2023 result, in addition to strengthening commercial activities in the Bank's traditional core sectors, was also the effect of the Bank's careful and appropriate positioning with respect to the expectations of the interest rate and exchange rate markets.

This approach has enabled the Bank to achieve satisfactory results, especially considering the capital availability and the related limits set by external and internal regulations in terms of liquidity, maturity transformation and portfolio diversification.

BROKERAGE AND OTHER INCOME

Income from financial brokerage is made up as follows:

EUR/000

	Balance as at:		Variation	
	31.12.2023	31.12.2022	Ass.	%
30. Dividends and other proceeds		1		
40. Commissions received	17,515	16,485	1,030	6.25
50. Commissions paid	(2,555)	(2,414)	(141)	5.84
Net commissions	**14,960**	**14,071**	**889**	**6.32**
80. Profits (Losses) on trading	74	10,967	(10,893)	(99.33)
90. Fair value adjustments in hedge accounting	887	(61)	948	
100. Profits (losses) on disposal or repurchase HTC&S	(892)	171	(1,063)	n.a.
Net non-interest income	**15,029**	**25,149**	**10,120**	**40.24**

Brokerage and other income decreased by 40.24% compared to the previous year, with a decrease from 25.1 million euros to 15 million euros.

In particular, net commissions stood at circa 15 million euros, with an increase of 6.3% compared to 14 million euros during the previous year, as the effect of a recovered stabilization of the volumes of letters of credit and letters of guarantee brokered, despite an economic context marked by strong uncertainty.

The result of trading activities stood at circa 0.1 million euros compared to the result of circa 11 million euros last year, the latter being the result of exceptional and non-recurring effects linked to derivatives.

Compared to the previous year, the result deriving from the activities of the Finance Division was worthy of note in the field of "hedging" interest rate and exchange rate risk, which generated an income of circa 0.8 million euros (with respect to 0.1 million euros of losses in 2022).

ADMINISTRATIVE EXPENSES AND OTHER OPERATING INCOME AND EXPENSES

EUR/000

	Balance as at:		Variation	
	31.12.2023	31.12.2022	Amount	%
a) Personnel expenses				
Wages and salaries	(10,976)	(10,066)	(910)	9.04
Social security contributions	(2,742)	(2,555)	(187)	7.32
Staff severance payments	(625)	(626)	1	(0.16)
Other expenses	(1,397)	(948)	(449)	47.42
Total employee expenses	**(15,740)**	**(14,194)**	**(1,546)**	**10.89**
Administrators	(2,364)	(1,845)	(519)	28.15
Statutory auditors	(114)	(97)	(18)	18.25
Non-staff associates	(163)	(141)	(22)	15.68
Total personnel expenses	**(18,381)**	**(16,276)**	**(2,105)**	**12.93**
b) Other administration expenses	**(10,375)**	**(10,625)**	**249**	**(2.35)**
c) Other operating expenses/income	**5,149**	**381**	**4,768**	**n.a.**
Other administrative expenses and operating income/expenses	**(23,607)**	**(26,520)**	**2,913**	**(10.98)**

Administrative expenses and other operating income and expenditure decreased by 10.7% compared to the previous year, moving from circa 26.5 million euros to circa 23.6 million euros.

Personnel expenses item, amounting to circa 18.3 million euros, was higher (+12.93%) than the value of the previous year due to the overall effect of the efficiency improvement of the organizational structure, the allocation of the bonus due to the staff and the Board members in light of the excellent results achieved by the Bank, in compliance with current remuneration policies, as well as the salary increase connected to renewing the national banking contract.

Other administrative expenses stood at 10.2 million euros (previously 10.6 million euros).

This result included the cost relating to the mandatory (ordinary) contribution of 0.8 million euros (previously 1.1 million euros) in favour of the Single Resolution Fund.

The figure for administrative expenses, substantially in line with that of the previous year net of its extraordinary components, reflects the commitment that the Bank continues to place towards their containment, without compromising operational and organizational efficiency.

The result achieved by other operating income/expenses was excellent, which stood at 4 million euros as a consequence of efficient work aimed at recovering costs and provisions made in the past and whose use - following careful examination - is no longer reasonably expected.

The efficiency index (cost/income ratio) stood at 64.81%, with values in line with those of comparable Italian and foreign banks.

FORMATION OF THE OPERATING PROFIT

EUR/000

	Balance as at:				Variation	
	31.12.2023		31.12.2022		Ass.	%
Gross operating profit		**21,110**		**25,866**	**(4,756)**	**n.a.**
Net adjustments to tangible and intangible fixed assets		(1,323)		(1,188)	(135)	11.36
Net impairment adjustments:						
To loans	8,017		(12,549)			
To financial assets available for sale	52		(71)			
To financial assets held to maturity						
To other financial operations	(4,081)		(2,592)			
Net provisioning for risks and charges	(3,661)		(293)			
Total		**327**		**(15,505)**	**15,832**	**(102.11)**
Profit (Loss) before tax		**20,114**		**9,173**	**10,941**	**119.27**
Income tax for the year		3,712		2,579		
Net profit (loss)		**23,826**		**11,752**	**12,074**	**102.74**

Comparison with the respective closing dates highlights an extremely positive 2023 result of **23.8 million euros**, compared to a profit of circa 11.8 million euros in the previous year.

This result confirms the solidity achieved over time by the Bank's characteristic activity and the gradual improvement of all the fundamental elements.

In addition, the Bank has included, for the first time, about Euro **7.6 million** in "Deferred tax assets" in the item "Income tax for the year and taxes", which more than offset the tax burden for the year of **Euro 3.9 million**.

This recognition (in any case partial compared to the total amount available of about €18 million) was possible, following the recent approval of the Business Plan for the three-year period 2024-2026, as it was verified that all the requirements for their recognition in the financial statements were met.

For further information on the data shown above, please refer to notes on the Financial Statements, part c) information on the Income Statement.

SIGNIFICANT EVENTS OCCURRING AFTER CLOSING THE FINANCIAL YEAR

The Libyan Foreign Bank renewed the two security agreements for a two-year period, in January 2024, for a value of 100 million euros and USD 300 million respectively, to guarantee operations with it and with other banks and group companies.

These tools provide the Bank with the possibility of welcoming larger levels of business, in full compliance with the stringent regulations in force.

As of 15 January 2020, the Revenue Agency had started, for the 2017 tax year, a tax audit for IRES, IRAP, VAT for the purpose of assessing withholdings.

Following the pandemic and the extraordinary restrictive measures adopted by the government, the officials in charge interrupted the assessment activities, which were resumed on 25 January 2023 and concluded with the issuing of the Verbal Assessment Process (PVC) dated 15 June 2023.

The Bank, with the support of its tax consultants, has initiated various discussions with the Regional Revenue Directorate requesting - with a specific note - the formulation of an assessment proposal for the purposes of possible definition (pursuant to article 6, paragraph 1, of legislative decree no. 218/1997).

At the end of the process, the bank and the Tax Agency arrived at an agreement to regularize the findings made through the payment (made in March c.a.) of a balance and write-off amount and the recognition of tax credits for future compensation.

The methods of closing the dispute did not lead to additional income statement effects compared to what was already prudentially allocated in the financial statements closed on 31 December 2023.

- **The Bank does not conduct activities of research and development.**
- **The Bank does not hold any of its own shares in its portfolio.**
- **Information regarding rapports with related parties are shown in section "H" of the explanatory note.**

THE PREDICTABLE EVOLUTION OF MANAGEMENT

In recent years, the Bank has started an extensive process of reviewing its strategies and management methods aimed at developing commercial activity in a context of optimizing the logic of capital allocation, risk control and operational efficiency.

This action, the result of strategic and managerial decisions, has gradually placed the Bank in the position of being able to achieve the objectives set from time to time with a degree of certainty, even in a context of very complex and volatile domestic and international markets.

In this context, the Bank has defined the new 2024-2026 Business Plan basing it, in particular with regard to the 2024 financial year, on the substantial confirmation of the strategies and the continuity of the actions to be undertaken, also in consideration of the expectations - economic and otherwise - on the reference markets.

The role of Banca UBAE as a privileged partner for companies and financial institutions that want to start or expand commercial, industrial, financial and economic relations between Europe and the countries of North and Central Africa and the Middle East (MENA), is therefore confirmed, also for the future.

The main hypotheses adopted in the aforesaid Business Plan are based on a somewhat conservative approach, which takes into due consideration all the current elements of international uncertainty (Russia-Ukraine war, Middle Eastern conflict, very limited economic growth forecasts, etc).

It is not the Bank's purpose - in such an uncertain context - to expand its commercial activity with new markets and/or with new products, but rather to further improve the level of services provided to its customers and to increase future returns of their uses, especially in the commercial sector. The maintenance of an efficient and effective risk control system and the desire to further develop trade finance activity constitute two further cornerstones of the plan.

The aims of the Finance Division for the year 2024 are to pursue the logic of further diversification of funding sources, to increase the size of the investment portfolio with particular attention to the allocation of regulatory capital as well as to strengthen the interest margin, in a business context still characterized by profound uncertainties.

PROPOSAL TO SHAREHOLDERS

Approval of the financial statements at 31 December 2023 and the allocation of the profit for the year.

To all Shareholders,

- having examined the Bank's draft financial statements closed on 31 December 2023;
- having viewed the Board of Directors' Management Report;
- bearing in mind the amount of capital resources available at 31 December 2023;

WE PROPOSE

- to approve the financial statements of Banca UBAE at 31 December 2023, accompanied by the Directors' Management Report, which shows a profit for the year of **Euro 23,826,408**;
- to approve the proposal to allocate 5%, equal to **Euro 1,191,321** to the Legal Reserve (Article 30 letter A of the Articles of Association) and the remainder, equal to **Euro 22,635,087**, allocated as follows:
  a. "surplus of previous profits" amounting to **Euro 15,600,934**
  b. Reserve as per Art. 26 DL 104 /2023 (extra-profits tax) in the amount of **Euro 7,034,153**.

Following this decision, the total assets of the Bank as at 31 December 2023 will amount to Euro 222,319,228 divided as follows:

- Share Capital	Euro	261,185,870
- Legal Reserve	Euro	15,342,659
- 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	1,161,468
- Previous Years' Losses	Euro	(83,911,066)
- Reserves ex art 26 DL 104/2023 ("extra-profits tax)	Euro	7,034,153
- Profit for the year surplus	Euro	28,088,477
	Euro	**222,319,228**

Rome, 27 March 2024 **THE CHAIRMAN**

Milan Branch

FINANCIAL STATEMENTS 2023

(amounts in euros)

BALANCE SHEET: ASSETS

	Items	31.12.2023	31.12.2022
10	Cash and cash equivalents	168,559,454	138,713,795
20	Financial assets measured at fair value through profit or loss	4,988,896	6,338,405
	a) financial assets held for trading	4,988,896	6,338,405
30	Financial assets measured at fair value through other comprehensive income	13,773,182	4,301,904
40	Financial assets measured at amortised cost	1,846,755,854	1,426,149,134
	a) due from banks	387,412,734	314,307,654
	b) loans to customers	1,459,343,120	1,111,841,480
50	Hedging derivatives	1,018,539	
80	Property and equipment	20,707,118	20,549,324
90	Intangible assets	390,548	251,035
100	Tax assets	24,551,685	16,276,249
	a) current	5,430,755	4,834,100
	b) deferred	19,120,930	11,442,149
120	Other assets	22,458,761	26,202,495
Total assets		**2,103,204,037**	**1,638,782,341**

BALANCE SHEET: LIABILITIES AND SHAREHOLDERS' EQUITY

	Items	31.12.2023	31.12.2022
10	Financial liabilities measured at amortised cost	1,799,216,883	1,397,946,997
	a) due to banks	1,152,898,702	1,253,506,124
	b) due to customers	646,318,181	144,440,873
20	Financial liabilities held for trading	50,451	82,535
40	Hedging derivatives	12,702,260	46,772
60	Tax liabilities	5,656,232	3,117,864
	a) current	5,013,509	2,393,631
	b) deferred	642,723	724,233
80	Other liabilities	44,587,205	25,300,711
90	Employee termination indemnities	516,875	497,300
100	Allowances for risks and charges	18,154,903	13,118,532
	a) commitments and guarantees given	10,600,662	6,520,018
	c) other allowances for risks and charges	7,554,241	6,598,514
110	Valuation reserves	1,161,468	1,340,278
140	Reserves	(64,724,744)	(76,476,796)
150	Share premium reserve	870,226	870,226
160	Share capital	261,185,870	261,185,870
180	Net income (loss) (+/-)	23,826,408	11,752,052
Total liabilities and shareholders' equity		**2,103,204,037**	**1,638,782,341**

INCOME STATEMENT

	Items	31.12.2023	31.12.2022
10	Interest and similar income	81,905,100	45,487,315
	of which: interest income calculated using the effective interest rate method	80,935,416	45,132,329
20	Interest and similar expense	(52,217,096)	(18,250,623)
30	**Interest margin**	**29,688,004**	**27,236,692**
40	Fee and commission income	17,514,909	16,483,907
50	Fee and commission expense	(2,554,580)	(2,413,546)
60	**Net fee and commission income**	**14,960,329**	**14,070,361**
70	Dividend and similar income		1,188
80	Profits (Losses) on trading	73,937	10,967,272
90	Fair value adjustments in hedge accounting	886,421	(60,571)
100	Profits (Losses) on disposal or repurchase of:	(891,475)	170,823
	a) financial assets measured at amortised cost	(1,579,827)	
	b) financial assets measured at fair value through other comprehensive income	688,352	170,823
120	**Net interest and other banking income**	**44,717,216**	**52,385,765**
130	Net losses/recoveries for credit risks associated with:	8,069,318	(12,620,336)
	a) financial assets measured at amortised cost	8,017,241	(12,548,863)
	b) financial assets measured at fair value through other comprehensive income	52,077	(71,473)
150	**Net income from banking activities**	**52,786,534**	**39,765,429**
160	Administrative expenses:	(28,756,318)	(26,900,900)
	a) personnel expenses	(18,381,150)	(16,276,384)
	b) other administrative expenses	(10,375,168)	(10,624,516)
170	Net provisions for risks and charges	(7,742,156)	(2,885,252)
	a) commitments and guarantees given	(4,080,644)	(2,592,380)
	b) other net provisions	(3,661,512)	(292,872)
180	Net adjustments to/recoveries on property and equipment	(1,189,315)	(1,080,693)
190	Net adjustments to/recoveries on intangible assets	(134,299)	(106,517)
200	Other operating expenses (income)	5,149,374	380,925
210	**Operating expenses**	**(32,672,714)**	**(30,592,437)**
260	**Income (Loss) before tax from continuing operations**	**20,113,820**	**9,172,992**
270	Taxes on income from continuing operations	3,712,588	2,579,060
280	**Income (Loss) after tax from continuing operations**	**23,826,408**	**11,752,052**
300	**Net income (Loss)**	**23,826,408**	**11,752,052**

STATEMENT OF COMPREHENSIVE INCOME

	Items	31.12.2023	31.12.2022
10	**Net income (Loss)**	**23,826,408**	**11,752,052**
	Other comprehensive income (net of tax) that may not be reclassified to the income statement		
70	Defined benefit plans	(13,843)	82,132
	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	(164,967)	605,846
170	**Total other comprehensive income (net of tax)**	**(178,810)**	**687,978**
180	**Total comprehensive income (Captions 10+170)**	**23,647,598**	**12,440,030**

STATEMENT OF CHANGES IN EQUITY 01.01.2023 - 31.12.2023

	Balance as at 31.12.2022	Change in opening balance	Balances as at 01.01.2023	Allocation of profit from previous year		Intervening variations								Shareholders' equity as at 2023
							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 2023	
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	(82,518,337)		(82,518,337)	11,752,052										(70,766,285)
Revaluation reserves	1,340,278		1,340,278										(178,810)	1,161,468
Capital instrument														
Treasury stock														
Net profit for the year	11,752,052		11,752,052	(11,752,052)									23,826,408	23,826,408
Shareholders' equity	**198,671,630**		**198,671,630**										**23,647,598**	**222,319,228**

STATEMENT OF CHANGES IN EQUITY 01.01.2022 - 31.12.2022

				Allocation of profit/loss from previous year			Changes to equity							
	Balance as at 31.12.2021	Change in opening balance	Balance as at 01.01.2022	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 2022	Shareholders' equity as at 2022
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	(83,911,066)		(83,911,066)	1,392,729										(82,518,337)
Revaluation reserves	652,300		652,300										687,978	1,340,278
Capital instrument														
Treasury stock														
Net profit for the year	1,392,729		1,392,729	(1,392,729)									11,752,052	11,752,052
Shareholders' equity	**186,231,600**		**186,231,600**										**12,440,030**	**198,671,630**

CASH FLOW STATEMENT

Indirect method	31.12.2023	31.12.2022
A) OPERATING ACTIVITIES		
1) Operations	**16,201,197**	**4,769,968**
- profit (loss) for the period (+/-)	23,826,408	11,752,052
- net impairment adjustments (+/-)	(8,069,318)	12,620,336
- net impairment losses/reversals on property, plant and equipment and intangible assets (+/-)	1,323,614	1,187,210
- net allocations to provisions for risks and charges and other expenses/income (+/-)	5,036,371	(5,419,919)
- unpaid taxes, duties and tax credits (+/-)	(5,737,068)	(16,057,689)
- other assets (+/-)	(178,810)	687,978
2) Liquidity generated (absorbed) by financial assets	**(417,933,976)**	**(80,067,872)**
- financial assets held for trading	1,349,509	11,015,028
- financial assets at fair value through other comprehensive income	(9,471,278)	(606,909)
- financial assets measured at amortised cost	(412,537,402)	(86,169,928)
- other liabilities	2,725,195	(4,306,063)
3) Liquidity generated (absorbed) by financial liabilities	**433,199,359**	**(71,327,660)**
- financial liabilities measured at amortised cost	401,269,886	(82,266,759)
- financial liabilities held for trading	(32,084)	(1,720,793)
- other liabilities	31,961,557	12,659,892
Net liquidity generated (absorbed) by operating activities	31,466,580	(146,625,564)
B) INVESTMENT/DIVESTMENT ACTIVITIES		
2) Liquidity absorbed by	**(1,620,921)**	**(572,607)**
- purchase of tangible fixed assets	(1,347,109)	(449,267)
- purchase of intangible fixed assets	(273,812)	(123,340)
Net liquidity generated (absorbed) by investment/divestment activities	(1,620,921)	(572,607)
C) FUNDING		
NET LIQUIDITY GENERATED (ABSORBED) DURING THE YEAR	**29,845,659**	**(147,198,171)**
Reconciliation	**31.12.2023**	**31.12.2022**
Cash and cash equivalents at start of year	**138,713,795**	**285,911,966**
Net liquidity generated/absorbed during the year	29,845,659	(147,198,171)
Cash and cash equivalents: effect of exchange rate variations		
Cash and cash equivalents at the year end	**168,559,454**	**138,713,795**

Boardroom, Rome

Meeting room - Milan branch

NOTES TO THE FINANCIAL STATEMENTS

PART A: ACCOUNTING POLICIES

A.1 - General Information

The financial statements of Banca UBAE for the year ended 31 December 2023, in application of legislative decree no. 38 dated 28 February 2005, were drawn up in compliance with international accounting standards (IAS) and international financial reporting standards (IFRS) - issued by the international accounting standards board (IASB) and the related interpretations of the international financial reporting and interpretations committee (IFRIC) approved by the European Commission and in force at the balance sheet reference date.

The application of IFRS was also carried out by referring to the "systematic framework for the preparation and submission of financial statements" (framework).

In addition to the instructions contained in Bank of Italy Circular No. 262 of December 22, 2005, "Bank Financial Statements: formats and compilation rules" 8th update of November 17, 2022, the Bank of Italy Communication of March 14, 2023 - Supplements to the provisions of Circular No. 262 "Bank Financial Statements: formats and compilation rules" dealing with the impacts of Covid-19 and measures to support the economy was also taken into account in terms of interpretation.

On 27 March 2024, the directors approved the draft financial statement, making it available to the shareholders within the terms established by article 2429 of the civil code.

This financial statement will be submitted for approval to the shareholders' meeting on 29 April 2024 (first call) and 10 May 2024 (second call) and will be filed within the deadlines set by article 2435 of the civil code.

The shareholders' meeting has the power to make changes to this budget.

For the purposes of the provisions of IAS 10.17, the date taken into consideration by the directors in drawing up the financial statements is 27 March 2024, the date of approval by the Board of Directors.

Section 1 - Compliance with international accounting standards

In accordance with the provisions of IAS 1 in paragraph 14, we certify that the financial statements of Banca UBAE as at 31 December 2023 comply with all IAS/IFRS international accounting standards, including the interpretative documents standing interpretations committee (SIC) and international financial reporting interpretations committee (IFRIC), in force on the date of approval of the financial statements and approved by the European Commission.

For the interpretation and application of the new international accounting standards, reference was also made to the systematic framework for preparing and submitting financial statements, issued by the IASB.

Section 2 - General drafting principles

The financial statements consist of the balance sheet, the income statement, the statement of overall profitability, the statement of changes in equity, the cash flow statement and this explanatory note, and is accompanied by the directors' report on the management performance and the corporate situation of Banca UBAE.

The balance sheet accounts correspond to the corporate accounting.

The financial statements are drawn up with a view to business continuity and with reference to the general drafting principles listed below:

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

In preparing the financial statements, we observed the formats and compilation rules referred to in Banca d'Italia circular no. 262 dated 22/12/2005, updated on 17 November 2022, as well as further requests for information and additions indicated in the subsequent clarifications by Banca d'Italia.

Furthermore, complementary information deemed appropriate to integrate the representation of financial statement data has been provided, even if not specifically required by law.

The balance sheet and income statement, 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, unless 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 report the data relating to the previous financial year.

Assets and liabilities, costs and revenues are not offset against 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.

The balance sheet, the income statement and the statement of comprehensive income do not indicate the accounts that do not present amounts either for the financial year to which the financial statement refers or for the previous one.

If an element of the assets or liabilities falls under more than one item of the balance sheet, its referability to items other than the one in which it is recorded is highlighted in the explanatory notes, if this is necessary for the purposes of understanding the financial statements.

In the income statement and in the relevant section of the explanatory notes, revenues are indicated without sign, while costs are indicated in brackets. In the statement of comprehensive profitability, negative amounts are indicated in brackets.

The explanatory notes do not set out the items and tables required by Bank of Italy 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 compared to those used for the previous year's financial statements.

Following international consultations between regulators, governments and bodies responsible for the preparation and interpretation of accounting rules, during the month of March 2009 the IASB approved an amendment to IFRS 7 in order to improve disclosure on the subject of fair value measurement and reinforce the previous disclosure requirements regarding liquidity risk associated with financial instruments.

This amendment takes the form of a brief summary, with reference:

- to the criteria for determining the fair value of financial instruments, the amendments introduce disclosure obligations, on the basis of what is already provided for in SFAS 157, in terms of a hierarchy of fair values on three levels determined on the basis of the significance of the inputs to the measurements;
- for liquidity risk, a new definition of the same is introduced (as the risk that an entity has difficulty in fulfilling the obligations associated with financial liabilities that are settled through the delivery of cash or other financial assets) as well as broader disclosure also provided of a quantitative nature on the method of managing the liquidity of derivative instruments.

The main innovation referred to in the amendment to IFRS 7 is the introduction of the concept of fair value hierarchy (hereinafter also FVH) divided into three different levels (level 1, level 2 and level 3), in decreasing order of the observable inputs used to estimate the fair value.

For criteria to determine fair value, reference is made to the indications in the specific notes relating to the following section 4.

Section 3 - Events subsequent to the balance sheet reference date

With reference to events subsequent to the balance sheet reference date, see the paragraph on significant events occurring after the end of the financial year.

Information on business continuity

Regarding the prospect of business continuity, it should be noted that, in compliance with the indications provided in document no. 4 dated 3 March 2010 issued jointly by Banca d'Italia, Consob and Isvap, having as its object "information to be provided in financial reports on checks for the reduction in value of assets (impairment test)" on the contractual clauses of financial debts, on debt restructuring and on the "fair value hierarchy" which refers to the corresponding document no. 2 issued jointly by the three authorities on 6 February 2009, the Bank has the reasonable expectation of continuing its operational existence in the foreseeable future and has, therefore, drawn up the financial statements on the assumption of business continuity.

More detailed information regarding the main problems and variables existing on the market is published within the directors' management report.

Section 4 - Other aspects

In accordance with Articles 14 and 16 of Legislative Decree No. 39 of January 27, 2010, the Financial Statements are audited by KPMG S.p.A., which was appointed for the period 2021-2029 by the Shareholders' Meeting of May 18, 2021. The annual fee set at the time of the appointment is 98.6 thousand euros plus VAT.

4.1 Changes to the accounting rules published by the European Commission

The table below shows the international accounting standards or the amendments to existing accounting standards, with the related approval regulations by the European Commission, which came into force and are applicable, on a mandatory basis or with the possibility of early application, starting from 1 January 2023:

RATIFYING REGULATION	IAS/IFRS and BRIEF DESCRIPTION	DATE OF APPLICATION
2036/2021	**IFRS 17 Insurance contracts** The standard sets out to improve the investors' understanding of the insurer's risk exposure, profitability and financial position. On 25 June 2020 the IASB published the following changes to the international accounting standard IFRS 17: ▪ reducing costs by simplifying some requirements of accounting standards; ▪ simplifying communications regarding financial services; ▪ postponing the standard's date of entry into force until 2023.	First financial year starting with 1 January 2023 or subsequently.
357/2022	**Changes to IAS 1** Submitting balance sheets - information on accounting standards. Changes to IAS 1 set out to improve disclosures of accounting policies and require companies to provide information on accounting standards deemed relevant to their balance sheets.	First financial year starting with 1 January 2023 or subsequently. Early application is allowed.
357/2022	**Changes to IAS 8** Accounting standards, changes in accounting estimates and errors - definition of accounting estimates. Changes to IAS 8 clarify how companies should distinguish between changes in accounting standards and changes in accounting estimates.	First financial year starting with 1 January 2023 or subsequently. Early application is allowed.
1392/2022	**Changes to IAS 12** (income taxes) Changes to IAS 12 set out to establish the accounting methods for deferred taxes in relation to leasing and dismantling obligations.	First financial year starting with 1 January 2023 or subsequently. Early application is allowed.
1491/2022	**Changes to transitional provisions for IFRS 17** Changes to transitional provisions for IFRS 17 enable companies to overcome the one-off classification of differences in the comparative information relating to the previous financial year at the time of the first application of IFRS 17 and IFRS 9 financial instruments.	First financial year starting with 1 January 2023 or subsequently.

The amendments and additions deriving from the approved regulations did not have a significant impact on the financial and economic situation of the Bank.

The following table shows the new international accounting standards or amendments to them issued by the IASB but which have not yet entered into force.

RATIFYING REGULATION	IAS/IFRS and BRIEF DESCRIPTION	DATE OF APPLICATION
To be decided	Changes to IAS 1: Submitting balance sheets - Classification of liabilities as recurring or non-recurring. The changes set out to clarify one of the criteria of IAS 1 for classifying a liability as non-recurring, or the requirement that the holder must have the right to defer settlement of the liability for at least 12 months following the balance sheet reference date. The changes include: ▪ indicating that the right to settlement must exist at the balance sheet date; ▪ clarifying that the classification is not affected by the management's intentions or expectations about the possibility of using the right to settlement; ▪ clarifying how the financing conditions affect the classification; ▪ clarifying the requirements for classifying the liability that the holder intends to settle or could settle by issuing their own capital instruments.	First financial year starting with 1 January 2024 or subsequently.
To be decided	Changes to IFRS 16: regarding operations of sale and leaseback. The changes set out to clarify the accountability of sale and leaseback operations requiring variable payments based on the performance or utilisation of the goods involved in the transaction.	First financial year starting with 1 January 2024 or subsequently.
To be decided	Changes to IAS 7: financial statements, and IFRS 7 financial instruments: supplementary information. The changes require providing additional information on reverse factoring arrangements that enable users of financial statements to assess how financial arrangements with suppliers may influence the holder's liabilities and cash flows, and to understand the effect of such arrangements on the holder's exposure to liquidity risk.	First financial year starting with 1 January 2024 or subsequently.

No significant impacts on the financial and economic situation of the Group are expected from the standards and amendments issued by the IASB but which have not yet entered into force.

4.2 Statement of overall profitability

The statement of overall profitability, introduced in 2009 and prepared in light of the amendments to IAS 1, includes revenue and cost items which, in compliance with international accounting standards, are not recognized in the income statement but charged to shareholders' equity.

Overall profitability therefore expresses the change that the equity has had in a financial year, deriving both from the business operations that currently form the operating result and from other operations net of the tax effect, such as changes in the value of securities classified in the portfolio FVOCI, tangible and intangible assets, hedges of foreign investments and financial flows, exchange differences and actuarial profits or losses on defined benefit plans for employees, attributed to 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 dated 6 February 2009 issued jointly by Banca d'Italia/ Consob/Ivass)

The preparation of the financial statements also requires the use of estimates and assumptions that can determine significant effects on the values recorded in the balance sheet and in the income statement, as well as on the information relating to the potential assets and liabilities shown in the financial statements.

The preparation of these estimates involves the use of available information and the adoption of subjective assessments, also based on historical experience, used for the purposes of formulating reasonable assumptions for the detection 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 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 reduction in value of credits and, in general, of other financial assets;
- the determination of the fair value of the financial instruments to be used for financial statement disclosure purposes;
- the use of valuation models to detect the fair value of financial instruments not listed on active markets;
- the quantification of personnel funds and funds for risks and charges;
- estimates and assumptions on the recoverability of deferred tax assets.

The description of the accounting policies applied on the main financial statement aggregates provides the information details necessary for identifying the main assumptions and subjective assessments used in the preparation of the financial statements.

For further detailed information regarding the composition and related book values of the items affected by the estimates in question, see the specific sections of the explanatory notes.

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

With reference to the criteria used for evaluating securities classified as HTC&S, the Board of Directors evaluates, at the closing of the financial statements, the existence of objective evidence of non-temporary reduction in value.

4.5 Contributions to deposit guarantee systems and to resolution mechanisms

With directives 2014/49/EU (Deposit Guarantee Schemes Directive - "DGSD") dated 16 April 2014 and 2014/59/EU (Bank Recovery and Resolution Directive - "BRRD") dated 15 May 2014 and the establishment of the Single Resolution (EU regulation no. 806/2014 dated 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 national law, starting from the 2015 financial year, 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 from the 2016 financial year, through the payment of ordinary contributions and any extraordinary contributions.

In compliance with the DGSD directive, the FITD has provided that Italian banks must pay ordinary annual contributions until the target level is reached, equal to 0.8% of the total protected deposits of the Italian banks participating in the FITD.

This level must be reached by 3 July 2024.

The amount of the contribution requested from the individual bank is proportionate to the consistency of its protected deposits existing on 30 September of each year compared to the total protected deposits of the Italian banks participating in the FITD and the degree of risk relating to the consortium banks having protected deposits compared 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 until the FRU is provided with financial resources at least equal to 1% of the total protected deposits of all credit institutions authorized in all participating member states.

This level must be reached by 1 January 2024. The contributions of each entity are calculated based on 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 compared to the degree of risk of all other Italian banks.

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

In the 2023 budget, the ordinary contribution was recognized - on an economic basis - under item "160. Other administrative expenses" in application of the interpretation IFRIC 21 "Taxes", according to which the liability relating to the payment of a tax (the contributions in question were considered similar to a tax from an accounting perspective) arises when the so-called "binding fact" exists, i.e. the moment in which the obligation to pay the annual fee arises.

Banca UBAE's ordinary contribution to the FRU, paid in the first half of the year, for the 2023 financial year amounted to approximately 0.9 million euros (1.1 million euros in the 2022 financial year).

In 2023, to date, no "extraordinary" contribution to the National Resolution Fund has been requested by Banca d'Italia.

4.6 Information on the ECL

Using the RiskCalc tool provided by Moody's, the internal score (=alphanumeric score assigned internally to each counterparty) and PDPIT are processed for each counterparty.

These parameters are calculated at the time of credit assignment/renewal by the Credit Department on the basis of financial data (balance sheets) and qualitative considerations (qualitative overlay).

The LGDPIT data are instead differentiated by debt seniority (the prevailing debt seniority for the Bank is "unsecured term loan"), and essentially derive from a PD-LGD correlation model present within the Impairment Studio tool provided by Moody's Analytics.

For the purposes of calculating the expected loss, i.e. the accounting write-down, macroeconomic scenarios are applied to these risk parameters to allow them to be recalculated from a forward-looking perspective.

The Bank, starting from June 2022, has decided to replace the customized models provided by Moody's (MAKS team - Moody's Analytics Knowledge Services) with the standard solution (Impairment Studio).

The reasons underlying this decision lie in the opportunity to have a solution capable of offering more timely data, thanks to the greater precision of the macroeconomic variables analysed (by individual country, rather than by geographical areas), as well as the greater breadth of the data sample.

The accuracy of the new solution generated its effects especially with reference to the expected losses linked to counterparties belonging to the Asia geographical area, whose customized models had begun to lose their predictability, with the consequent need for redevelopment.

Regarding the macroeconomic scenarios to be applied to project point-in-time parameters over time and transform them into forward-looking data, in light of the international economic environment, the Bank prudently decided to apply the following combined scenario:

40% baseline scenario + 20% upside + 40% downside.

4.7 Tax on extra-profits

Article 26 of legislative decree no. 104 dated 10 August 2023, converted with amendments into law no. 136 dated 9 October 2023, containing "Urgent provisions to protect users regarding economic and financial activities and strategic investments", introduced an extraordinary tax calculated on the increase in the interest margin; in particular, paragraph 1 establishes for the year 2023 an extraordinary tax to be paid by the banks referred to in article 1 of legislative decree no. 385 dated 1 September 1993, of the consolidated banking law (T.U.B.).

This tax, pursuant to paragraph 2, is determined by applying a rate equal to 40% on the amount of the interest margin included in item 30 of the income statement, drawn up according to the schemes approved by Banca d'Italia, relating to the previous financial year to the one in progress as of 1 January 2024, which exceeds by at least 10 percent the same margin referring to the financial year prior to the one in progress as of 1 January 2022.

Paragraph 3 sets a maximum ceiling on the amount of the extraordinary tax equal to 0.26% of the overall amount of risk exposure on an individual basis, determined pursuant to paragraphs 3 and 4 of article 92 of EU regulation no. 575/2013 issued by the European Parliament and the Council dated 26 June 2013 (Capital Requirements Regulation, "CRR"), with reference to the closing date of the financial year prior to the one in progress on 1 January 2023.

The quantities that contribute to determining the amount of the extraordinary tax are as follows:

a. interest margin (income statement - item 30) at 31 December 2023: 29,688,004 euros;
b. interest margin (income statement - item 30) at 31 December 2021: 18,798,882 euros;
c. application of 40% on the difference between a) and b), the latter increased by 10%: 3,607,654 euros;
d. total amount of risk exposure as of 31 December 2022: 1,082,177,328 euros;
e. maximum tax ceiling equal to 0.26% of the amount referred to in point d): 2,813,661 euros;
f. amount of tax to be paid equal to the lesser of c) and e): 2,813,661 euros.

Furthermore, upon conversion of the decree, paragraph 5-bis was introduced which allows banks, instead of paying the tax, to allocate, upon approval of the financial statements relating to the financial year prior to the current one, at 1 January 2024, an amount not less than two and a half times the tax to a non-distributable reserve identified for this purpose.

In other words, when approving the financial statements relating to the financial year prior to the one in progress as of 1 January 2024, the shareholders' meeting, as an alternative to the payment of the extraordinary tax, can decide on the allocation of an amount to a non-distributable reserve of an amount equal to at least two and a half times the tax calculated pursuant to the same article 26.

As regards UBAE, the Board of Directors:

- **in October 2023**, resolved to submit for approval by the 2024 shareholders' annual meeting the establishment of the aforesaid non-distributable reserve, equal to two and a half times the tax;
- **on 27 March 2024**, the BoD approved the resolution for the "Allocation of the 2023 operating profit" to be submitted to the 2024 shareholders' annual meeting which, in priority over any other provision, proposes the establishment of the reserve for an amount equal to 7,034,153 euros (i.e. 2.5 times the maximum amount of the tax referred to in letter f above).

The actual establishment of the reserve will take effect following approval by the Shareholders' Meeting.

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.

Derivative is a financial instrument or other contract having at the same time 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:

- 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 -performing elements (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:

a. 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);
b. 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:

a. commitments with banks in various technical forms;

b. commitments with customers in various technical forms;
c. 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") - worsening by two notches of the rating assigned to the instrument by external rating agencies, 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. Hedging operations

a) Classification criteria

Risk hedging transactions are aimed at neutralizing potential losses, attributable to a specific risk, and detectable on a specific element or group of elements, in the event that that particular risk should actually occur.

Upon introduction, IFRS 9 envisages the possibility of continuing to fully apply the provisions of the previously existing IAS 39 on the subject of "hedge accounting" (in the carved-out version approved by the European Commission) for each type of hedge (both for hedges specifications and for macro hedging).

b) Enrollment Criteria

Derivative hedging instruments, like all derivatives, are initially recorded and subsequently measured at fair value.

c) Evaluation criteria

Hedging derivatives are valued at fair value. In the case of fair value hedging, the change in the fair value of the hedged item is offset against the change in the fair value of the hedging instrument.

This compensation is recognized through the recognition in the income statement - under item 90 "Net result of hedging activities" - of the changes in value, referring both to the hedged element (as regards the changes produced by the underlying risk factor), and to the hedging instrument.

Any difference, which represents the partial ineffectiveness of the hedge, consequently constitutes the net economic effect.

The derivative instrument is designated as a hedge if there is formalized documentation of the relationship between the hedged instrument and the hedging instrument and if it is effective when the hedging begins and, prospectively, throughout its life.

The effectiveness of the hedge depends on the extent to which the changes in the fair value of the hedged instrument are offset by those of the hedging instrument.

Therefore, the effectiveness is determined by comparing the aforementioned changes, taking into account the intent pursued by the company at the time the hedge was put in place.

In the event of ineffectiveness of the hedge, the accounting of the hedging transactions, according to the above, is interrupted, the hedging derivative contract is reclassified among trading instruments and the hedged financial instrument reacquires the valuation criterion corresponding to its classification in the financial statements.

5. 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) Evaluation criteria

Tangible assets are valued at cost, less depreciation and losses due to impairment.

Depreciation is determined systematically according to a linear criterion on the basis of the residual useful life of the assets.

The acquired land incorporated into the value of the building held "terra-cielo" is not subject to depreciation.

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.

e) Criteria for recording income components

Depreciation is recognized in the income statement.

In the presence of indications demonstrating a potential loss due to reduction in value of an element of tangible assets, a comparison is made between the book value and the recoverable value, the latter being equal to the higher of the value in use, understood as current value of future flows originating from the asset, and the fair value net of disposal costs; any negative difference between the book value and the recoverable value is recognized in the income statement.

If the reasons that led to a value adjustment no longer exist, a recovery of the latter is recorded in the income statement; following the write-backs, the book value cannot exceed the value that the asset would have had, net of depreciation calculated in the absence of previous losses due to reduction in value.

6. 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 de-recognised as a result of disposals or when they have fully exhausted their economic functions and no future economic benefits are expected.

7. 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.

8. 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.

9. 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.

10. 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.

11. 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:

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

- the official price on the last trading day of the relevant period if the instrument is listed on the Italian stock exchange;
- the official price (or its equivalent) on the last day of the relevant period if it is listed on a foreign stock exchange.

<u>b) For securities not traded on active markets:</u> fair value is represented by (in descending order of preference).
The following price configurations are assumed as fair values of financial instruments not traded in an "active market": for other debt and equity securities, in the order shown below:

- 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;
    - ♦ Forexderivatives: 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:

a. dividends are recognized in the Income Statement when their distribution is formally approved;

b. 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;

c. 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 Employee 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.

d) Accruals and deferrals

The accruals and deferrals that include charges and income for the period accrued on assets and liabilities are recorded in the financial statements as an adjustment to the assets and liabilities to which they refer.

e) Transfer of the tax credit "Tax Bonus" - Law no. 77 dated 17 July 2020

In order to counter the negative economic effects resulting from the spread of the Covid-19 pandemic, with Law no. 77 of 17 July 2020, converting with amendments the decree-law "Relaunch Decree", the Italian Government issued a series of measures which, among others, enable taxpayers, under certain conditions, to benefit from a tax deduction against expenses incurred in certain circumstances.

The law also grants the taxpayer the option to opt, instead of directly using the deduction, to be able to transfer the corresponding tax credit to other subjects, within the limits of the provisions of the reference legislation which was the subject of multiple interventions during 2022 by the legislator - including credit institutions and financial intermediaries.

Since the conversion into law of the "Relaunch Decree" the tax deductions arising from building interventions have undergone significant changes, both as regards the procedure for exercising the option of transfer or discount on the invoice - with the introduction of the compliance visa and of the technical certification also for the so-called minor bonuses - both as regards the time period within which to bear the expenses.

Nonetheless, the possibility granted to the tax payer to opt for the conversion of the tax deduction into a tax credit that can be transferred to third parties - primarily to credit institutions and suppliers - represents a fundamental cornerstone for facilitating the execution of energy efficiency measures or seismic analysis of the national real estate assets.

In relation to the accounting framework to be adopted in the transferee's financial statements, there is no single reference framework, due to the particular and new characteristic of the instrument in question.

In particular, the case in question:

- does not fall within the scope of IAS 12 "Income taxes" since it cannot be assimilated among taxes affecting the company's ability to produce income;
- does not fall within the scope of the definition of government grants according to IAS

20 “Accounting for government grants and disclosure of public assistance” since the entitlement to the receivable from the tax authorities arises only following the payment of a consideration to the assignor;

- is not attributable to the provisions of IFRS9 “Financial instruments” as the tax credits purchased do not originate from a contract between the transferee and the Italian State;
- is not attributable to IAS 38 “Intangible assets”, as the tax credits in question can be considered monetary assets, allowing the payment of tax debts usually settled in cash.

The tax credit in question therefore represents a case not explicitly dealt with by an IAS/IFRS accounting standard, and as such requires recalling the provisions of IAS 8 “Accounting standards, changes in accounting estimates and errors” and in particular the need on the part of the person preparing the financial statements to define an accounting treatment that reflects the economic substance and not the mere form of the transaction and that is neutral, prudent and complete.

The approach followed, with particular reference to the application of the IFRS9 accounting standard, is that identified both by the Italian Accounting Organization (OIC) and by Banca d’Italia/Consob/Ivass document no. 9 (“Accounting treatment of tax credits connected with the “Cura Italia” and “Rilancio” decree-laws purchased following transfer by the direct beneficiaries or previous purchasers”).

In fact, tax credits are substantially similar to a financial asset in that they can be used to offset a debt usually paid off in cash (tax debts), as well as being exchanged for other financial assets.

The condition to be satisfied is that the same tax credits can be included in a business model of the entity.

In this specific case, the Hold-To-Collect business model was chosen, as the intention is to hold these receivables until maturity.

In this sense, the following can be established:

- upon initial recognition, the fair value of the tax credit is equal to the purchase price of the credits included in the transaction;
- in the fair value hierarchy envisaged by IFRS 13, the fair value level is assimilated to level 3, as there are currently no active markets or comparable transactions;
- the purchase price of tax credits discounts both the time value of money and the ability to use it within the relative time limit;
- the subsequent accounting of financial assets takes place at amortized cost, through the use of an effective interest rate determined at the origin, in such a way that the discounted cash flows associated with the expected future offsets, estimated over the expected duration of the tax credit, equal the purchase price of the same credits;
- using the amortized cost method, the cash flow estimates are periodically reviewed and the gross carrying amount of the financial asset is adjusted to reflect the actual and restated cash flows.

  In making these adjustments, the new cash flows are discounted at the original effective interest rate.

  This accounting therefore makes it possible to recognize the income during the life of this tax credit, as well as to immediately recognize any losses from the transaction;

- if the estimates regarding the use of the tax credit through offsetting are revised, the gross book value of the tax credit is adjusted to reflect the estimated, actual and restated uses;
- taking into account the specific characteristics of these tax credits, held for the purpose of using them up to their complete compensation, within the permitted period of time, with the payments of debts payable through F24, the reference business model, as already mentioned above, has been identified conventionally in the Hold-to-Collect model (HTC).

A.3 - Details of transfers between financial asset portfolios

A.3.1 Financial assets reclassified: change of business model, balance sheet value and active interest

Type of financial instrument (1)	Portfoli of origin (2)	Destination portfolio (3)	Date of reclassification (4)	Balance sheet value reclassified (5)	Active interest reported during the year (pre-tax) (6)
DEBT SECURITIES	HTCS	HTC	01.01.2019	381,108,251	n.a.

A.3.2 Financial assets reclassified: change of business model, fair value and effects on overall profitability

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 31.12.2023			Total 31.12.2022		
	L1	L 2	L 3	L1	L 2	L 3
1. Financial assets measured at fair value with impact on income statement	1,179	163	3,647	918	1,448	3,972
a) financial assets held for trading	1,179	163	3,647	918	1,448	3,972
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	11,863	1,862	48	1,926	2,328	48
3. Derivatives for hedging						
4. Tangible assets						
5. Intangible assets						
Total	**13,042**	**3,044**	**3,695**	**2,844**	**3,776**	**4,020**
1. Financial liabilities held for trading		50			82	
2. Financial liabilities designated at fair value						
3. Derivatives for hedging		12,702			47	
Total		**12,752**			**129**	

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				Financial assets measured at fair value with impact on overall profitability	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				
1. Opening balance		**3,792**			**48**			
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		**145**						
3.1 Sales								
3.2 Refunds								
3.3 Losses								
3.3.1 Income statement		145						
- of which: losses		145						
3.3.2 Net assets								
3.4 Transfers to other levels								
3.5 Other variations with decrease								
4. Closing balance		**3,647**			**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	31.12.2023				31.12.2022			
	VB	L1	L2	L3	VB	L1	L2	L3
1. Financial assets valued at amortised cost	1,846,756	967,751	25,911	854,411	1,426,149	518,113	189,797	712,819
2. Tangible assets held for investment purposes								
3. Non-current assets and groups of assets held for sale								
Total	**1,846,756**	**967,751**	**25,911**	**854,411**	**1,426,149**	**518,113**	**189,797**	**712,819**
1. Financial liabilities valued at amortised cost	1,799,217			1,798,633	1,397,947			1,391,256
2. Liabilities associated with assets held for sale								
Total	**1,799,217**			**1,798,633**	**1,397,947**			**1,391,256**

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/Values	Total 31.12.2022	Total 31.12.2022
a) Cash	1,626	1,305
b) Free deposits with central banks	54,572	14,624
c) Free deposits with banks	112,361	122,785
Total	**168,559**	**138,714**

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 31.12.2023			Total 31.12.2022		
	L1	L2	L3	L1	L2	L3
A Non-derivative assets						
1. Debt securities				918	1,430	
1.1 Structured securities						
1.2 Other debt securities				918	1,430	
2. Equity securities	1,179		3,647			3,972
3. Holdings in UCI						
4. Loans						
4.1 Repo						
4.2 Other debt securities						
Total A	**1,179**		**3,647**	**918**	**1,430**	**3,972**
B Derivatives						
1. Financial derivatives		163			18	
1.1 For trading		163			18	
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		**163**			**18**	
Total (A+B)	**1,179**	**163**	**3,647**	**918**	**1,448**	**3,972**

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 (31.12.2023)	Total (31.12.2022)
A. Assets for cash		
1. Debt securities		**2,348**
a) Central banks		
b) Public administrations		1,430
c) Banks		918
d) Other financial companies		
of which: insurance firms		
e) Non-financial companies		
2. Capital securities	**4,826**	**3,972**
a) Banks		
b) Other financial companies		
of which: insurance firms		
c) Non-financial companies	4,826	3,972
d) Other issuers		
3. O.I.C.R. shares (for collective investment)		
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	**4,826**	**6,320**
B. Derivative instruments	**163**	**18**
a) Central counterparties		
b) Others	163	18
Total B	**163**	**18**
Total (A+B)	**4,989**	**6,338**

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 (31.12.2023)			Total (31.12.2022)		
	L1	L 2	L 3	L1	L 2	L 3
1. Debt securities	11,863	1,862		1,926	2,328	
1.1 Structured securities						
1.2 Other debt securities	11,863	1,862		1,926	2,328	
2. Capital securities			48			48
3. Financing						
Total	**11,863**	**1,862**	**48**	**1,926**	**2,328**	**48**

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

Items/Values	Total (31.12.2023)	Total (31.12.2022)
1. Debt securities	**13,725**	**4,254**
a) Central Banks		
b) Public administrations	11,799	2,328
c) Banks		
d) Other financial companies		
of which: insurance firms		
e) Non-financial companies	1,926	1,926
2. Capital securities	**48**	**48**
a) Banks		
b) Other issuers:	48	48
- other financial firms		
of which: insurance firms		
- non-financial companies	48	48
- 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	**13,773**	**4,302**

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				
	First stage	of which instruments with low credit risk	Second stage	Third stage	of which: impaired, acquired/originated	First stage	Second stage	Third stage	of which: impaired, acquired/originated	Total partial write-offs [*]
Debt securities	9,938	9,938	1,993	2,891		(1)	(131)	(965)		
Financings										
Total (31.12.2023)	**9,938**	**9,938**	**1,993**	**2,891**		**(1)**	**(131)**	**(965)**		
Total (31.12.2022)			**2,512**	**2,891**			**(184)**	**(965)**		
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 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 amortised cost: product composition of loans to banks

Types of operations/Values	Total (31.12.2023)						Total (31.12.2022)					
	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	**10,356**					**10,356**						
1. Deposits at maturity												
2. Mandatory reserve												
3. Repurchase agreements												
4. Other	10,356					10,356						
B. Loans to banks	**370,448**	**6,609**				**377,057**	**302,134**	**12,173**		**30,423**		**281,435**
1. Financings	370,448	6,609				377,057	269,262	12,173				281,435
1.1 Current accounts												
1.2 Deposits at maturity	50,589					50,589	57,588					57,588
1.3 Other financings:	319,859	6,609				326,468	211,674	12,173				211,674
- Active repurchase agree’ts												
- Financial leasing												
- Other	319,859	6,609				326,468	211,674	12,173				223,847
2. Debt securities							32,872			30,423		
2.1 Structured securities												
2.2 Other debt securities							32,872			30,423		
Total	**380,804**	**6,609**				**387,413**	**302,134**	**12,173**		**30,423**		**281,435**

Legend:

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

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

Types of operations/ Values	Total (31.12.2023)						Total (31.12.2022)					
	Balance sheet value			Fair value			Balance sheet value			Fair value		
	First and second stage	Third stage	of which: impaired, acquired/originated	L1	L2	L3	First and second stage	Third stage	of which: impaired, acquired/originated	L1	L2	L3
Financings	**449,441**	**14,864**				**464,305**	**399,910**	**27,099**				**427,009**
1.1. Current accounts	657	4,921				5,578	649	12,635				13,284
1.2. Active repurchase agreements												
1.3. Mortgages	8,048					8,048	8,770					8,770
1.4. Credit cards, personal loans and employee loan	2,214					2,214	2,431					2,431
1.5. Financial leasing												
1.6. Factoring	342,844	2,595				345,439	90,927	3,271				90,927
1.7. Other financings	95,678	7,348				103,026	297,133	11,193				308,326
Debt securities	**990,105**	**4,933**		**967,751**	**25,911**	**2,694**	**679,714**	**5,118**		**518,113**	**159,375**	**4,225**
1.1. Structured securities												
1.2. Other debt securities	990,105	4,933		967,751	25,911	2,694	679,714	5,118		518,113	159,375	4,225
Total	**1,439,546**	**19,797**		**967,751**	**25,911**	**466,999**	**1,079,624**	**32,217**		**518,113**	**159,375**	**431,234**

Legend:

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

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

Types of operations/Values	Total (31.12.2023)			Total (31.12.2022)		
	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	**990,105**	**4,933**		**679,714**	**5,118**	
a) Public administrations	919,821	4,933		679,714	5,118	
b) Other financial companies	47,354					
of which: insurance firms						
c) Non-financial companies	22,930					
2. Financings	**449,441**	**14,864**		**399,910**	**27,099**	
a) Public administrations	38,008	3,864		17,688	11,436	
b) Other financial companies	26,057			2		
of which: insurance firms						
c) Non-financial companies	374,384	11,000		370,308	15,663	
d) Families	10,992			11,912		
Total	**1,439,546**	**19,797**		**1,079,624**	**32,217**	

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

	Gross value					Total value adjustments				Total partial write-off [*]
	First stage		Second stage	Third stage	of which: impaired, acquired/originated	First stage	Second stage	Third stage	of which: impaired, acquired/originated	
		of which instruments with low credit risk								
Debt securities	971,141	971,141	19,401	53,039		(328)	(109)	(48,106)		
Financings	660,745		172,397	69,089		(2,558)	(339)	(47,616)		
Total	**1,631,886**	**971,141**	**191,798**	**122,128**		**(2,886)**	**(448)**	**(95,722)**		
Total (31.12.2022)	**1,312,681**	**708,865**	**74,216**	**157,108**		**(4,638)**	**(501)**	**(112,717)**		
of which: impaired, acquired/ originated										

[*] Value to be displayed for information purposes

Section 5 - Hedging derivatives - Item 50

5.1 Hedging derivates: composition by type of hedging and by levels

	Fair Value (31.12.23)			VN (31.12.23)	Fair Value (31.12.22)			VN (31.12.22)
	L1	L2	L3		L1	L2	L3	
A. Financial derivatives		**1,019**		**72,398**				
1) Fair value		1,019		72,398				
2) Financial flows								
3) Foreign investments								
B. Credit derivatives								
1) Fair value								
2) Financial flows								
Total		**1,019**		**72,398**				

Legend:

VN= Notional value
L1= Level 1
L2= Level 2
L3= Level 3

5.2 Hedged derivates: composition by hedged portfolios and by type of hedging

Operations/Type of hedging	Fair value							Financial flows		Foreign investments
	Specific						Generic	Specific	Generic	
	Debit securities and interest rates	Capital securities and share indices	Currencies & gold	Credit	Goods	Other				
1. Financial activities valued at fair values with impact on comprehensive profitability										
2. Financial activities valued at ammortized cost	1,019									
3. Portfolio										
4. Other operations										
Total activities	**1,019**									
1. Financial liabilities										
2. Portfolio										
Total liabilities										
1. Expected transactions										
2. Portfolio of financial activities and liabilities										

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 (31.12.2023)	Total (31.12.2022)
1 Proprietary assets	**20,535**	**20,337**
a) land	8,187	8,187
b) buildings	11,170	11,497
c) furnishings	154	73
d) electric/electronic equipment	82	128
e) other items	942	452
2 Right of use acquired through leasing	**172**	**212**
a) land		
b) buildings	132	136
c) furnishings		
d) electric/electronic equipment	26	52
e) other items	14	24
Total	**20,707**	**20,549**
of which: obtained through enforcement of guarantees received		

The Bank owns the building located in Rome, in which it has its headquarters, and an apartment in Milan used for Branch offices.

In addition, it owns a building located in Rome formerly used as a physical 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**	**24,123**	**1,829**	**2,377**	**4,098**	**39,532**
A.1 Reduction of total net values		12,491	1,743	2,377	3,452	20,063
A.2 Net opening balance	**8,187**	**11,632**	**86**		**646**	**19,469**
B. Increases:		**618**	**97**		**739**	**1,454**
B.1 Purchases			97		739	836
B.2 Expenses for capitalised improvements		409				409
B.3 Write-backs						
B.4 Positive variations of fair value attributed to:						
a) net assets						
b) income statement						
B.5 Positive differences of exchange rates						
B.6 Transfers from properties held for investment purposes						
B.7 Other variations		209				209
C. Decreases:		**951**	**15**		**332**	**1,298**
C.1 Sales						
C.2 Amortisations		737	15		297	1,049
C.3 Value adjustments from deterioration attributed to:						
a) net assets						
b) income statement						
C.4 Negative variations of fair value attributed to:						
a) net assets						
b) income statement						
C.5 Negative differences of exchange rates						
C.6 Transfers to:						
a) tangible assets held for investment purposes						
b) non-current assets and groups of assets held for sale						
C.7 Other variations		214			35	249
D. Net closing balance	**8,187**	**11,299**	**168**		**1,053**	**20,707**
D.1 Reduction of total net values		13,442	1,758	2,377	3,784	**21,361**
D.2 Gross closing balance	8,187	24,741	1,926	2,377	4,837	42,068
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 (31.12.2023)		Total (31.12.2022)	
	Limited life	Unlimited life	Limited life	Unlimited life
A.1 Goodwill				
A.2 Other intangible assets	**391**		**251**	
of which software			9	
A.2.1 Assets valued at cost:	391		251	
a) Intangible assets developed in-house				
b) Other assets	391		251	
A.2.2 Assets assessed at fair value:				
a) Intangible assets developed in-house				
b) Other assets				
Total	**391**		**251**	

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				**251**		**251**
A.1 Reduction of total net value						
A.2 Net opening balance				**251**		**251**
B. Increases				**261**		**261**
B.1 Purchases				261		261
B.2 Increase of intangible assets internally						
B.3 Value adjustments						
B.4 Positive variations of fair value:						
- to net assets						
- to income statement						
B.5 Positive differences in exchange rates						
B.6 Other variations						
C. Decreases				**122**		**122**
C.1 Sales						
C.2 Value adjustments				122		122
- Amortisations				122		122
- Write-downs:						
+ net assets						
+ income statement						
C.3 Negative variations of fair value:						
- to net assets						
- to income statement						
C.4 Transfers to non-current assets held for sale						
C.5 Negative differences in exchange rates						
C.6 Other variations						
D. Net closing balance				**390**		**390**
D.1 Total net value adjustments						
E. Gross closing balance				**390**		**390**
F. Valuation at cost						

Legend:

DEF= definite duration
INDEF= indefinite duration

Other intangible assets as of 31 December 2023 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 (31.12.2023)	Total (31.12.2022)
Total	**19,121**	**11,442**
Income statement	16,487	8,808
1 Tax losses		
2 Loan losses	5,579	5,780
3 Other	10,908	3,028
Shareholders’ equity	2,634	2,634
4 Valuation reserves	2,634	2,634
5 Other		

Deferred tax assets refer for approximately Euro 7.7 million to recovery of tax losses 2024-2026) are based on future profitability, and do not derive from temporary (permanent) differences; for approximately Euro 5.8 million to items whose recoverability is based on future profitability and which derive from temporary differences; and, finally, for approximately Euro 5.6 million to items whose recoverability is not based on future profitability and which do not derive from temporary differences.

In an estimation, the Bank considered future results from the Business Plan by applying additional prudential elements to these values.

At the date, In addition, the Bank has prudently not recognized additional deferred tax assets totaling approximately Euro 7 million in the financial statements.

10.2 Deferred Tax liabilities: breakdown

	Total (31.12.2023)	Total (31.12.2022)
Total	**643**	**724**
1 Income statement		
2 Shareholders’ equity	643	724
Valuation reserves	643	724
Other		

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

	Total (31.12.2023)	Total (31.12.2022)
1. Opening balance	**8,808**	**4,842**
2. Increases	**7,879**	**3,966**
2.1 Pre-paid tax assets recorded during the year	202	2,070
a) relating to earlier years	202	2,070
b) due to changes in accounting policies		
c) write-backs		
d) other		
2.2 New taxes or increases in tax rates		1,896
2.3 Other increases	7,677	
3. Decreases	**201**	
3.1 Pre-paid tax assets annulled during the year	201	
a) reversals	201	
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:		
a) transformation into tax credits as per Law 214/2011		
b) other		
4. Closing balance	**16,487**	**8,808**

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

	Total (31.12.2023)	Total (31.12.2022)
1. Opening balance	**8,808**	**4,842**
2. Increases	**7,879**	**3,966**
3. Decreases	**200**	
3.1 Reversal		
3.2 Transformation into tax credits		
a) resulting from operating losses		
b) resulting from tax losses		
3.3 Other decreases	200	
4. Closing balance	**16,487**	**8,808**

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

	Total (31.12.2023)	Total (31.12.2022)
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 (31.12.2023)	Total (31.12.2022)
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)	22,459	26,202
Total	**22,459**	**26,202**

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/Value	Total (31.12.2023)				Total (31.12.2022)			
	Balance value	Fair value			Balance value	Fair value		
		L1	L2	L3		L1	L2	L3
1. Debts towards central banks	**242,876**				**252,171**			
2. Debts towards banks	**910,022**				**1,001,335**			
2.1 Current accounts and deposits at sight	151,856				194,104			
2.2 Deposits at maturity	758,166				807,231			
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	**1,152,898**			**1,152,898**	**1,253,506**			**1,253,506**

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/Value	Total (31.12.2023)				Total (31.12.2022)			
	Balance value	Fair Value			Balance value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Current accounts and deposits at sight	131,120				136,743			
2. Deposits at maturity	12,848				678			
3. Financing operations	501,455							
3.1 Repurchase agreements	501,455							
3.2 Others								
4. Payables for repurchase commitments of own equity instruments								
5. Lease for liabilities	221				263			
6. Other payables	674				6,757			
Total	**646,318**			**645,734**	**144,441**			**114,622**

1.6 Debits for leasing

Type of operations/Values	Total (31.12.23)	Total (31.12.22)
	Balance sheet value	Balance sheet value
1. Leasing debits for renting real estate	138	144
2. Leasing debits for renting software		
3. Leasing debits for renting hardware	26	52
4. Leasing debits for renting office equipment		
5. Leasing debits for hiring automobiles	57	67
Total	**221**	**263**

Section 2 - Accounts payable to customers - Item 20

2.1 Financial liabilities held for trading: breakdown by type

Type of operations/value	Total (31.12.2023)					Total (31.12.2022)				
	NV	FV			FV [*]	NV	FV			FV [*]
		L1	L2	L3			L1	L2	L3	
A. Cash liabilities										
1. Accounts payable to banks										
2. Accounts payable to customers										
3. Debt securities										
3.1 Bonds										
3.1.1 Structured										
3.1.2 Other										
3.2 Other securities										
3.2.1 Structured										
3.2.2 Other										
Total A										
B. Derivatives										
1. Financial derivatives			51					83		
1.1 Held for trading			51					83		
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			**51**					**83**		
Total A+B			**51**					**83**		

Legend:

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

4.1 Hedging derivatives: composition by type and by hierarchical levels

	VN (31.12.2023)	Fair value (31.12.2023)			VN (31.12.2022)	Fair value (31.12.2022)		
		L1	L2	L3		L1	L2	L3
A. Financial derivatives	**651,018**		**12,702**		**101,566**		**47**	
1) Fair value	651,018		12,702		101,566		47	
2) Financial flows								
3) Foreign investments								
B. Credit derivatives								
1) Fair value								
2) Financial flows								
Total	**651,018**		**12,702**		**101,566**		**47**	

Legend:

VN: Nominal Value
L1: Level1
L2: Level2
L3: Level3

4.2 Hedging derivatives: composition by portfolio hedged and by type of hedging

Operations/Type of hedging	Fair value							Financial flows		Foreign investments
	Specific						Generic	Specific	Generic	
	Debt securities and interest rates	Capital securities and share indices	Currency and gold	Credit	Goods	Other				
1. Financial activities at fair value with impact on overall profitability										
2. Financial activities valued at amortized cost	10,844									
3. Portfolio										
4. Other operations										
Total activity	**10,844**									
1. Financial liability	1,858									
2. Portfolio										
Total liability	**1,858**									
1. Transactions pending										
2. Portfolio of financial credits and liabilities										

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 (31.12.2023)	Total (31.12.2022)
1 Accrued liabilities		
2 Other liabilities (sum available to customers, illiquid items)	44,587	25,301
Total	**44,587**	**25,301**

Section 9 - Employee severance benefits - Item 90

9.1 Staff severance fund: yearly variations

	Total (31.12.2023)	Total (31.12.2022)
A. Opening balance	**497**	**576**
B. Increases	**28**	**11**
B.1 Provisioning for the year	17	11
B.2 Other increases	11	
C. Decreases	**9**	**90**
C.1 Severance payments		65
C.2 Other increases	9	25
D. Closing balance	**516**	**497**
Total	**516**	**497**

9.1.1 Rates

Annual technical	2.95%
Annual inflation rate	2.00%
Annual frequencies of turnover advances	4.00%
Annual frequencies of advances on severance fund	3.00%
Gross annual SSF	3.00%

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 5-7 years;
- 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 on a significant number of similar business enterprises.

9.1.2 Reconciliation of actuarial valuations under IAS 19

	Total (31.12.2023)	Total (31.12.2022)
Opening balance	**497**	**576**
Realignment		
Pension cost		
Financial charges	17	11
Benefits paid		(65)
Transfers		
Expected liabilities	**514**	**522**
Actuarial loss	2	(25)
Closing balance	**516**	**497**

9.2 Other information

	Total (31.12.2023)
Provisioning for the year	**17**
Pension costs	
Financial charges	17
Actuarial loss	
Other	

Section 10 - Provisions for risks and charges - Item 100

10.1 Provisions for risks and charges: breakdown

Items/Values	Total (31.12.2023)	Total (31.12.2022)
1. Funds for credit risk relating to commitments and financial guarantees issued	10,601	6,520
2. Funds on other commitments and other guarantees issued		
3. Company retirement funds		
4. Other provisions for risks and charges	7,554	6,599
4.1 legal and tax disputes	5,300	2,400
4.2 personnel costs	1,364	1,492
4.3 others	890	2,707
Total	**18,155**	**13,119**

As of December 31, 2023, the item "Other provisions for risks and charges" includes: specific and extraordinary provisions to cover expected future charges following the settlement of collective procedures, on a voluntary basis, which took place in 2021 (approximately € 1.3 million); potential legal risks that could arise (€ 5.3 million).

10.2 Provisions for risks and charges: Yearly variations

	Funds for other commitments and guarantees issued	Pension funds	Other funds for risks and charges	Total
A. Opening balance	**6,520**	**1,492**	**5,107**	**13,119**
B. Increases	**4,081**		**2,900**	**6,981**
B.1 Allocation for the year	4,081		2,900	
B.2 Changes due to the passage of time				
B.3 Variations due to changes in the discount rate				
B.4 Other changes				
C. Decreases		**128**	**1,817**	**1,945**
C.1 Use during the year		128	1,817	
C.2 Variations due to changes in the discount rate				
C.3 Other changes				
D. Closing balance	**10,601**	**1,364**	**6,190**	**18,155**

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 issued				
	First stage	Second stage	Third stage	Of which: impaired, acquired/ originated	Total
Commitments to disburse funds	22				22
Financial guarantees issued	1,365	991	8,223		10,579
Total	**1,387**	**991**	**8,223**		**10,601**

10.6 Provisions for risks and charges - other provisions

	Total (31.12.2023)	Total (31.12.2022)
Provision for holidays not taken		
Legal disputes	5,300	2,400
Other	2,254	2,707
Total	**7,554**	**5,107**

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

	Total (31.12.2023)	Total (31.12.2022)
1. Share capital	261,186	261,186
2. Share premium account	870	870
3. Reserves	(64,725)	(76,477)
4. Capital instruments		
5. (Treasury stock)		
6. Valuation reserves	1,161	1,340
7. Profit (Loss) for the year	23,826	11,752
Total	**222,318**	**198,671**

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		
A.1 Treasury stock (-)		
A.2 Shares outstanding: opening balance	**2,374,147**	
B. Increases		
B.1 New share issues		
- rights issues:		
- combination of companies		
- conversion of bonds		
- exercise of warrant		
- others		
- bonus issues:		
- for employees		
- for directors		
- other		
B.2 Sale of treasury stock		
B.3 Other increases		
C. Decreases		
C.1 Cancellations		
C.2 Purchase of treasury stock		
C.3 Disposal of companies		
C.4 Other decreases		
D. Shares outstanding: fiscal closing balance	**2,374,147**	
D.1 Treasury stock (+)		
D.2 Shares at end of year	**2,374,147**	
- fully paid up	2,374,147	
- 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	**(64,725)**			
a) Legal reserve	14,151	B	14,151	
b) Extraordinary reserve		A,B,C		
c) FTA/IFRS reserves	(7,758)			
d) Retained profit IFRS 2005	305			
e) Retained profit	(71,423)	A,B,C		
Other Reserves				
Total	**(63,855)**			
Amount not allocatable	(64,725)			
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 (31.12.2023)	Total (31.12.2022)
	(First stage)	(Second stage)	(Third stage)	Impaired, acquired or generated		
Commitments to disburse funds	**4,394,721**	**383,915**	**3,693**		**4,782,329**	**5,065,232**
a) Central Banks	23,867	14,060			37,927	13,901
b) Public administrations		11,990			11,990	
c) Banks	3,894,777	254,589			4,149,366	4,527,691
d) Other financial companies	104,124				104,124	103,637
e) Non-financial companies	371,953	102,095	3,693		477,740	418,829
f) Families		1,182			1,182	1,174
Financial guarantees issued	**470,083**	**258,691**	**29,968**		**758,742**	**482,211**
a) Central Banks	10,761	167,421			178,183	20,411
b) Public administrations						
c) Banks	297,228	57,201			354,429	268,809
d) Other financial companies						
e) Non-financial companies	162,093	34,069	29,968		226,131	192,991
f) Families						

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

Portfolios	Amount (31.12.2023)	Amount (31.12.2022)
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	513,044	10,864
4. Tangible assets		
of which: tangible assets that constitute inventories		

Such activities have been used by Banca d'Italia for guarantee funding operations on the Eurosystem (513 million).

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	**1,252,702**
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	26,983
1. Securities issued by bank that draws up balance sheet	14,379
2. Other securities	12,604
c) Third-party securities held by third parties	162,617
d) Own securities held by third parties	1,063,102
4. Other operations	

Note that the Bank's memorandum accounts include third-party funds for a contra-value of EUR 3.3 billion (EUR 3.4 billion as of 31 December 2022) 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 1.6 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 (31.12.2023)	Total (31.12.2022)
1. Financial assets measured at fair value with impact on income statement:	**19**			**19**	**218**
1.1 Financial assets held for trading	19			19	218
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	**750**			**750**	**143**
3. Financial assets valued at amortised cost:	**36,764**	**44,372**		**81,136**	**45,132**
3.1 Credits towards banks	1,242	22,730		23,972	15,593
3.2 Credits towards customers	35,522	21,642		57,164	29,539
4. Derivatives for hedging operations					
5. Other assets					
6. Financial liabilities					
Total	**37,533**	**44,372**		**81,905**	**45,493**
of which: interest income on impaired financial assets		722		722	666
of which: interest income on financial leasing					

Interest relating to customers' impaired assets amounted to Euro 0.7 million (previously Euro 0.7 million the year ended 31/12/2022).

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 (31.12.2023)	Total (31.12.2022)
1. Financial assets measured at fair value with impact on income statement:	**19**			**19**	**107**
1.1 Financial assets held for trading	19			19	107
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	**174**			**174**	**93**
3. Financial assets valued at amortised cost:	**4,152**	**23,529**		**27,681**	**21,032**
3.1 Credits towards banks	363	18,999		19,362	12,215
3.2 Credits towards customers	3,789	4,530		8,319	8,817
4. Derivatives for hedging operations					
5. Other assets					
6. Financial liabilities					
Total	**4,345**	**23,529**		**27,874**	**21,232**
of which: interest income on impaired financial assets		552		552	618
of which: interest income on financial leasing					

1.3 Interest charges and similar expenses: breakdown

Items/Technical forms	Debts	Securities	Other operations	Total (31.12.2023)	Total (31.12.2022)
1. Financial liabilities valued at amortised cost	**52,217**			**52,217**	**18,219**
1.1 Debts towards Central Banks	2,359			2,359	1,176
1.2 Debts towards other banks	48,344			48,344	16,865
1.3 Debts towards customers	1,514			1,514	178
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					32
Total	**52,217**			**52,217**	**18,251**
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 (31.12.2023)	Total (31.12.2022)
1. Financial liabilities valued at amortised cost	**25,546**			**25,546**	**14,960**
1.1 Debts towards Central Banks	916			916	1,087
1.2 Debts towards other banks	24,388			24,388	13,810
1.3 Debts towards customers	242			242	63
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	**25,546**			**25,546**	**14,960**
of which: interest expense relating to lease liabil-ities					

1.5 Differences relative to the hedging operations

Items/Values	Total (31.12.2023)	Total (31.12.2022)
A. Positive differences relative to hedging operations	23,947	71
B. Negative differences relative to hedging operations	23,046	42
C. Balance (A-B)	**901**	**29**

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

2.1 Commission income: breakdown

Type of services/values	Total (31.12.2022)	Total (31.12.2021)
a) Financial instruments		
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		
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	32	31
1. Current accounts	16	15
2. Credit cards		
3. Debit cards and other payment cards	6	8
4. Bank transfers and other payment orders	10	8
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		
j) Structured finance		
k) Servicing activities for securitization operations		
l) Commitments to disburse funds		
m) Financial guarantees issued	11,906	11,611
of which: credit derivatives		
n) Financing operations	2,966	2,638
of which: factoring operations	877	634
o) Currency trading	2,069	1,794
p) Goods and commodities		
q) Other active commissions	542	409
of which: activities for managing multilateral exchange systems		
of which: activities for managing organized trading systems		
Total	**17,515**	**16,483**

2.3 Commission expense: breakdown

Services/Values	Total (31.12.2023)	Total (31.12.2022)
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	25	12
of which: credit cards, debit cards and other payment cards	25	7
e) Servicing activities for securitization operations		
f) Commitments to receive funds		
g) Financial guarantees received	2,306	1,961
of which: credit derivatives		
h) External offer of financial instruments, products and services		
i) Currency trading		1
j) Other passive commissions	223	440
Total	**2,554**	**2,414**

The item includes commissions downgraded to banking counterparties on guarantees issued by our Bank, and commissions retroceded to counterparties participating in pooled financing.

Section 3 - Dividends and similar income - Item 70

3.1 Dividends and similar income: breakdown

Services/Values	Total (31.12.2023)		Total (31.12.2022)	
	Dividends	Income from investment funds	Dividends	Income from investment funds
A. Financial assets held for trading			1	
B. Financial assets necessarily measured at fair value				
C. Financial assets measured at fair value with impact on overall profitability				
D. Equity investments				
Total			**1**	

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		**46**	**641**		**(595)**
1.1 Debt securities		39			39
1.2 Capital securities		7	641		(634)
1.3 O.I.C.R. portions					
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 [*]					**(2,272)**
4. Derivative instruments [**]		**326**			**2,941**
4.1 Financial derivatives:		326			2,941
- on debt securities and interest rates		326			326
- on capital securities and equity indices					
- on foreign currencies and gold					2,615
- others					
4.2 Credit derivatives					
of which: natural hedging related to fair value option					
Total		**372**	**641**		**74**

[*] The amount reflects the profit deriving from the valuation of items in foreign currency.

[**] Capital gains and losses (Euro 0.7 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 0.2 million) and in item 20 of liabilities (below Euro 50 thousand).

Section 5 - Net income from hedging activities - Item 90

5.1 Net result of hedging activity: composition

	Total (31.12.2023)	Total (31.12.2022)
A. Revenues relating to:		
A.1 Hedging derivatives at fair value	36,612	15
A.2 Financial hedging activities (fair value)		
A.3 Financial hedging liabilities (fair value)		
A.4 Hedging of financial flows		
A.5 Activities and liabilities in currency		
Total revenues of hedging activities (A)	**36,612**	**15**
B. Charges relating to:		
B.1 Hedging derivatives at fair value	(35,725)	(76)
B.2 Financial hedging activities (fair value)		
B.3 Financial hedging liabilities (fair value)		
B.4 Hedging of financial flows		
B.5 Activities and liabilities in currency		
Total charges of hedging activity (B)	**(35,725)**	**(76)**
C. Net result of hedging activity (A - B)	**887**	**(61)**
of which: result of hedging on net positions		

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

6.1 Profit (Loss) from sale/repurchase: composition

Items/Income components	Total (31.12.2023)			Total (31.12.2022)		
	Profit	Loss	Net result	Profit	Loss	Net result
A. Financial assets						
1. Financial assets valued at amortised cost:	**1,112**	**(2,692)**	**(1,580)**			
1.1 Credits towards banks						
1.2 Credits towards customers	1,112	(2,692)	(1,580)			
2. Financial assets measured at fair value with impact on total profitability	**727**	**(39)**	**688**	**171**		**171**
2.1 Debt securities	727	(39)	688	171		171
2.4 Financial operations						
Total assets	**1,839**	**(2,731)**	**(892)**	**171**		**171**
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)						Value recovery (2)				Total (31.12.2023) (2-1)	Total (31.12.2022)
	First stage	Second stage	Third stage		Impaired credits acquired or originated		First stage	Second stage	Third stage	Impaired credits acquired or originated		
			Write-offs	Others	Write-offs	Others						
A. Credits towards banks	**1,104**	**150**					**2,311**	**150**	**1,613**			**(5,206)**
- financing operations	1,104	150							1,613			(4,775)
- debt securities							2,311	150				(431)
B. Credits towards customers:		**3**		**864**			**772**	**56**	**5,236**			**(7,343)**
- financing operations		3		864			177		3,572			(1,970)
- debt securities							595	56	1,664			(5,373)
C. Total	**1,104**	**153**		**864**			**3,083**	**206**	**6,849**			**(12,549)**

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 (31.12.2023) (2-1)	Total (31.12.2022)
	First stage	Second stage	Third stage		Impaired credits acquired or originated		First stage	Second stage	Third stage	Impaired credits acquired or originated		
			Write-offs	Others	Write-offs	Others						
A. Debt securities	1							53			52	(71)
B. Financing operations												
- Towards customers												
- Towards banks												
Total	**1**							**53**			**52**	**(71)**

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 (31.12.2023)	Total (31.12.2022)
1) Staff	**15,740**	**14,195**
a) Wages and salaries	10,976	10,066
b) Social security contributions	2,742	2,555
c) Severance payments		
d) Pension payments		
e) Allocations to the staff severance fund:		
f) Allocations to the provision for pensions and similar liabilities:		
- defined contribution		
- defined benefit		
g) Payments to external complementary pension funds:	625	626
- defined contribution	625	626
- defined benefit		
h) Costs arising from agreements to make payments in own equity instruments		
i) Other benefits to staff	1,397	948
2) Non-salaried personnel	**163**	**140**
3) Directors	**2,478**	**1,941**
4) Retired personnel		
5) Expenses recouped for staff seconded to other institutions		
6) Expenses reimbursed for staff seconded from other institutions		
Total	**18,381**	**16,276**

10.2 Average number of employees per category

Employees:	
a) executives	3
b) managers	76
c) remaining employees	75
Other personnel	

10.4 Other staff benefits

	Total (31.12.2023)	Total (31.12.2022)
Early retirement payments		
Other payments	1,397	948
Total	**1,397**	**948**

10.5 Other administration expenses: breakdown

	Total (31.12.2023)	Total (31.12.2022)
a) IT expenses	2,203	2,207
b) Expenses for movable/immovable property	516	373
- rentals and other fees	61	65
- other	455	308
c) Expenses for the purchase of goods and non-professional services	2,516	2,291
d) Expenses for professional services	2,800	2,708
e) Insurance premiums	160	159
g) Advertising	304	156
h) Indirect duties and taxes	565	566
i) Other	1,311	2,164
of which: Resolution Funds and Deposit Guarantee Schemes (DGS)	829	1,107
Total	**10,375**	**10,624**

Item i) "Other" as of 31 December 2023 includes charges incurred for the Single Resolution Fund (FRU) relating respectively to the ordinary portion, of the contributions required by Banca d'Italia and amounting to about Euro 0.9 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 (31.12.2023)	Total (31.12.2022)
Legal disputes	3,500	2,400
Commitments to disburse funds and financial guarantees issued	4,081	(740)
Other risks and charges	161	1,225
Total	**7,742**	**2,885**

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

	Total (31.12.2023)	Total (31.12.2022)
Other risks and charges	162	192
Total	**162**	**192**

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	1,189			1,189
- owned	1,111			1,111
- right of use acquired trough leasing	78			78
2. For investment				
- owned				
- right of use acquired trough leasing				
3. Inventories				
Total	**1,189**			**1,189**

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 assets				
of which: software				
A.1 Owned	134			134
- generated internally by the bank				
- others	134			134
A.2 Right of use acquired trough leasing				
Total	**134**			**134**

Section 14 - Other operating income/charges - Item 200

14.1. Other operating charges: breakdown

	Total (31.12.2023)	Total (31.12.2022)
Other operating charges	617	2,641
Total	**617**	**2,641**

14.2. Other operating income: breakdown

	Total (31.12.2023)	Total (31.12.2022)
Duties and taxes recouped	31	30
Rentals and fees	1	2
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	209	497
- other	921	1,241
SSF attribution to profit and loss		
Other income	4,605	1,251
Total	**5,767**	**3,021**

The figures reflect the recovery of costs and expenses for activities inherent to the Bank's core business (Euro 1.1 million), and the partial release of provisions (approximately Euro 2.2 million) prudentially allocated in previous years against risks which, during 2023, 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

Income component/Values	Total (31.12.2023)	Total (31.12.2022)
1. Current taxes (-)	(3,966)	(1,387)
2. Changes in current taxes from previous years (+/-)		
3. Reduction of current taxes for the year (+)		3,966
3.1 (extra) Reduction of current taxes for the year with tax credits pursuant to law no. 214/2011 (+)		3,966
4. Change in prepaid taxes (+/-)	7,678	
5. Change in deferred taxes (+/-)		
6. Taxes for the year (-) (-1+/-2+3+3extra+/-4+/-5)	**3,712**	**2,579**

19.2 Reconciliation of theoretical tax liability and actual book liability

	Total (31.12.2023)	Total (31.12.2022)
Profit before tax	**20,114**	**9,173**
Theoretical Ires and Irap due	(3,966)	(1,387)
IRAP adjustments for administration expenses		
IRAP adjustments for write-offs		
Taxes on non-deductible costs		
Pre-paid and deferred taxes	7,678	3,966
Net Worth increase benefit		
Total taxes	**3,712**	**2,579**
Net profit	**23,826**	**11,752**

As regards the tax effect relating to the year 2022, 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

	31.12.2023	31.12.2022
Net profit	23,826	11,752
Number of Shares	2,374,147	2,374,147
Profit per Share	**10**	**5**

PART D: COMPREHENSIVE INCOME DETAIL

Items	Total (31.12.2023)	Total (31.12.2022)
10. Profit (loss) for year	**23,826**	**11,752**
Other income components without reversal to income statement	**(14)**	**82**
70. Defined benefit plans	(14)	82
Other income components with reversal to the income statement	**(165)**	**606**
150. Financial assets (other than equity securities) measured at fair value with impact on total profitability:	**(165)**	**606**
a) changes in fair value	(165)	606
190. Total other income components	**(179)**	**688**
200. Overall profitability (10+190)	**23,647**	**12,440**

PART E: RISKS AND THEIR COVERAGE

Governance

Banca UBAE has adopted a governance model of traditional type, appropriately adapted to take into account the special features of the shareholders (as of March 2020, the Libyan Foreign Bank holds 80.15% of the capital with voting rights) as well as the need to ensure the full working efficacy of the corporate bodies.

Within the area of the traditional model, in addition to the Shareholders' Meeting representing all the stakeholders, there are the following bodies[1]:

- **Board of Directors** (made up of 7 to 11 members) is a strategic supervisory body and a management body; as envisaged by the Articles of Association, pursuant to art. 2381 of the Civil Code, the Board - if deemed appropriate - can delegate part of its duties and faculties to an Executive Committee, without prejudice of course to the limitations of law and statute;
- **General Manager**, as envisaged by the Articles of Association, pursuant to art. 2381 of the Civil Code, the Board - if deemed appropriate - can delegate part of its duties and faculties to an Executive Committee, without prejudice of course to the limitations of law and statute;
- **Board of Statutory Auditors** is the controllling body.

The Board of Directors of Banca UBAE has decided to exercise its skills and powers by making use of internal committees for investigative, proactive and advisory purposes.

The Board Committees, currently without deliberative powers, are:

- Audit & Risk Committee;
- Remuneration Committee;
- Business Committee.

Each of the above Committees has its own regulations which govern the composition, functions and methods of operation, and in each of them the presence of independent directors is required (at least two in the Audit & Risk Committee; at least one in the Remuneration Committee and the Business Committee).

[1] The Board of Directors has not yet proceeded with the appointment of the Executive Committee pursuant to art. 22 of the Articles of Association, while it is understood that it may be established in the future if the Board deems it necessary or appropriate.

Board of Directors

As its exclusive task, the Board:

- decides on corporate strategic lines and operations;
- approves the organizational and corporate governance structure of the Bank;
- approves the accounting and reporting systems;
- supervises the Bank's public information and communication process;
- decides on the company's strategic lines and operations;
- approves the industrial and financial plans, as well as the budget;
- approves the Internal Regulations and establishes rules of professional conduct for the Bank's staff, also through a code of ethics or similar instruments, guaranteeing their implementation and monitoring compliance by the staff;
- 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;
- approves, reviews and updates the Recovery Plan, also at the request of the Supervisory Authority;
- if necessary adopts, at the request of the Supervisory Authority, the changes to be made to the activity, organizational structure or corporate form of the Bank, and other measures necessary to achieve the objectives of the Recovery Plan, as well as eliminates the causes that constitute the prerequisite for the need for intervention;
- even if the circumstances exist, adopts or abstains from adopting a measure provided for in the Recovery Plan;
- approves a policy for the promotion of diversity and inclusiveness;
- carries out the tasks referred to in Part I, Title IV, Chapter 3, Sec. II, par. 2 of the Bank Supervisory Provisions and, in particular, 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;
- appoints and revokes the members of the Committees that the Council may establish;
- 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 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;
- decides on any interim positions within the General Management;
- upon proposal of the General Director, grants powers of representation and corporate signature to employees with a qualification lower than manager, 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;
- approves the outcomes of any procedure for excluding key personnel;
- hires non-managerial staff (white-collar workers, managers) on a permanent basis, subject to the favourable opinion of the Personnel Committee.

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 performs the duties and performs the functions envisaged by current legislation.

In particular, the Board of Statutory Auditors supervises compliance with the laws, regulations and the Articles of Association, correct administration, and the adequacy of the organisational, administrative and accounting structure of the Bank.

The Board of Statutory Auditors is responsible for supervising the completeness, adequacy, functionality and reliability of the internal control system, the risk management and control system, the statutory audit of the annual accounts and the independence of the auditing firm.

Furthermore, the Board of Statutory Auditors is required to ascertain the effectiveness of all the structures and functions of the internal control system and their adequate coordination, promoting the corrective actions for the deficiencies and irregularities found.

The Board of Statutory Auditors told members that, pursuant to art. 52 of T.U.B. (consolidated banking law), Banca d'Italia will be informed 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 activity.

In order to fulfil its duties, the Board of Statutory Auditors is endowed with the broadest powers established by the legal, regulatory and supervisory provisions in force from time to time.

The Board of Statutory Auditors also performs the functions of the supervisory body, established pursuant to legislative decree no. 231/2001, concerning the administrative liability of entities, supervising the functioning and observance of the Bank's organization 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 body of the Board of Directors; it exclusively has advisory and propositional functions towards the same, in terms of: remuneration of personnel whose remuneration and incentive systems are decided by the Body with strategic supervision function; analysis of remuneration and incentive policies; identification of key personnel - including any exclusions - and determination of criteria for quantifying related fees; determination of the criteria for the remuneration of the consultants of the foreign commercial network and of the Head of the Tripoli Representation Office.

Business Committee

The Business Committee has exclusively investigative, advisory and propositional functions towards the Board of Directors with reference to credit disbursement operations which fall, according to the structure of internal delegations in force from time to time, within the exclusive competence of the latter.

An exception is made for assignments in favour of related parties under the provisions of the relevant regulations, where the Audit & Risk Committee is involved in the authorization process.

Internal control system

Banca UBAE's internal control system consists of a set of rules, procedures and organizational structures aimed at enabling, through a process of identification, measurement, management and monitoring of the main risks, the sound and prudent conduct of banking activity.

The internal control system was designed in line with the legal and regulatory framework, with the Bank's organizational structure and in line with national and international standards and best practices.

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

- **line controls** (so-called "first-level controls"), aimed at ensuring that operations are carried out correctly. They are carried out by the operating structures themselves (e.g. hierarchical, systematic and random checks), also through various units that report to the managers of the operating structures, or performed within the back office;
- **controls on risks and compliance** (so-called "second-level controls"): entrusted to structures other than the operational ones, they have the objective of ensuring, among other things, the correct implementation of the risk management process, compliance with 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 Function and the Compliance Function. In particular, the Risk Management Function deals with the definition of risk measurement methodologies and the control of compliance with the risk limits, while the Compliance Function deals with verifying compliance with the relevant legislation, also carrying out verification activities;
- **internal audit** (so-called "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 information system (ICT audit), with pre-established intervals 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 summarized below.

The governance model

Banca UBAE has set up a system of rules, procedures and organizational structures which pursue:

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

The various players in the control system contribute to the achievement of these objectives, each within their own sphere of competence.

Roles and functions are described below according to the structure currently in force.

As part of the planning of the internal control system and the risk governance system, the Board of Directors approved the establishment of some internal management committees, approving the related operating regulations.

Internal managerial committees

The Credit Committee is made up of: General Manager, Deputy General Manager, Head of Administration Management.

The Credit Committee is the proposing body for the granting of credit lines to be submitted to the Board of Directors, exercises the credit line powers within the limits delegated by the Board of Directors, revokes the credit lines approved by the Board of Directors (with the exception of those included in the application of article 136 of the Consolidated Banking Law on and against 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: General Manager, Deputy General Manager, Head of Administration Management.

The Risk Committee proposes to the Board of Directors the guidelines for the management of each single risk, quantifiable and not; examines the RAF (Risk Appetite Framework) by verifying the Bank's consistency profile with the limits set therein; discusses and evaluates: the effectiveness of the policies approved 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, indicators established in the Recovery Plan; periodic simulations in terms of stress testing and prospective analysis; the operational strategies of the Finance Division and the use of derivative financial instruments to hedge risks, establishing amount limits for individual transactions, in relation to the profile of the operator and/or the negotiating counterparty and issuing, upon proposal of the General Manager, instructions restrictive of the operating limits in force and/or relating to individual financial instruments, issuers, counterparties; proposes to the Board of Directors changes to the operating limits assigned to the various Finance portfolios and any exceptions; submits to the Board of Directors the divestment operations relating to the HTC portfolio (Held-to-Collect).

The Personnel Committee consists of the General Manager, the Deputy General Manager and the HR Manager.

The Personnel Committee examines, as a preliminary step, proposals for hiring personnel (except for the components of the General Management) and the transformation of the related contracts, defines criteria and methods relating to personnel career advancement and the payment of the variable remuneration component in line with the remuneration policies established by the appropriate body; as a preliminary step, the committee examines the Supplementary Corporate Agreement.

Roles and responsibilities of corporate control functions

Risk Management Sector

The Risk Management Sector forms part of General Manager's staff, to which it reports functionally, while reporting hierarchically to the Board of Directors also through the Audit & Risk Committee.

This Sector is entrusted with support activities in the context of the strategic planning decided by the senior management, ensuring the monitoring and reporting of each individual risk category in light of the established operating limits.

This monitoring is intended to ensure that the effective risk profile (i.e. the internal capital) does not exceed the overall accepted risk level for each risk category.

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

With a view to ICAAP (Internal Capital Adequacy Assessment Process), the sector develops, updates and perfects methodologies and tools for impact assessment and risk monitoring; oversees the risk management models, conducts stress tests and prospective analyses and supports the capital management process.

From an ILAAP (Internal Liquidity Adequacy Assessment Process) perspective, the sector monitors the Bank's exposure to liquidity risk, produces the weekly reporting flow to the Supervisory Body, prepares the reporting to the senior management and conducts the defined stress tests as part of the Recovery Plan.

Regarding the Risk Appetite Framework, the sector proceeds with the periodic monitoring and reporting of the risk propensity limits and takes care of their annual review, if any.

The manager is also required to formulate opinions of consistency with the RAF for Operations of Major Importance (OMR) by virtue of the current management process.

From a Recovery Plan perspective, the sector supports the definition of stress scenarios in order to verify the adequacy of the recovery options and the effectiveness of the selected recovery indicators with the associated alarm thresholds.

It also proceeds with the monitoring and reporting of the indicators belonging to the capital, liquidity, profitability and asset quality categories, 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 adapting to the international accounting standard IFRS9, the sector supports the definition of staging criteria and in particular of the concept of "significant credit deterioration", verifying the correctness of the macroeconomic scenarios aimed at transforming the risk parameters from forward-looking for the purposes of impairment of performing exposures, and lastly supports the decision-making process, accompanying loan proposals with specific information on expected credit loss and unexpected credit loss.

As part of the lending process, the sector checks on a sample of counterparties the correctness of the classification and the consistency of provisions from an AQR (Asset Quality Review) perspective and takes care of periodic reporting to the top management bodies, taking care to provide qualitative and quantitative information on the composition of RWAs (Risk Weighted Assets) in terms of regulatory portfolios, the distribution by credit rating and by weighting coefficient, as well as the composition of the loan portfolio by status and by individual impairment class.

In the area of ICT and security risk, in light of the regulatory changes introduced by the 40th amendment to Bank of Italy Circular No. 285, the Risk Management Service performs (as from the second half of 2023) the second-level control function of ICT and security risk.

In particular, this Service takes care of the definition/revision of the Information Security Policy and the ICT and Security Risk Management Methodology and annually performs the risk exposure assessment reported in the Summary Report on the Information Risk Situation.

As part of the remuneration policies, it calculates the value of the reference indicator for the purpose of determining the bonus pool, processes and possibly updates the indicators used 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 Head of the Sector participates without the right to vote in the meetings of the Risk Committee performing secretarial functions. He is periodically required to report his activity to the Audit & Risk Committee.

Compliance and anti-money laundering sector

The regulatory compliance or compliance control function forms part of the BoD’s staff, is responsible for ensuring internal consultancy to all the Bank’s structures and to the General Management on the application of internal and external regulations and has the responsibility to preventively evaluate the impact that any procedural change and/or new product or service change could generate in terms of the risk of non-compliance with the aforesaid standards.

The function performs the following tasks:

- continuously identify the rules applicable to the Bank and measure/evaluate their impact on corporate processes and procedures;
- submit to the General Management proposals for organizational and procedural changes aimed at minimizing or eliminating the risk identified above;
- verify the effectiveness of the proposed organizational adjustments (on structures, processes, both operational and commercial procedures) suggested for the prevention of the risk of non-compliance.

To perform the tasks indicated above, the Compliance Function adopts two main operating methods: internal consultancy, with which the Function fulfils a primary institutional responsibility, and compliance checks of procedures, contractual documents, individual transactions or transactions brought to its attention.

Annually, the Compliance Function submits to the Board of Directors, after presentation to the Audit & Risk Committee, and to the Board of Statutory Auditors, a report regarding the activity carried out in the previous year, the activity plan for the current year and suggestions aimed at minimizing or eliminating the risk of non-compliance with regulations. This report is subsequently sent to Banca d'Italia.

The Function is also required to periodically report its activities to the Bank of Italy and the Audit and Risk Committee.

The Board of Statutory Auditors, the Audit & Risk Committee, the oversight body pursuant to law no. 231/01 may also ask the Compliance Function to formulate opinions, evaluate and carry out specific checks on procedures potentially at risk of non-compliance.

The Anti-Money Laundering Function is located within the Compliance sector, in charge of supervising the commitment to prevent and manage the risk of money laundering and terrorism financing; the Compliance Officer also holds the role of head of the anti-money laundering function.

The activity related to the assessment and reporting of suspicious transactions is entrusted to the Head of Compliance.

Internal Audit Sector

The internal audit function is entrusted to the Internal Audit Sector, which reports directly to the Board of Directors, or through the Audit & Risk Committee.

The activity of the Internal Audit Function is aimed at checking, with a view to third-level controls, also with in-situ checks, the regular progress of operations and risks, and at assessing the completeness, adequacy, the functionality and reliability of the organizational structure and of the other components of the internal control system, bringing possible improvements to the attention of General Management and the Board of Directors, with particular reference to the RAF, the risk management process as well as its measurement and control.

Based on the results of its controls, the Internal Audit Sector makes recommendations to the corporate bodies.

This function operates with independence, autonomy and professionalism, in compliance with current legislation and with the overall guidelines of the Bank's internal control system; it has access to all activities, including outsourced ones; verifies the removal of anomalies found in the operation and functioning of the controls (follow-up activities); carries out checks required by the Oversight Body as well as sharing information useful for the purposes of legislative decree 231/01.

The Internal Audit Sector annually submits the audit plan to the Board of Directors, or through the Audit & Risk Committee, and to the Board of Statutory Auditors, taking into account the risks inherent in corporate processes.

It also presents, with the same frequency, the annual report on the activity conducted, which illustrates the checks carried out, the results that have emerged, the weaknesses identified with the suggestions of the interventions to be adopted for their removal.

This report is also delivered to the Independent Auditors.

The Sector periodically reports to the Board of Directors, directly or through the through the Audit & Risk Committee, the outcome of the inspections carried out; it also periodically submits to the Board of Statutory Auditors, also in the function of Oversight Body pursuant to legislative decree 231/01, the results of the checks carried out and the related assessments.

The Department is also required to periodically report its activities to the Bank of Italy.

Diffusion of risk culture

Banca UBAE pays particular attention to speading awareness of the culture of risk within the organizational structure.

To that end, the Bank organizes internal training sessions for all personnel to ensure continuous updating to the changing external regulatory framework, thus improving the required skills in order to carry out their duties.

During 2023 several training courses were made available regarding national and international legislation of significance to corporate activities, with particular reference to: Banca d'Italia circular no. 285, legislative decree no. 231/01, anti-money laundering, GDPR, EBA LOM.

The level of participation was variable between 80% and 90% of the workforce, while respecting the specific skills of each organizational unit.

Furthermore, from the point of view of internal procedures, alert systems have been set up to promptly inform people about the issue of new external regulations that might have an impact on the Bank's operations, with internal alert signals to provide indications - to the various structures involved - on the service communications regarding the publication of new operational procedures and their implementation, as well as informing personnel of any organizational changes to the Bank's structure.

Premise

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

Banca UBAE has therefore adopted the standard methodology 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 evaluate 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 the principle of proportionality, according to which the risk management procedures, the internal control mechanisms, the economic capital evaluation methodologies as well as the frequency and intensity of reviews by the Supervisory Body, depend on the nature, size and complexity of the activity carried out by each Bank.

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

In particular, Banca UBAE falls into the third group which includes banks not having systemic importance (first group) nor authorized to use internal models or having assets exceeding 4 billion euros (second group).

The banks included in the third group adopt simplified methodologies for the calculation and evaluation of the other risks to be considered within Pillar II.

For the concentration risk by counterparty or by groups of related counterparties and for the interest rate risk on the banking book, the regulation proposes a calculation methodology which translates into identifying the additional capital requirements compared to the regulatory requirements envisaged by Pillar I.

Furthermore, since 2012, to take into account its peculiar operations, the Bank focuses - albeit not exclusively - on the highest risk countries, Banca UBAE has introduced a new additional capital requirement within Pillar II, although not required by law, given the country risk.

In order to consider all the relevant risks for the Bank, a further capital requirement was introduced to cover the geo-sectoral concentration risk, with the aim of quantifying[2] the risk deriving from the concentration of the Bank's loans towards certain macro-sectors.

Finally, in light of the current economic situation, starting from 2017, the Bank has deemed it appropriate to also to consider for capital adequacy purposes an additional capital absorption for strategic risk, estimated according to an internal method of calculation.

Lastly, with reference to stress testing activities, note that the Bank, in compliance with regulatory guidelines, has taken steps in recent years 1) to broaden the scope of analysis (including operational risks, market risks and excessive financial leverage), 2) to introduce a stress test from a capital perspective, 3) to extend the time span of analysis (from annual to biennial), 4) to include macroeconomic stress scenarios.

The activity conducted as part of the prudential control process is reported annually to the Supervisory Body through the ICAAP report.

The statement relating to the data as of 31 December 2023 will be sent to Banca d'Italia by April 2024.

As regards compliance with the obligations of public disclosure of data and information regarding exposure to individual risk categories (Pillar III), the Bank will publish the quality-quantitative information tables on the corporate internet website ("Financials" area) within the deadlines 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, approved by the Board of Directors in its latest version during 2023 and subject to periodic reviews which regulate:

- in the governance area, roles and responsibilities of corporate bodies and functions within the credit risk management process;
- in the risk identification and measurement phase, the risk assumption process in terms of preliminary investigations and delegated powers regarding assignments;
- during the risk monitoring phase, the credit performance monitoring process and internal risk surveillance limits;
- in the risk management phase, the process of identifying impaired credit exposures and the process of managing, classifying and evaluating them;

[2] For the other "quantifiable" risk, i.e. liquidity risk, the provision of an additional capital requirement is not envisaged but instead the implementation of a management system including the construction of a maturity ladder, the conduct of stress tests and the definition of an internal policy and a contingency funding plan.

- internal information flows between corporate functions (horizontal flows) and towards corporate bodies (vertical flows), as well as towards the Supervisory Body.

This policy, integrated by the Credit and Counterparty Risk Management Procedure, constitutes the reference regulatory framework for managing credit and counterparty risk.

Banca UBAE's mission is the promotion and development of any type of financial, commercial, industrial and economic relationship in the international field.

The Bank's activity is aimed primarily, although not exclusively, at supporting relations between the "Mediterranean and Middle East countries" with Europe, as well as between them and the rest of the world.

Respect for this mission, consolidated over 50 years of activity in favour of its customers, involves adopting credit selection and disbursement policies based on rigorous criteria of professionalism.

In particular, Banca UBAE favours the financing of commercial operations to and from countries of economic interest, with banks and businesses, residents and non-residents, as beneficiaries.

The commercial nature of the financed operations lies in the technical forms used and in the overall evaluation of the beneficiary's activity.

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

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 by simulating the impact in terms of capital requirement generated by certain shocks, such as the deterioration of the domestic economic situation or the worsening of creditworthiness for counterparties resident in certain countries or operating in certain economic sectors.

2. Policies for managing credit risk

2.1 Organizational 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 selection and evaluation of assignments;
- the risk monitoring and control process, also in relation to the regulations on risk concentration.

The decision-making powers are divided into a system of delegated powers based on the type and amount of risk to be undertaken; the organizational units involved in the risk management, control and mitigation processes can be identified as first-level performance control unit, second-level credit performance control unit, Legal Sector and Risk Management Sector.

The internal policy governing the credit risk management process, and in particular non-performing loans, was reviewed during 2023 and approved by the 312th Board of Directors on 24 November 2023.

The update was carried out on the basis of the new regulatory framework, with particular reference to Banca d’Italia Circular no. 285 and the EBA guidelines, with a view to rationalizing and making credit risk management and monitoring more efficient.

In Pillar I, the Risk Management Sector is responsible for monitoring the capital requirement for credit risk and, on the basis of the risk matrix data communicated quarterly to the Supervisory Body, by submitting it to the Risk Committee, the Audit & Risk Committee and the Board of Directors together with a quarterly report regarding capital adequacy.

The quarterly report is also intended for Banca d’Italia.

For ICAAP purposes, it puts forward the stress testing hypotheses to be brought to the attention of the Risk Committee and for estimating future internal capital on the basis of strategic planning and 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 conducted are subject to periodic reporting intended for the Risk Committee, the Audit & Risk Committee and the Board of Directors.

The Risk Manager also formulates opinions on consistency with the RAF for the most significant operations identified (OMR).

The Sector receives supervisory reports in the area of large exposures and any reports in the event of failure to comply with the lending limit, evaluates the trend and impact over time of positions classified as heavy risks, and prepares specific reporting for the corporate bodies.

2.2 Management, measurement and control systems

Credit investigation

Within the credit process, the preliminary phase, carried out by the Credit Division, represents the moment in which the acquisition, processing and control of all the documentation necessary for the technical analysis from an equity and financial point of view takes place, together with analysing the income flow, in order to evaluate the overall risk profile of the counterparties and their transactions.

The investigation has the following objectives:

- checking the correctness and completeness of the corporate and financial statement documentation submitted by the requesting counterparty;
- assessing the credit capacity, based on a qualitative/quantitative analysis also at Group level and forecasting;
- checking the consistency of the request for renewal/variation of the credit line or a new credit line with the Bank’s objectives and the needs identified during analysis;
- checking the consistency of the technical forms requested with what was previously decided for the same counterparty;
- checking compliance with the regulations in force (Civil Code and T.U.B. banking laws) regarding obligations established for banking representatives (Directors, Auditors and General Manager);
- identifying groups of related customers for the purposes of risk concentration analysis;
- identifying related parties pursuant to Circular no. 263/2006 - Title V Chapter 5;

- recording 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 regulations as required by national and international provisions.

The preliminary investigation process ends with the formulation of a technical opinion on the reliability of the applicant and with the assessment of the risks connected to the investment operation.

The flow of all the activities described above is regulated by a regular system of internal rules which governs their performance in every phase, from the initial request submitted by the counterparty to approval by the appropriate delegated body.

Over the last few years, this flow has undergone some changes from a structural and operational point of view, in line with the relevant regulations and implementing the recent regulatory updates that have occurred, including:

- Guidelines EBA/Gl/2020/06 “Guidelines on granting and monitoring loans”;
- Corporate crisis and insolvency code implementing law no. 155 dated 19 October 2017, and subsequent legislative decrees, including that of 17 June 2022 (no. 83) which implements EU directive no. 2019/1023 (regarding insolvency).

In compliance with this, a road map has been identified which provides for adapting the analysis framework, in particular for scenario and sensitivity analyses and for ESG assessments, and projects have been launched aimed at strengthening credit risk controls, according to a proactive approach (e.g. early-warning systems).

Technically, all risk analysis activities are carried out with the aid of a series of IT tools, which help towards defining the information framework on the credit quality of the counterparty:

- internal models for reclassifying the economic-financial information of each counterparty, which ensure regular data analysis and absolutely “super partes” technical control (beyond small party issues);
- internal calculation system for all customers carried out through specific software provided by Moody’s (RiskCalc procedure), in order to assign each counterparty to internal risk classes providing the relevant PD - Probability of Default (quantitative and qualitative). Any significant deviations between the internal score and the external rating (where available) are reported, in compliance with current legislation, to Banca d’Italia, on the basis of the consistency assessment activities carried out annually by the Risk Management Sector with the support of the Credit Division;
- verification of prejudicial events, land registry searches on the guarantors’ assets, and sectoral comparisons through consultation with the most widespread national and international info-providers (Cerved, Dun & Bradstreet, etc);
- analysis of country risks through collaboration with the Economist Intelligence Unit (EIU) which provides monthly reports and country ratings;
- definition of the level of depth of the analysis in relation to the preliminary investigation and rationalization of the evaluation methodology.

Technical opinions, based on economic-financial analyses, are also formulated to support the Legal Sector, regarding non-performing positions, and the Risk Management Sector, in AQR (Asset Quality Review) assessments.

Credit Performance Control

As part of the credit performance control process, and consistently with the provisions of the EBA/Gl/2020/06 guidelines, new performance analysis guidelines have been defined which, integrating what is currently carried out as outlined below, identify actors (owners) differentiated both in the monitoring process and in the qualitative level of control (level 1 and level 2 controls).

This development also changed the organizational setup during 2022, in order to make the principle of control and intervention more consistent, as recommended by the guidelines.

The organizational unit responsible for performance monitoring was therefore structured into two separate units: the performance control unit credit 1 level, set up as part of the commercial development area, and the performance control unit credit 2 level forming part of the Risk Management Sector.

During credit performance monitoring, the level 1 organizational unit, with the support of the appropriate Italian and foreign commercial sectors, compiles and updates a list of risk positions to be kept under observation, based on the information available from external sources (risk centre, prejudicial acts, press news), and internal (e.g. reports produced by the application for performance monitoring, reports from the appropriate Italian and foreign commercial sectors regarding specific countries and/or economic sectors, etc).

In the event of updated information or upon request, the managers of the appropriate Italian and foreign commercial sectors inform the performance control unit of credit 1 level about the reasons for the anomalies found on the reported positions and possibly on the actions undertaken to mitigate the credit risk.

This unit reports periodically to the General Management, to the unit managers and to the Italian and foreign sales sectors.

If deemed appropriate, and in any case coinciding with events that may lead to an objective deterioration of the possibilities of partial or complete recovery of the credit exposure, the organizational unit proposes to the General Manager the reclassification of the position at risk among impaired loans (probable default), accompanied by any proposed write-downs.

As regards the anomalies found, in particular checking compliance with the credit limits granted by the deliberating bodies to the counterparties, the level 1 credit performance control unit uses the reports produced by the Cedacri IT system in its checks.

Furthermore, the same procedure, supporting credit control activity, is provided with a platform, called CQM - Credit Quality Manager, which aims to identify the positions to be monitored and manages those in which anomalies have already manifested themselves, with the final aim of controlling and minimizing the Bank’s credit risk (the platform enables customers to be divided into monitoring sub-portfolios according to the Bank’s strategic lines).

Other information flows to which particular attention is paid, in order to process the necessary information for the management and other sectors, are the information present on the black list of the return flow of the Risk Centre and the printout of continuous overdrafts (past due) coming from the Cedacri IT system, together with those of the organizational development sector for the monthly monitoring of related parties.

Against this background, the level 2 credit performance control unit is responsible for verifying the correct monitoring carried out by the level 1 structure and periodically checks the correctness of the classifications and the adequacy of the provisions also through the annual AQR (Asset Quality Review).

The unit also provides support during regulatory and technical investigations regarding credit matters and participates in corporate projects aimed at improving and perfecting credit risk management systems.

Lastly, the unit supports the risk management sector for the purposes of quarterly reporting, the half-yearly analysis regarding non-performing positions and the annual calculation of the additional provisions envisaged for signature exposures (letters of guarantee) included in specific risk clusters.

2.3 Methods of measuring expected losses

The IFRS 9 accounting standard, published by the IASB on 24 July 2014, was definitively endorsed by the European Commission on 22 November 2016. IFRS 9 entirely replaces IAS 39 and therefore applies to all financial instruments classifiable under assets and liabilities of the balance sheet in the financial statements, modifying the classification and measurement criteria and the method of determining impairment, as well as defining new rules for designating hedging rapports.

The application of IFRS9 became mandatory starting from 1 January 2018, in particular from the first equity, economic and financial reporting date after 1 January 2018, represented by the FINREP deadline referring to 31 March 2018.

The impact for banks and firms in the financial sector was particularly significant since - in terms of impairment - the standard introduced on the accounting level (defining write-downs on the basis of expected loss) already existed in prudential regulations, instead of the actual loss (incurred loss) envisaged by IAS 39, thus determining 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)

Where:

- **ECL (Expected Credit Loss)**: represents the accounting write-downs for IFRS9 purposes
- **EAD (Exposure at Default)**: corresponds to the current usage of the weighted reference date for the credit conversion factor (CCF)
- **PD_{FL} (probability of forward-looking default)**: represents the probability of future default, obtained by applying a macroeconomic scenario to the **PD_{PIT}**
- **PD_{PIT} (probability of point-in-time default):** represents the probability of default by all the counterparties, calculated according to the balance sheet data, the country of residence, and other qualitative considerations
- **LGD_{FL} (loss given forward-looking default):** represents the loss in the event of default obtained by applying a macroeconomic scenario to the **LDG_{PIT}**
- **LGD_{PIT} (loss given point-in-time default):** represents the loss in the event of default

calculated according to the nature of the exposure and conditioned by the presence of real asset guarantees (e.g. cash collateral) or personal guarantees (e.g. SACE).

The Bank has score and PD_{PIT} data for each counterparty (processed by the Credit Division during the granting or renewal stages).

For the purposes of calculating the expected loss, i.e. the accounting write-downs, macroeconomic scenarios are applied to these risk parameters to enable them to be recalculated from a forward-looking perspective.

The Bank uses the macroeconomic models made available by Moody's through the "Impairment Studio" platform.

This platform, during 2022, replaced the previous custom models differentiated by geographical areas.

The methodological variation is based on specific analyses conducted on the two IT solutions.

The "Impairment Studio" platform showed better performance in terms of models (greater frequency of updating and use of country-specific variables instead of proxy variables by geographical area) and in terms of auditing, as well as mitigation of the associated operational risks for the impairment process.

IMPAIRMENT - NON-PERFORMING CREDITS (Stage 3)

The methodology for evaluating non-performing loans - all classified at Stage 3 based on the IFRS9 principle - is differentiated according to the status of the impaired exposures.

Consequently, different evaluation methodologies are used:

- Valuation of credits classified as non-performing, carried out analytically by the Legal Sector for all 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 so as to allow prompt incorporation into the financial statements of all events that may change the prospects for debt recovery.

In any case, the assessment must be carried out in the following situations:

- upon classification as non-performing (usually within 30 days of receiving the complete documentation from the organizational unit in charge of the relevant position);
- subsequently, whenever a new event occurs that is likely to affect the recovery prospects (e.g. change in the value of the assets on which a guarantee has been acquired, developments in ongoing disputes or insolvency proceedings, information or data acquired/received, etc), and in any case at least once every six months.

Valuation of credits classified as unlikely to pay (UTP) in turn sub-divided into:

- analytical evaluation on a flat-rate basis (lump sum), applicable to positions with an amount lower than a certain threshold (EAD < 500,000 euros);
- analytical assessment, applicable to positions of this type exceeding a certain threshold (EAD > 500,000 euros).

Evaluation of "past due" credit positions, carried out analytically on a flat-rate basis.

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

The expected debt recovery values must be estimated on the basis of an assessment of the debtor’s ability to meet the obligations taken on, measured in consideration of all the most recent information available, the financial and economic situation of the customers and the value of any existing guarantees to protect the credits.

To proceed with the analytical evaluation of a counterparty, it is necessary to preliminarily define whether to evaluate it from a liquidation perspective, in the event that recovery is possible through the realization of guarantees and/or the liquidation of the company’s assets, or from a business continuity perspective, where the evaluation focuses on verifying the sustainability of the company’s debt over time based on the estimated cash flows.

STAGING RULES

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

- **Stage 1** - past due less than 30 days, performing exposures of 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 in 1 year (if exposure is less than 1 year, the expected loss refers to the residual life);
- **Stage 2** - expired between 30 and 90 days, performing exposures classified as forborne, including the watching list during credit performance control or for which there is a significant deterioration in creditworthiness (expressed in terms of downgrading of two notches in the score class or increase of the PD above specific thresholds): write-downs calculated in terms of expected loss calculated over the entire residual life of the exposure (if greater than 1 year, forward-looking lifetime PD and LGD will be applied);
- **Stage 3** - non-performing exposures (past due for more than 90 days, probably unlikely to pay and impaired): write-downs calculated analytically in line with the current approach.

In more detail, for the shift into stage 2, the following cases are foreseen:

- **Forborne** - automatic shift
- **Expired between 30 and 90 days** - automatic shift
- **Watching list** - detection of anomalies by specific indicators (AQR) or presence on the observation lists
- **Counterparties without scores and PD** - automatic shift
- **Marked deterioration of credit** - detected in terms of percentages of increase in PD compared to the original value. For each score class, a parameter X has been defined.

The UBAE approach is to classify all counterparties in stage 1, including speculative grade ones (rated from BB+ to B-), for which there is no significant deterioration in creditworthiness compared to the moment the relationship was established, with the exception of counterparties with CCC ratings, for which a direct classification in stage 2 will be envisaged unless it is 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 case of speculative grade issues (rating equal to or lower than BB+) for which there is a significant deterioration in the creditworthiness.

The concept of significant credit deterioration is understood as a downgrading of at least two notches compared to the origination score.

Therefore, the low credit risk assumption is envisaged only in the securities field.

2.4 Techniques for reducing credit risk

Credit risk mitigation techniques are currently regulated by EU Regulation no. 575/2013 (with small and medium-sized enterprises) as well as EU Directive 2013/36 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 dated 17 December 2013 has implemented and included the two aforesaid acts among the regulatory sources governing the matter.

The current regulatory framework of reference has maintained the distinction between real-type credit protection instruments and personal-type credit protection instruments.

To be eligible, real guarantees, which allow the beneficiary the right to satisfy the credit based on specifically identified assets or sums of money, must be included in the list of activities admitted by the regulation, such as:

- cash deposits with a lending institution[3] or similar instruments held by that institution;
- debt securities issued by governments or central banks for which a credit rating is available from an ECAI or an export credit agency equivalent to credit rating class 4 or higher;
- debt securities issued by institutions or other entities for which a creditworthiness assessment by an ECAI equivalent to creditworthiness class 3 or higher is available;
- debt securities for which a short-term creditworthiness assessment from an ECAI equivalent to creditworthiness class 3 or higher is available;
- capital instruments or convertible bonds;
- gold;
- securitization positions that have an external creditworthiness assessment by an ECAI comparable to merit class 3 or higher;
- debt securities issued by entities without an ECAI creditworthiness assessment, if such securities display stringent conditions (they are listed on recognized stock exchanges, qualified as first degree debt, the entity's other issues are associated with the merit class 3 or higher, etc).

Furthermore, limited to the mutual cash balances between the lending institution and the counterparty, the offsetting of mutual credits in the balance sheet is permitted.

Other types of real credit protection are:

- cash deposits or similar instruments with a third party;
- life insurance policies pledged in favour of the lending institution;
- instruments issued by third party entities which will be repurchased by such entities upon request.

[3] This is defined as the entity that maintains the exposure.

Personal credit protection, consisting of legal commitments, undertaken by third parties, to fulfil the obligation towards the Bank in the event of default by the principal obligor, can be granted by subjects who are:

- central administrations and central banks;
- regional administrations or local authorities;
- multilateral development banks;
- international organisations, when exposures towards them can be weighted at 0%;
- certain bodies or entities or companies having the requirements referred to in article 201 of EU Regulation no. 575/2013.

Regulation 575/2013 does not include eligible personal guarantees, limiting itself to introducing a general principle of eligibility of these forms of credit protection.

Within the scope of the above eligibility principle, only credit derivatives falling within the category of personal guarantees are strictly listed, i.e. credit default swaps, total return swaps, credit-linked notes.

However, Banca UBAE does not purchase protection from credit risk through holding these instruments.

Furthermore, the regulation identifies, for each type of guarantee, both real and personal, the requirements for the purposes of its eligibility.

REAL GUARANTEES

A. COMPENSATION OF BALANCE SHEET ITEMS:

Requisites:

- legal effectiveness and applicability in all relevant jurisdictions, even in the event of the counterparty’s insolvency or bankruptcy;
- possibility for the lending institution to identify the assets and liabilities that fall within such agreements;
- surveillance and control of the risks associated with the termination of protection;
- surveillance and control of significant exposures on a net basis.

B. TYPICAL OFFSETTING AGREEMENTS

Requisites:

- legal effectiveness and applicability in all relevant jurisdictions, even in the event of the counterparty’s insolvency or bankruptcy;
- possibility for the non-defaulting party to terminate and close all transactions affected by the agreement in the event of default, also in the event of the counterparty’s insolvency or bankruptcy;
- possibility of offsetting profits and losses, so that only one net amount is due from one counterparty to the other.

C. REAL FINANCIAL GUARANTEES

Requisites:

- absence of a significant correlation between the creditworthiness of the debtor and the value of the collateral. For example, securities issued by the debtor or other related entity of the group are not permitted as collateral;

- enforceability of contracts in all relevant jurisdictions;
- entities are also required to:
  - document the contract in the necessary forms and provide a suitable procedure for the prompt enforcement of the guarantee;
  - control the risks deriving from the use of guarantees;
  - have documented policies and practices regarding the types of collateral accepted and the amount thereof;
  - calculate the market value of the guarantees and revalue them at least every six months, and whenever it is believed that a significant drop in market value has occurred;
  - if the guarantee is held by a third party, ensure that the holder separates it from his own assets;
  - dedicate sufficient resources to the control and monitoring of all risks associated with managing guarantees (e.g. concentration risk towards particular types of assets 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 guarantee;
- structure of the contract and underlying legal documents such as to allow prompt enforcement of the guarantee;
- verification - by the institution - of the value of the property at least once a year for non-residential properties and once every three years for residential properties;
- the valuation of the property is reviewed when its value may have significantly decreased in relation to general market prices and this review is carried out by an appraiser who possesses the necessary qualifications;
- institutions clearly document the types of residential and non-residential properties accepted and the related credit policy;
- institutions have procedures in place to ensure that the real estate received as collateral is adequately insured against the risk of damage.

E. COMMERCIAL CREDITS

Requisites:

- the legal mechanism through which guarantees are provided is robust, clear and effective;
- the entities have a first degree right of pre-emption on the asset pledged as collateral;
- enforceability of warranty agreements in all relevant jurisdictions;
- the institution’s internal procedures ensure that the legal conditions for declaring the debtor’s default and obtaining prompt enforcement of the guarantee are observed;

- in the event of the debtor's default, the entity has the right to assign the commercial credits to other parties without the consent of the debtor concerned;
- the entity has adequate procedures to assess the credit risk inherent in trade receivables;
- the difference between the exposure and the value of the credits granted as guarantee is able to ensure coverage of further costs borne by the institution;
- the trade credits pledged by the debtor are diversified and not unduly correlated with the debtor's situation;
- the entities do not use commercial credits towards subjects connected to the debtor;
- the entities have a documented procedure for the direct collection of payments on trade receivables in critical situations.

F. OTHER TYPES OFREAL GUARANTEES

Requisites of deposits with a third party:

- the credit (deposit) of the debtor towards the third party is explicitly constituted as a guarantee or pledged in favor of the lending body and this act is effective and enforceable in all competent jurisdictions, unconditional and irrevocable;
- the third party has received notification of the pledge or pledge;
- as a result of the notification, the third party is able to make payments only to the lending institution.

Life insurance policy requirements:

- the life insurance policy is explicitly pledged or pledged in favour of the lending institution;
- the insurance company has received notification of the guarantee or pledge and, consequently, cannot pay amounts without the consent of the lending institution;
- the lender has the right to terminate the policy and receive the surrender value in the event of the borrower's default;
- the lending institution is informed of any failure to make policy payments by the owner;
- credit protection is provided for the entire duration of the loan;
- the guarantee or pledge is effective and legally enforceable in all relevant jurisdictions;
- the surrender value (i) is declared by the company providing the life insurance and cannot be reduced, (ii) is paid by the company providing the life insurance promptly upon request, (iii) cannot be requested without the prior consent of the institution;
- the insurance company is subject to EU directive 2009/138/EC (on access to and exercise of insurance activities) or to the supervision of a competent authority of a third-party country which applies prudential and regulatory provisions at least equivalent to those in force in the EU.

G. REAL GUARANTEES ON GOODS

Requisites for valuation of real guarantees on goods:

- the valuation must be made by an independent third-party expert;
- the formal documentation of the guarantee must show the location of the goods, quantity, and unique identification;
- the prudential criteria regarding the haircut to be applied, linked to the perishable nature

of the goods, the ease or otherwise of liquidation of the same, the costs of conservation and guardianship.

In general, institutions check the value of the collateral at least annually or more frequently if market conditions are subject to significant changes; the loan contract must include a detailed description of the guarantee and specify in detail the method and frequency of revaluations.

Furthermore, the institution must clearly document in its internal credit policies and procedures the types of collateral on tangible assets it accepts and the criteria it applies regarding the appropriate relationship between the amount of each type of collateral and the exposure amount.

PERSONAL GUARANTEES

Requisites common to personal guarantees and credit derivatives:

- credit protection is direct and its extent clearly defined and incontrovertible;
- there are no clauses whose fulfilment is beyond the direct control of the lending institution and which could:
  - allow the protection provider to unilaterally cancel the policy;
  - increase the cost of protection following the deterioration of the credit quality of the protected exposure;
  - ensure that the protection provider does not have to make the payments due in the event of the principal debtor's default;
  - allow the protection provider to reduce the duration of the protection policy.
- the collateral agreement must be effective and enforceable in all relevant jurisdictions;
- the institution is able to demonstrate to the competent authority that it has the appropriate tools to manage the potential concentration of risk deriving from the use of personal guarantees and credit derivatives;
- the institution complies with the contractual and legal requirements relating to personal guarantees.

Additional requirements for personal guarantees only:

- the lending institution has the right to promptly seek recourse from the guarantor without the obligation of prior enforcement of the principal debtor;
- the guarantee is explicitly documented;
- the guarantee covers all payments to which the principal debtor is obligated or, when certain payments are excluded from the personal guarantee, the lending institution has adjusted the value of the guarantee to take into account the limitation of coverage.

CONTRO-GUARANTEES ISSUED BY GOVERNMENTS AND BODIES IN THE PUBLIC SECTOR

Exposures protected by a personal guarantee, backed by a counter-guarantee from one of the following entities, are considered to be 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 exposures

Impaired credit exposures are subdivided into the following categories:

- impaired past-due and/or overdrawn exposures: cash credit exposures, which at the reporting date have been overdue or overdrawn for more than 90 days;
- unlikely to pay: credit exposures for which the Bank deems it unlikely that, without resorting to actions such as enforcement of guarantees, the debtor will completely fulfil (in principal and/or interest) its credit obligations. This assessment is carried out regardless of the presence of any overdue and unpaid amounts (or instalments);
- bad debts: the complex of cash and off-balance sheet credit exposures towards a party in a state of insolvency (even if not judicially ascertained) or in substantially comparable situations, regardless of any loss forecasts formulated by the Bank. Exposures whose anomalous situation can be traced back to profiles relating to country risk are excluded.

For the purposes of staging allocation, non-performing exposures (NPLs) fall within Stage 3 and are subject to analytical devaluation as described in paragraph 2.3, also taking into consideration the minimum devaluation levels envisaged by the credit policy for each class of impairment.

3.1 Strategies and management policies

The units responsible for managing non-performing loans implement the interventions defined by the internal policy and the credit procedure in the presence of deterioration of the risk position.

These interventions include all the activities carried out after the transition of the position to non-performing which may lead, in particular in the case of transition to non-performing, also to revoking the credit lines, the consequent forfeiture of the debtor from the benefit of the term and the resolution (where possible) of the contractual relationships maintained with the customer.

These activities are aimed at protecting and recovering the Bank's credit claims, through internally conducted extrajudicial interventions and with the use of judicial procedures activated (through external lawyers) by the Bank, or also by managing credit availability in the area where the position is located.

The different phases of the process are referred to the Legal Sector with reference to positions classified as UTP or bad loans and to the level 1 credit performance control unit in the case of impaired overdue positions (past due).

In particular, the legal sector, as "manager" of non-performing positions (with the exclusion of past ue), takes care of following the various management phases with the support of the other structures involved (credit sector, commercial area, performance control unit of level 1 credit).

The sector also takes care of preparing periodic information addressed to the senior management bodies.

Managing impaired and/or overdue positions

Individual exposures are identified as overdue and/or overdrawn:

- other than those classified as non-performing and/or unlikely to pay;

- overdue or overdrawn for more than 90 days in the event that, on the reference date of the report, the greater of the two following values is equal to or greater than a relevance threshold of 5%:
    - average of the expired and/or overdrawn portions of the entire exposure recorded on a daily basis in the previous quarter;
    - expired and/or overdrawn portion of the entire exposure referring to the report's reference date;
- expired or overdrawn for more than 180 days at the reporting date. All positions in this situation are placed in a state of probable default unless there are adequate formalized reasons.

Impaired past due and/or overdrawn exposures are monitored by the level 1 credit performance control unit, which defines their classification (also upon indication from the sales manager) and the devaluation, also based on the technical analyses provided by the SAIF and taking into consideration the percentages of minimum write-downs set by the Bank.

The assessments in terms of classification and percentage of devaluation are brought to the attention of the deliberating body.

Managing probable unlikely-to-pay positions

As required by law, for classification among unlikely-to-pay it is not necessary to wait for the explicit symptom of anomaly (non-repayment) where there are elements that imply a situation of the debtor's risk of default.

The complex of on-balance sheet and off-balance sheet exposures to the same debtor in the aforesaid situation is called "probable default", unless the conditions for the classification of the debtor among non-performing loans are met.

The condition of "unlikelihood that, without resorting to actions such as enforcement of the guarantee, the debtor will completely fulfil their obligations" is considered satisfied upon the occurrence of events specifically provided for by the legislation, or events subject to internal evaluation by the Bank.

Positions classified as UTP are monitored by the legal sector which can propose their devaluation in excess of the minimum devaluation percentages defined by the Bank, also based on the technical analyses provided by the Credit Sector.

Managing non-performing loans

The category of bad debts includes all loans to customers who are in serious and non-transitory economic and financial difficulties, even if the state of insolvency has not been judicially ascertained.

The need for the change of status may also derive from extrajudicial and prejudicial events affecting the customer and/or guarantors, from the risk of consolidation of mortgages registered by other credit institutions, from judicial actions aimed at decreasing the financial guarantee provided by the customer and/or by the guarantors.

For the purposes of classification as non-performing, the existence of any guarantees, real or personal, placed to protect the credits is therefore disregarded.

The identification of the positions that will "eventually" be included in the "bad debts" sector involves the following subjects:

- Commercial Management/Managers of the commercial desks responsible for the relationship on the basis of their level 1 monitoring activity;
- Performance control desk at level 1, based on anomaly reports and as part of the systematic activity of monitoring credit risk for the positions under its responsibility;
- Legal sector, based on the continuous analysis activity conducted on UTP positions.

Once the exposure to be classified as non-performing has been identified, the legal sector carries out a preventive assessment regarding the opportunity and presence of the minimum requirements for the possible change of status.

The proposal for the transfer to non-performing, containing the reasons for the change in status of the position as well as the indication of the minimum devaluation to be carried out, is brought to the attention of the General Manager upon proposal by the head of the legal sector.

3.2 Write-Offs

Write-offs constitute, as specified by IFRS9, events of partial or complete accounting cancellation of the credit exposure and may or may not entail the legal waiver of credit recovery.

The Bank proceeds, subject to resolution of the Board of Directors, in the case of positions relating to UTP and bad loans, or of the General Management, in the presence of past-due positions and in compliance with the materiality threshold established in the policy for managing credit risk and counterparties, to writing-off credit exposures if valid and objective elements are identified to support the assessment or the irrecoverable nature of the credit and/or the economic inconvenience of carrying out the recovery actions.

Partial write-off can be justified if there are elements to demonstrate the debtor's inability to repay the entire amount of the debt.

3.3 Impaired financial assets acquired or originated

Acquired or originated impaired financial assets are those exposures that are impaired at the date of initial recognition.

The Bank does not envisage the acquisition of exposures of this type in its business model, while there is a provision for "new finance" to impaired counterparties in the context of restructuring agreements between the debtor and a pool of banks.

In this last case, the legal sector follows the restructuring agreements, appropriately assisted by the internal structures and, in particular, by the Commercial Management/Commercial Desk Managers, who are responsible for the possible preparation of the proposal for the provision of "new finance", to be submitted for approval to the Board of Directors.

These exposures will be configured as non-performing in compliance with the classification attributed to the debtor and will be subject to the devaluation rules specific to the assigned deterioration class.

4. Financial assets subject to commercial renegotiations and exposures subject to concessions

The Bank identifies and classifies, in accordance with the provisions of Banca d'Italia, forborne exposures, i.e. cash loans (performing or impaired) subject to 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 already classified as impaired (non-performing exposures with forbearance measures).

With reference to the times spent inside a class and/or leaving it:

- non-performing forbearance: the exposure must remain for at least 1 year ("cure period"), at the end of which it can abandon the non-performing status;
- performing forbearance: exposure deriving from the previous class, from which the exposure can exit towards performing after 2 years ("probation period").

The agreements - reached between the debtor and a pool of creditor banks - by which existing credit lines are temporarily "frozen" with a view to a formal restructuring do not constitute concessions.

The times spent in the forborne state and the exit mechanisms are regularly checked.

For non-performing forborne cases, it takes at least 36 months (12 months for the "cure period" and 24 months for the "probation period") before the position can return to performing without reserves.

In other cases of performing forborne, it is possible to evaluate the return to performing status or the definition of remaining in the classification even for a shorter period.

From an accounting viewpoint, the IFRS 9 standard provides 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 problem loans to customers entrusted by a plurality of banks in the presence of a request for a moratorium or restructuring of the credit, the internal information aimed at acknowledging the same is prepared by the appropriate Commercial Management/Managers of the Commercial Desks holding the relationship.

Subsequently, the level 1 credit performance control unit will propose the reclassification "under observation" and the immediate blocking of operations (the credit is made non-operational) to the General Manager, pending more in-depth analyses.

Until the restructuring agreements are formalized, subject to the resolution of the appropriate bodies, negotiations for any moratoriums will be conducted both by the Head of the Commercial Development Area and by the legal sector.

Once the relevant proposal has been submitted (as usual) and approved by the deliberating bodies, the management of the position will be transferred solely to the Commercial Development Area.

Quantitative information

A. 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	6,057	16,485	3,864		1,820,350	**1,846,756**
2. Financial assets measured at fair value with impact on total profitability		1,926			11,799	**13,725**
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 (31.12.2023)	**6,057**	**18,411**	**3,864**		**1,832,149**	**1,860,481**
Total (31.12.2022)	**6,512**	**31,174**	**8,630**	**13,045**	**1,371,042**	**1,430,403**

At 31 December 2023, exposures subject to concessionary measures (known as forbearance exposures) amounted to Euro 16.2 million; more information on these exposures can be found in table A.1.6, A.1.7.

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	122,129	95,723	26,406		1,823,684	3,334	1,820,350	1,846,756
2. Financial assets measured at fair value with impact on total profitability	2,891	965	1,926		11,931	132	11,799	13,725
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 (31.12.2023)	**125,020**	**96,688**	**28,332**		**1,835,615**	**3,466**	**1,832,149**	**1,860,481**
Total (31.12.2022)	**159,999**	**113,682**	**46,317**		**1,389,409**	**5,323**	**1,384,086**	**1,430,403**

[*] 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			163
2. Hedging derivatives			1,019
Total (31.12.2023)			**1,182**
Total (31.12.2022)			**2,366**

Among the unimpaired assets, there are no exposures subject to renegotiation under collective agreements.

Impaired assets include, principally, exposures to Italian corporate entities in the construction sector.

A.1.3 Distribution of financial assets by range of overdue amounts (book value)

Portfolios/risk stages	First stage			Second stage			Third stage		
	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	20,686								4,988
2. Financial assets measured at fair value with impact on total profitability									
3. Financial assets held for sale									
Total (31.12.2023)	**20,686**								**4,988**
Total (31.12.2022)	**12,569**		**476**	**469**			**1,529**	**1,273**	**14,704**

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	**(5,024)**				**(5,024)**	**(502)**	**(184)**			**(686)**	**(113,057)**	**(966)**			**(114,023)**						**(657)**	**(557)**	**(5,305)**	**(126,252)**
Changes in increase from financial assets acquired or originated																								
Cancellations other than write-offs											11,015				11,015									11,015
Net value adjustments/ write-backs for credit risk (+/-)	1,978	1			1,979	54	53			107	5,991				5,991						(729)	(434)	(2,918)	3,996
Contractual changes without cancellations																								
Changes in the estimation methodology																								
Write-offs not directly recognized in the income statement																								
Other changes																								
Final overall adjustments	**(3,046)**	**1**			**(3,045)**	**(448)**	**(131)**			**(579)**	**(96,051)**	**(966)**			**(97,017)**						**(1,386)**	**(991)**	**(8,223)**	**(111,241)**
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	56,346	2,914	795		5,693	3,630
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	349,495	110,715	195	15,000	710	2,000
Total (31.12.2023)	**405,841**	**113,629**	**990**	**15,000**	**6,403**	**5,630**

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/ value	Gross exposure					Total value adjustments and total provision					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	**167,422**	**167,032**	**26**	**364**		**488**	**160**		**328**		**166,934**	
a) Impaired	364			364		328			328		36	
b) Non-impaired	167,058	167,032	26			160	160				166,898	
A.2 OTHER	**400,000**	**365,408**	**17,793**	**16,799**		**12,588**	**2,230**	**168**	**10,190**		**387,412**	
a) Impaired												
- of which: exposures subject to concessions												
b) Probable defaults	16,799			16,799		10,190			10,190		6,609	
- of which: exposures subject to concessions	16,799			16,799		10,190			10,190		6,609	
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	383,201	365,408	17,793			2,398	2,230	168			380,803	
- of which: exposures subject to concessions												
Total A	**567,422**	**532,440**	**17,819**	**17,163**		**13,076**	**2,390**	**168**	**10,518**		**554,346**	
B. OFF-BALANCE SHEET CREDIT EXPOSURES												
a) Impaired												
a) Non-impaired	4,719,905	4,226,633	493,272			2,150	1,195	955			4,717,755	
Total B	**4,719,905**	**4,226,633**	**493,272**			**2,150**	**1,195**	**955**			**4,717,755**	
Total A+B	**5,287,327**	**4,759,073**	**511,091**	**17,163**		**15,226**	**3,585**	**1,123**	**10,518**		**5,272,101**	

[*] 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/value	Gross exposure					Total value adjustments and total provision					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	77,351			77,351		71,294			71,294		6,057	
- of which: exposures subject to concessions												
b) Probable defaults	24,925			24,925		13,123			13,123		11,802	
- of which: exposures subject to concessions	19,081			19,081		9,476			9,476		9,605	
c) Overdue impaired exposures	5,944			5,944		2,080			2,080		3,864	
- of which: exposures subject to concessions												
d) Overdue non-impaired exposures												
- of which: exposures subject to concessions												
e) Other non-impaired exposures	1,452,413	1,276,416	175,997			1,068	657	411			1,451,345	
- of which: exposures subject to concessions												
Total (A)	**1,560,633**	**1,276,416**	**175,997**	**108,220**		**87,565**	**657**	**411**	**86,497**		**1,473,068**	
B. OFF-BALANCE SHEET CREDIT EXPOSURES												
a) Impaired	33,661			33,661		8,223			8,223		25,438	
a) Non-impaired	1,289,753	638,171	149,335			423	191	36			1,289,330	
Total (B)	**1,323,414**	**638,171**	**149,335**	**33,661**		**8,646**	**191**	**36**	**8,223**		**1,314,768**	
Total (A+B)	**2,884,047**	**1,914,587**	**325,332**	**141,881**		**96,211**	**848**	**447**	**94,720**		**2,787,836**	

[*] Value to be displayed for information purposes

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	**377**	**23,572**	**398**
- of which: sold exposures not cancelled			
B. Increasing changes			
B.1 re-entry of non-impaired exposures			
B.2 re-entry of impaired financial assets acquired or originated			
B.3 transfers from other categories of impaired exposures			
B.4 contractual changes without cancellations			
B.5 other increasing changes			
C. Decreasing changes	**13**	**6,773**	**398**
C.1 exits to non-impaired exposures			398
C.2 write-offs			
C.3 receipts			
C.4 income from sales			
C.5 losses from sales			
C.6 transfer to other categories of impaired exposures			
C.7 contractual changes without cancellations			
C.8 other decreasing changes	13	6,773	
D. Final gross exposure	**364**	**16,799**	
- of which: sold exposures not cancelled			

A.1.8 (bis) Cash credit exposures to banks: movement of gross exposures subject to separate credit ratings

Reasons/Quality	Exposures subject to impaired concessions	Exposures subject to non-impaired concessions
A. Gross initial exposure		
- of which: sold exposures not cancelled		
B. Increasing changes	**16,799**	
B.1 re-entry of unimpaired exposures not subject to concessions		
B.2 re-entry of unimpaired exposures subject to concessions		
B.3 re-entry of exposures subject to impaired concessions		
B.4 re-entry of impaired exposures not subject to concessions	16,799	
B.5 other increasing changes		
C. Decreasing changes		
C.1 exit towards unimpaired exposures not subject to concessions		
C.2 exit towards unimpaired exposures subject to concessions		
C. 3 exit towards exposures subject to impaired concessions		
C.4 write-offs		
C.5 receipts		
C.6 income from sales		
C.7 losses from sales		
C.8 other decreasing changes		
D. Final gross exposure	**16,799**	
- of which: sold exposures not cancelled		

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	**82,157**	**43,293**	**9,714**
- of which: sold exposures not cancelled			
B. Increasing changes	**228**	**7,243**	**282**
B.1 re-entry of non-impaired exposures		5,845	69
B.2 re-entry of impaired financial assets acquired or originated			
B.3 transfers from other categories of impaired exposures	212		
B.4 contractual changes without cancellations			
B.5 other increasing changes	16	1,398	213
C. Decreasing changes	**5,034**	**25,611**	**4,052**
C.1 exit towards non-impaired exposures			4,052
C.2 write-offs			
C.3 receipts	3,169	22,276	
C.4 income from sales			
C.5 losses from sales			
C.6 transfers to other categories of impaired exposures			
C.7 contractual changes without cancellations			
C.8 other decreasing changes	1,865	3,335	
D. Gross final exposure	**77,351**	**24,925**	**5,944**
- of which: sold exposures not cancelled			

A.1.9bis 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	**28,750**	
- of which: sold exposures not cancelled		
B. Increasing changes	**1,398**	
B.1 re-entry of unimpaired exposures not subject to concessions		
B.2 re-entry of unimpaired exposures subject to concessions		
B.3 re-entry of exposures subject to impaired concessions		
B.4 re-entry of impaired exposures not subject to concessions		
B.5 other increasing changes	1,398	
C. Decreasing changes	**11,068**	
C.1 exit towards unimpaired exposures not subject to concessions		
C.2 exit towards unimpaired exposures subject to concessions		
C.3 exit towards exposures subject to impaired concessions		
C.4 write-offs	8,000	
C.5 receipts		
C.6 income from sales		
C.7 losses from sales		
C.8 other decreasing changes	3,068	
D. Gross final exposure	**19,080**	
- 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	**340**		**11,788**	**11,788**	**4**	
- of which: sold exposures not cancelled						
B. Increasing changes						
B.1 value adjustments on impaired assets acquired or originated						
B.2 other value adjustments						
B.3 losses from sales						
B.4 transfers from other categories of impaired exposures						
B.5 contractual changes without cancellations						
B.6 other increasing changes						
C. Decreasing changes	**12**		**1,598**	**1,598**	**4**	
C.1 value gains due to re-valuation						
C.2 value recoveries						
C.3 profit from sales						
C.4 write-offs						
C.5 transfers to other categories of impaired exposures						
C.6 contractual changes without cancellations						
C.7 other decreasing changes	12		1,598		4	
D. Overall final adjustments	**328**		**10,190**	**10,190**		
- 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	**75,645**		**24,623**	**16,890**	**1,473**	
- of which: sold exposures not cancelled						
B. Increasing changes	**228**		**4,877**	**1,228**	**1,841**	
B.1 value adjustments of impaired financial assets acquired or originated						
B.2 other value adjustments						
B.3 losses on sales						
B.4 transfers from other categories of impaired exposures	212					
B.5 contractual changes without cancellations						
B.6 other increasing changes	16		4,877	1,228	1,841	
C. Decreasing changes	**4,579**		**16,376**	**8,643**	**1,234**	
C.1 value recovery from re-valuation						
C.2 value recovery from receipts	2,899		15,138	8,000		
C.3 profits on sales						
C.4 write-offs						
C.5 transfers to other categories of impaired exposures						
C.6 contractual changes without cancellations						
C.7 other decreasing changes	1,680		1,238	643	1,234	
D. Overall final adjustments	**71,294**		**13,124**	**9,475**	**2,080**	
- 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		**28,562**	**1,056,702**	**9,172**	**114,508**	**81,998**	**654,870**	**1,945,812**
- First stage		28,562	1,056,702	9,172	113,779	28,959	394,712	1,631,886
- Second stage					729		191,069	191,798
- Third stage						53,039	69,089	122,128
of which: impaired financial assets acquired or originated								
B. Financial assets measured at fair value with an impact on total profitability			**9,938**		**1,993**		**2,891**	**4,884**
- First stage			9,938					-
- Second stage					1,993			1,993
- Third stage							2,891	2,891
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)		**28,562**	**1,066,640**	**9,172**	**116,501**	**81,998**	**657,761**	**1,950,696**
D. Commitments to disburse funds, financial guarantees issued	**180,000**	**860,702**	**1,358,336**	**607,498**	**127,533**	**137,620**	**2,269,383**	**5,541,072**
- First stage	180,000	860,702	1,358,336	607,498	127,531	137,620	1,593,117	4,864,804
- Second stage					2		642,605	642,607
- Third stage							33,661	33,661
of which: impaired financial assets acquired or originated								
Total D	**180,000**	**860,702**	**1,358,336**	**607,498**	**127,533**	**137,620**	**2,269,383**	**5,541,072**
Total (A+B+C+D)	**180,000**	**889,264**	**2,424,976**	**616,670**	**244,034**	**219,618**	**2,927,144**	**7,491,768**

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

			Real guarantees (1)				Personal guarantees (2)									
							Credit derivatives					Signature credits				
								Other derivatives								
	Gross exposure	Net exposure	Properties, mortgages	Properties, leasing financing	Securities	Other real guarantees	CLN	Central counterparties	Banks	Other financial companies	Other entities	Public administration	Banks	Other financial companies	Other entities	Total (1)+(2)
1. Guaranteed cash credit exposures:	**18,370**	**18,315**				**18,315**										**18,315**
1.1 totally guaranteed	18,169	18,115				18,115										18,115
- of which: impaired																
1.2 partially guaranteed	201	200				200										200
- of which: impaired																
2. Guaranteed off-balance sheet credit exposures:	**273,404**	**273,404**				**273,404**										**273,404**
2.1 totally guaranteed	273,404	273,404				273,404										273,404
- of which: impaired																
2.2 partially guaranteed																
- of which: impaired																

A.3.2 Cash and off-balance sheet exposures to guaranteed customers

			Real guarantees (1)				Personal guarantees (2)									
							Credit derivatives					Signature credits				
								Other derivatives								
	Gross exposure	Net exposure	Properties, mortgages	Properties, leasing financing	Securities	Other real guarantees	CLN	Central counterparties	Banks	Other financial companies	Other entities	Public administrations	Banks	Other financial companies	Other entities	Total (1)+(2)
1. Guaranteed cash credit exposure:	**42,834**	**42,766**	**7,425**			**2,000**									**42,766**	**52,191**
1.1 totally guaranteed	42,709	42,643	7,425			2,000									42,643	52,068
- of which: impaired																
1.2 partially guaranteed	125	123													123	123
- of which: impaired																
2. Guaranteed off-balance sheet credit exposures:	**27,600**	**27,600**				**1,709**									**25,890**	**27,599**
2.1 totally guaranteed	27,600	27,600				1,709									25,890	27,599
- of which: impaired						113										113
2.2 partially guaranteed																
- of which: impaired																

B. 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 firms)		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										
A.1 Non-performing loans	4,933,457	48,105,960					1,124	23,188		
- of which: exposures subject to concessions										
A.2 Probable defaults							11,802	13,123		
- of which: exposures subject to concessions							9,605	9,476		
A.3 Expired impaired exposures	3,864	2,080								
- of which: exposures subject to concessions										
A.4 Non-deteriorated exposures	969,629	480	73,411	42			397,314	499	10,991	47
- of which: exposures subject to concessions										
Total (A)	**5,906,950**	**48,108,520**	**73,411**	**42**			**410,240**	**36,810**	**10,991**	**47**
B. Off-balance-sheet credit exposures										
B.1 Impaired exposures							25,633	8,223		
B.2 Non-deteriorated exposures	11,989		105,284	22			670,004	401	1,182	
Total (B)			**105,284**	**22**			**695,637**	**8,624**	**1,182**	
Total (A+B)(31.12.2023)	**5,906,950**	**48,108,520**	**178,695**	**64**			**1,105,877**	**45,434**	**12,173**	**47**
Total (A+B)(31.12.2022)	**717,714**	**59,616**	**103,608**	**31**			**980,873**	**49,803**	**13,087**	**53**

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 credits exposures										
A.1 Bad debts	1,124	21,617		1,118			4,933	48,558		
A.2 Probable defaults	11,802	13,123								
A.3 Expired impaired exposures									3,864	2,080
A.4 Other assets/ in Bonis	1,099,412	455	267,733	263	31,683	16	47,548	329	4,969	4
Total (A)	**1,112,338**	**35,195**	**267,733**	**1,381**	**31,683**	**16**	**52,481**	**48,887**	**8,833**	**2,084**
B. Off-balance sheet exposures										
B.1 Past due positions	25,633	6,865						1,357		
B.2 No past due positions	463,212	295	72,676	18	88,285		39,119	22	125,168	88
Total (B)	**488,845**	**7,160**	**72,676**	**18**	**88,285**		**39,119**	**1,379**	**125,168**	**88**
Total (A+B) (31.12.2023)	**1,601,183**	**42,355**	**340,409**	**1,399**	**119,968**	**16**	**91,600**	**50,266**	**134,001**	**2,172**
Total (A+B) (31.12.2022)	**1,040,514**	**46,226**	**256,932**	**1,690**	**150,401**	**48**	**178,072**	**52,484**	**189,364**	**9,055**

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 credits exposures										
A.1 Bad debts									36	328
A.2 Probable defaults							6,609	10,190		
A.3 Expired impaired exposures										
A.4 Other assets/ in Bonis	142,324	186	183,295	1,012	39,265	1	87,593	612	95,225	747
Total (A)	**142,324**	**186**	**183,295**	**1,012**	**39,265**	**1**	**94,202**	**10,802**	**95,261**	**1,075**
B. Off-balance sheet exposures										
B.1 Past due positions										
B.2 No past due positions	1,800,673	34	939,773	1	142,500		589,817	100	1,244,990	2,015
Total (B)	**1,800,673**	**34**	**939,773**	**1**	**142,500**		**589,817**	**100**	**1,244,990**	**2,015**
Total (A+B) (31.12.2023)	**1,942,997**	**220**	**1,123,068**	**1,013**	**181,765**	**1**	**684,019**	**10,902**	**1,340,251**	**3,090**
Total (A+B) (31.12.2022)	**1,874,281**	**266**	**1,062,866**	**261**	**156,933**	**3**	**732,848**	**12,631**	**1,455,981**	**3,429**

B.4 Large Exposures

a) Amount (balance sheet value)	3,537,380
b) Amount (weighted value)	733,511
c) Number of balance positions	124
d) Number of weighted positions	124

The provisions contained in EU Regulation no. 575/2013 establish that large exposure means the exposure of an institution to a customer or a group of related parties having a value equal to or greater than 10% of the institution's eligible capital.

The same provisions establish that the amount of exposure of an institution towards a single customer or a group of related parties or towards 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% clearly takes into account the credit risk mitigation techniques, the type of guarantee acquired and the debtor counterparty.

With reference to SBEs, the Bank has set up a system of internal operating limits differentiated by cluster, by country and by individual banking counterparty, and in the latter case the internal lending limit is differentiated according to the internal score assigned as a cap to the regulatory limit.

Furthermore, in order to mitigate the concentration profile of loans to individual corporate entities and to the same economic sector, the Bank has introduced internal investment limits subject to specific monitoring and reporting processes.

The internal functions in charge periodically carry out checks on the overall exposure of customers or groups of related parties who fall into the category of large exposures, providing updated information to the corporate bodies and preparing the related information flows which are reported to the Supervisory 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

The Bank is currently equipped with a tool that allows each counterparty to be assigned an internal score and a Probability of Default (PD) built on an external sample of findings observed over a ten-year period.

On the basis of the score provided by the Credit Division, it is possible to determine for each counterparty and on the basis of macroeconomic scenarios differentiated by individual country, the prospective risk parameters necessary for the calculation of the ECL (expected credit loss) for the purposes of IFRS9 impairment.

This value is also used for management purposes as an indication when determining the price (in addition to the opportunity cost associated with capital provisions and unexpected credit losses (UCL) from the viewpoint of risk-adjusted performance measurement.

In recent years the Bank has launched a comprehensive project aimed at increasing the efficiency and effectiveness of all phases of the credit process (investigation, credit granting, performance monitoring, risk profile analysis, evaluation of corporate activities), strengthening both first and second level controls.

This project resulted in the definition of the policy that governs the credit risk management process, approved by the Board of Directors and subject to periodic review.

This policy implements the EBA LOM guidelines, follows the operational peculiarities that emerged during application and ensures their integration with the Bank's Recovery Plan.

Closely connected to this was the corporate project for adapting to the IFRS9 accounting standard which in 2017 enabled the Bank to define the new system of devaluation and allocation into groups of performing positions, as well as the new classification and evaluation criteria also by defining the Business Model.

During 2022, the Bank implemented the new impairment platform (made available by the same supplier) leading to better performance in terms of technical solidity and auditing the process.

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 acceptable for the trading portfolio, corresponding to the economic capital that the Bank is willing to allocate to cover the risk.

The market risk management policy (exchange, position and settlement) establishes the internal operating limits and the related responsibilities and monitoring procedures.

Compliance with the current limits is monitored daily by the first level organizational units and periodically by the Risk Management Sector (second level control) based on the output provided by the ObjFin application.

The Finance Division's transactions are recorded in the ObjFin application integrated into the Bank's information-accounting system, where the system of internal operating limits has been replicated to enable monitoring by the appropriate structures in real time.

The reporting system has also been implemented within the application, which makes it possible to obtain automatic reports that enable the various corporate functions to be informed based on the established frequencies of the situation relating to positions, risks and exceeding operational limits.

The application deals with the following financial instruments:

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

In particular:

- position risk on the trading portfolio is expressed in terms of VaR, with a 99% confidence interval and a holding period of 10 days;
- counterparty risk is calculated by applying the current value method of positions in OTC derivatives;
- interest rate risk is expressed in terms of sensitivity to shifts in the interest rate curve).

B. Management processes and methods of measuring interest rate risk and price risk

Brokering activity between the market and banking and corporate customers relating to interest rate and exchange rate derivative instruments can generate daily misalignments in the related portfolio and therefore a temporary increase in exposure to generic position risk, both borne by the Treasury and Securities Sector.

Trading positions in interest rate and exchange rate derivative instruments, both regulated and OTC, are recorded on the front office system, which also supports the daily pricing of the instruments and the calculation of unrealized profits/losses.

The risk of each open position on financial instruments is expressed in terms of VaR, with a holding period of 10 days and a 99% confidence interval, and is subject to compliance with quantitative limits put forward by the Risk Committee, approved by the Board of Directors, and monitored periodically by the Risk Management Sector.

Approaching the limits involves the activation of checking procedures and possibly the reduction of exposure.

The Bank has an internal policy governing the market risk management process, defining the methods of identification, evaluation, measurement and monitoring of risk and dividing tasks and responsibilities among the internal structures.

In the capital adequacy area, these risks are measured according to the standard regulatory approach and are analysed under stress-testing conditions.

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 the subject of periodic reporting intended for the Risk Committee, the Audit & Risk Committee, the Board of Directors and Banca d'Italia.

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								
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		**152,258**						
3.1 With underlying security								
- Options								
+ long positions								
+ short positions								
- Other derivatives								
+ long positions								
+ short positions								
3.2 Without underlying security		**152,258**						
- Options								
+ long positions								
+ short positions								
- Other derivatives		**152,258**						
+ long positions		100,936						
+ short positions		51,322						

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								
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		**156,267**						
3.1 With underlying security								
- Options								
+ long positions								
+ short positions								
- Other derivatives								
+ long positions								
+ short positions								
3.2 Without underlying security		**156,267**						
- Options								
+ long positions								
+ short positions								
- Other derivatives		**156,267**						
+ long positions		54,142						
+ short positions		102,125						

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	6 to 12 months	1 to 5 years	5 to 10 years	over 10 years	indefinite
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		**3,077**						
3.1 With underlying security								
- Options								
+ long positions								
+ short positions								
- Other derivatives								
+ long positions								
+ short positions								
3.2 Without underlying security		3,077						
- Options								
+ long positions								
+ short positions								
- Other derivatives		3,077						
+ long positions		643						
+ short positions		2,434						

2. Supervisory trading book: distribution of exposures in capital securities and share indices for the main countries where shares are listed

Types of operations/listing index	Listed			Unlisted
	ITALY			
A. Capital securities	**4,826**			
- long-term positions	4,826			
- 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 scale of this risk, through the calculation of a risk indicator, corresponding to a shock leading to a parallel shift in the interest rate curve of 200 bps.

The value of this indicator should never exceed 20% of Own Funds; this value is much higher than that recorded by Banca UBAE, which is more contained due to the high concentration of funding and loans over a 12-month time span and the presence of derivative instruments that mitigate the risk.

From a managerial point of view, the internal regulations have provided for an internal limit lower than the regulatory threshold and equal to 4.30%[4] of Own Funds, since they are closer to the Bank's real risk exposure.

The Risk Management Sector also conducts, on a quarterly basis, stress testing activities on the exposure assuming parallel and non-parallel shifts in the interest rate curve.

And furthermore, in compliance with regulatory requirements, it annually evaluates the exposure to risk also in terms of potential variation in the interest rate margin following a parallel shift in the interest rate curve.

During 2021, new stress scenarios were introduced (EBA shocks) and risk exposure is subject to quarterly monitoring with reference to the 15% risk indicator.

The Bank has an internal policy governing the process for managing this risk, defining the methods of identification, evaluation, measurement and monitoring of the risk and dividing tasks and responsibilities among the internal structures.

As part of the Risk Appetite Framework, the Risk Management Sector monitors compliance with the macro risk limit and risk tolerance for interest rate risk on the banking book on a quarterly basis; the results of the analyses conducted in terms of risk indicators and capital absorption are the subject of quarterly reporting intended for the Risk Committee, the Audit & Risk Committee, the Board of Directors and Banca d'Italia.

B. Hedging activities at fair value

In its portfolio Banca UBAE does not hold derivative instruments for hedging assets and liabilities at fair value.

C. Hedging activities for financial flows

Banca UBAE holds interest rate derivative instruments (IRS and OIS) in its portfolio aimed at offering macro-hedging of the interest rate margin implicit in the financial flows deriving from banking activities (securities, deposits and financing).

Hedging and trading derivative instruments is handled by the Treasury Unit forming part of the Finance Division.

The distribution by residual duration of financial assets and liabilities referring to other currencies covers a time span between 3 and 6 months.

[4] This percentage is configured within the Risk Appetite Framework as a specific risk tolerance for interest rate risk on the banking book.

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	**150,823**	**611,118**	**373,232**	**30,896**	**42,295**	**206,707**	**29,543**	
1.1 Debt securities		327,282	302,033		38,676	202,822	26,641	
- with early repayment option					9,202	9,166		
- others		327,282	302,033		29,474	193,656	26,641	
1.2 Financing to banks	90,105	35,941	14,646	10,968				
1.3 Financing to customers	60,718	247,895	56,553	19,928	3,619	3,863	2,902	
- current accounts	5,180					1,173		
- other financings	55,538	247,895	56,553	19,928	3,619	2,690	2,902	
- with early repayment option	90	179	263	519	3,619	2,690	2,902	
- others	55,448	247,716	56,290	19,409				
2. Cash liabilities	**201,713**	**987,796**	**50,234**	**347**	**83**			
2.1 Payables to customers	78,666	503,594	23	347	83			
- current account	78,018	2,120		301				
- other payables	648	501,474	23	46	83			
- with early repayment option								
- others	648	501,474	23	46	83			
2.2 Payables to banks	123,047	484,202	50,211					
- current account	86,997							
- other payables	36,050	484,202	50,211					
2.3 Debt securities								
- with early repayment option								
- others								
2.4 Other liabilities								
- with early repayment option								
- others								
3. Financial derivatives	**350,000**	**100,000**	**25,000**		**40,000**	**210,000**	**25,000**	
3.1 With underlying security								
- Options								
+ long positions								
+ short positions								
- Other derivatives								
+ long positions								
+ short positions								
3.2 Without underlying security	350,000	100,000	25,000		40,000	210,000	25,000	
- Options								
+ long positions								
+ short positions								
- Other derivatives	350,000	100,000	25,000		40,000	210,000	25,000	
+ long positions	250,000	100,000	25,000					
+ short positions	100,000				40,000	210,000	25,000	
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	**107,317**	**193,343**	**117,082**	**130,372**	**41,608**	**8,005**		
1.1 Debt securities		25,775		30,989	41,608	8,005		
- with early repayment option					4,562			
- others		25,775		30,989	37,046	8,005		
1.2 Financing to banks	103,078	93,238	113,933	99,374				
1.3 Financing to customers	4,239	74,330	3,149	9				
- current account	889							
- other financings	3,350	74,330	3,149	9				
- with early repayment option								
- others	3,350	74,330	3,149	9				
2. Cash liabilities	**117,650**	**430,732**		**9,764**				
2.1 Payables to customers	52,530	9,973		454				
- current account	52,530	9,973		454				
- other payables								
- with early repayment option								
- others								
2.2 Payables to banks	**65,120**	**420,759**		**9,310**				
- current accounts	47,575							
- other payables	17,545	420,759		9,310				
2.3 Debt securities								
- with early repayment option								
- others								
2.4 Other liabilities								
- with early repayment option								
- others								
3. Financial derivatives	**348,416**	**271,493**		**31,674**	**36,199**	**9,050**		
3.1 With underlying security								
- Options								
+ long positions								
+ short positions								
- Other derivatives								
+ long positions								
+ short positions								
3.2 Without underlying security	348,416	271,493		31,674	36,199	9,050		
- Options								
+ long positions								
+ short positions								
- Other derivatives	348,416	271,493		31,674	36,199	9,050		
+ long positions	76,923	271,493						
+ short positions	271,493			31,674	36,199	9,050		
4. Other off-balance-sheet transactions	**19,652**							
+ long positions	9,826							
+ short positions	9,826							

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	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	**1,404**	**1,816**						
1.1 Debt securities								
- with early repayment option								
- others								
1.2 Financing to banks	1,402	1,816						
1.3 Financing to customers	2							
- current accounts								
- other financings	2							
- with early repayment option								
- others	2							
2. Cash liabilities	**821**							
2.1 Payables to customers	572							
- current accounts	572							
- other payables								
- with early repayment option								
- others								
2.2 Payables to banks	249							
- current accounts	249							
- 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								

2.3 Currency risk

Qualitative information

A. General aspects, management processes and methods of measuring currency risk

The capital structure of Banca UBAE is contained within the banking book, and is characterized by funding in dollars and euros balanced by investments denominated in these currencies.

Brokering derivative instruments for currency and forward transactions can lead to overall exposure of the Bank’s currency risk, due to holding assets and payables denominated in foreign currency.

The Board of Directors approves overall exposure limits to the Bank’s exchange rate risk (intraday and overnight operating limits and stop-loss limits), delegating their management to the Risk Committee and daily monitoring to first-level structures.

B. Hedging activities for foreign currency exchange risk

Banca UBAE’s finance division UBAE sets up the macro-hedging of financial flows in foreign currency by holding derivative instruments known as currency swaps, according to its analysis of the market.

Quantitative information

1. Distribution by currency of denomination of assets, liabilities and derivatives

Items	Currency					
	US Dollars	Pounds Sterling	Yen	Swiss Franc	Dirham UAE	Other currencies
A. Financial assets	**592,872**	**340**	**1,886**	**412**	**23**	**560**
A.1 Debt securities	111,311					
A.2 Capital securities						2
A.3 Financing for banks	400,021	340	1,886	412	23	556
A.4 Financing for customers	81,540					2
A.5 Other financing assets						
B. Other assets	**33**	**5**				**4**
C. Financial liabilities	**558,147**	**374**		**402**		**46**
C.1 Debts towards banks	495,190	12		197		40
C.2 Debts towards customers	62,957	362		205		6
C.3 Debt securities						
C.4 Other financial liabilities						
D. Other liabilities						
E. Financial derivatives	**156,267**	**116**	**1,791**		**1,170**	
- Options						
+ long positions						
+ short positions						
- Other derivatives	156,267	116	1,791		1,170	
+ long positions	54,142	58			585	
+ short positions	102,125	58	1,791		585	
Total assets	**647,047**	**403**	**1,886**	**412**	**608**	**564**
Total liabilities	**660,272**	**432**	**1,791**	**402**	**585**	**46**
Imbalance (+/-)	**(13,225)**	**(29)**	**95**	**10**	**23**	**518**

Section 3 - Derivative financial instruments and hedging policies

3.1 Derivative trading instruments

A. Financial Derivatives

During 2023, Banca UBAE did not conduct trading activities with financial derivative products for third parties, limiting itself to its own activities concerning hedging instruments for risks linked to the trading portfolio and the banking portfolio.

Banca UBAE mainly uses derivatives aimed at hedging its exposures on interest rates (OIS), and in particular on exchange rates (currency swaps), in order to mitigate, from a managerial point of view, corporate exposure to the various risk profiles.

The mitigation of market risk is made possible through the use of derivative instruments intended to hedge the Bank’s loans.

The strategy pursued by the Bank is aimed at containing the effects deriving from possible fluctuations in the exchange rate, interest rate and share price by inserting the following derivative instruments into the portfolio: currency swaps, interest rate swaps and stocks and shares derivatives (futures and options).

Currency derivatives make it possible to minimize the exchange rate effect by fixing the economic component generated by Forex operations.

Rate derivatives are used by the Bank to mitigate the effect of possible and adverse fluctuations in returns compared to the value of portfolio assets (securities and loans) and minimizing the time span for exposure to risk.

Furthermore, similarly to what has been described for market risks, the use of derivative instruments (IRS) is made to implement managerial coverage 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 lines set by the Board of Directors.

A.1 Financial derivatives for trading: notional values at end of period

Underlying assets/Types of derivatives	Total (31.12.2023)				Total (31.12.2022)			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With compensation agreements	Without compensation agreements			With compensation agreements	Without compensation agreements	
1. Debt securities and interest rates								
a) Options								
b) Swap								
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		**1,954**	**4,951**				**30,911**	
a) Options								
b) Swap								
c) Forward		1,954	4,951				30,911	
d) Futures								
e) Others								
4. Goods								
5. Others								
Total		**1,954**	**4,951**				**30,911**	

A.2 Financial derivatives for trading: positive and negative gross fair value - composition by product

Types of derivatives	Total (31.12.2023)				Total (31.12.2022)			
	Over-the-counter			Organised markets	Over-the-counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With compensation agreements	Without compensation agreements			With compensation agreements	Without compensation agreements	
1. Fair positive value								
a) Options								
b) Interest rate swap								
c) Cross currency swap								
d) Equity swap								
e) Forward		163					18	
f) Futures								
g) Others								
Total		**163**					**18**	
1. Fair negative value								
a) Options								
b) Interest rate swap								
c) Cross currency swap								
d) Equity swap								
e) Forward			50				83	
f) Futures								
g) Others								
Total			**50**				**83**	

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		**5,001**		
- notional value		4,951		
- fair positive value				
- fair negative value		50		
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				
- 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			**2,117**	
- notional value			1,954	
- fair positive value			163	
- 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 up to 5 years	Over 5 years	Total
A.1 Financial derivatives on debt securities and interest rates				
A.2 Financial derivatives on equities and equity indices				
A.3 Financial derivatives on currencies and gold	6,905			6,905
A.4 Financial derivatives on goods				
A.5 Other financial derivatives				
Total (31.12.2023)	**6,905**			**6,905**
Total (31.12.2022)	**30,911**			**30,911**

B. Credit derivatives

No data to report.

3.2 Accounting coverage

A.1 Financial hedging derivatives: notional values at end of period

Types of derivatives	Total (31.12.2023)				Total (31.12.2022)			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With compensation agreements	Without compensation agreements			With compensation agreements	Without compensation agreements	
1. Debt securities and interest rates		**723,416**				**101,566**		
a) Options								
b) Swap		723,416				101,566		
c) Forward								
d) Futures								
e) Others								
2. Capital securities and indices of shares								
a) Options								
b) Swap								
c) Forward								
d) Futures								
e) Others								
3. Currencies and gold								
a) Options								
b) Swap								
c) Forward								
d) Futures								
e) Others								
4. Goods								
5. Others								
Total		**723,416**				**101,566**		

A.2 Financial hedging derivatives: fair value (gross positive and negative) - division of products

Types of derivatives	Fair value (positive and negative)								Variation of value used to show lack of efficacy of hedging	
	Total (31.12.2023)				Total (31.12.2022)					
	Over the counter			Organised markets	Over the counter			Organised markets		
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties				
		With compensation agreements	Without compensation agreements			With compensation agreements	Without compensation agreements		Total (31.12.2023)	Total (31.12.2022)
Fair value positive		**1,018**								
a) Options										
b) Interest rate swap		1,018								
c) Cross currency swap										
d) Equity swap										
e) Forward										
f) Futures										
g) Others										
Fair value negative		**(12,702)**				**(47)**				
a) Options										
b) Interest rate swap		(12,702)				(47)				
c) Cross currency swap										
d) Equity swap										
e) Forward										
f) Futures										
g) Others										
Total		**(11,684)**				**(47)**				

A.3 Financial hedging derivatives OTC: notional values, fair value gross positive and negative for counterparties

Underlying assets	Central Counterparties	Banks	Other financial companies	Other entities
Contracts not part of compensation agreements				
1. Debt securities and interest rates				
- notional fair value				
- positive fair value				
- negative fair value				
2. Capital securities and share indices				
- notional fair value				
- positive fair value				
- negative fair value				
3. Currencies and gold				
- notional fair value				
- positive fair value				
- negative fair value				
4. Goods				
- notional fair value				
- positive fair value				
- negative fair value				
5. Others				
- notional fair value		26,135	711,002	
- positive fair value		25,000	698,416	
- negative fair value			1,018	
Contracts part of compensation agreements		**1,135**	**11,568**	
1. Debt securities and interest rates				
- notional fair value				
- positive fair value				
- negative fair value				
2. Capital securities and share indices				
- notional fair value				
- positive fair value				
- negative fair value				
3. Currencies and gold				
- notional fair value				
- positive fair value				
- negative fair value				
4. Goods				
- notional fair value				
- positive fair value				
- negative fair value				
5. Others				
- notional fair value				
- positive fair value				
- negative fair value				

A.4 Residual life of financial hedging derivatives OTC: notional values

Underlying/Residual life	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	403,167	76,199	244,050	723,416
A.2 Financial derivatives on capital securities and indices of shares				
A.3 Financial derivatives on currencies and gold				
A.4 Financial derivatives on goods				
A.5 Other financial derivatives				
Total (31.12.2023)	**403,167**	**76,199**	**244,050**	**723,416**
Total (31.12.2022)	**101,566**			**101,566**

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
A. Financial derivatives				
1) Debt securities and interest rates		**26,135**	**711,002**	
- notional value		25,000	698,416	
- positive fair value			1,018	
- negative fair value		1,135	11,568	
2) Capital securities and share indices				
- notional value				
- positive fair value				
- negative fair value				
3) Currencies and gold		**5,001**	**2,117**	
- notional value		4,951	1,954	
- positive fair value			163	
- negative fair value		50		
4) Goods				
- notional value				
- positive fair value				
- negative fair value				
5) Others				
- notional value				
- positive fair value				
- negative fair value				
B. 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

Faced with liquidity risk, defined as the inability to meet one's payment commitments due to sudden difficulties in raising funds on the market and/or promptly liquidating positions on financial instruments, banks admitted to the simplified methods are not required to the calculation of an additional capital requirement (Pillar II); however, they must provide an internal policy that establishes the system of operational 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 envisaged to assess the adequacy of the liquidity risk management system. The 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 the Bank's Recovery Plan.

The description of this process and the management results is included in the ICAAP/ILAAP report intended annually for the Supervisory Body.

Banca UBAE's financial sources are represented by Own Funds and the collection carried out mainly on the interbank market and on the REPO 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 towards mainly short-term investments, the liquidity risk for Banca UBAE does not represent, in normal conditions of the financial markets, an element of particular criticality.

Furthermore, in consideration of the interbank relations, the support of the majority shareholder and the creation of an "eligible" bond portfolio that can be used in REPO operations with the central bank, as well as the type and quality of its assets, Banca UBAE holds adequate financial resources to deal with potential liquidity crises.

However, the Bank is constantly committed to seeking the diversification of its financing sources with particular attention to their 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 has the task of identifying the most appropriate risk indicators and monitoring their performance in relation to the pre-established limits, as well as supporting the activity of the Risk Committee which has the task of annually submitting the funding and liquidity risk management policies to the Board of Directors and suggesting any interventions to ensure that the activity is carried out in full harmony with approved risk policies.

Banca UBAE's policy, in addition to outlining the management guidelines, divides roles and responsibilities between 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 guarantee the survival of the Bank even in 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, periodic monitoring and reporting of risk appetite and risk tolerance expressed not in terms of capital requirement but in terms of attention thresholds for the LCR indicator consistently with the Bank's Recovery Plan.

The Risk Management Sector, in compliance with the provisions of the liquidity risk management policy, is responsible for monitoring the attention thresholds for the early-warning indicators and for the liquidity ratios (LCR and NSFR) and for periodically conducting stress tests.

Furthermore, it produces weekly liquidity reporting (in a standard format) intended for Banca d'Italia, while for internal purposes it produces reporting relating to monitoring activities intended for the Risk Committee, the Audit & Risk Committee and the Board of Directors.

In particular, the Risk Management Sector prepares the maturity ladder on a weekly basis (based on the outflows and inflows distributed by expiry time band) and monitors the performance trend of the early-warning indicators.

Conversely, on a monthly basis the Sector calculates the ratios relating to the concentration of collection and the monitoring tools in order to evaluate the temporal trend. As regards the liquidity ratios (LCR and NSFR), it conducts periodic monitoring and reporting.

Lastly, in light of the current regulatory framework, 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 highlights compliance with the current regulatory limit (100%), reaching an average of 335% circa in 2023.

Furthermore, the NSFR level is reported to Banca d'Italia on a quarterly basis and following the entry into force of the regulatory limit in June 2021, the Bank monitors compliance.

The monitoring of this ratio highlights compliance with the regulatory limit (100%) in 2023, reaching an average of 165% circa in 2023.

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
Cash activities	**92,982**	**4,048**	**66,112**	**59,928**	**152,566**	**96,756**	**51,520**	**497,137**	**384,798**	**11,779**
A.1 Government bonds					8,166	25,254	14,643	483,500	368,000	
A.2 Other debt securities			200				200	10,000	10,000	1,926
A.3 O.I.C.R. portions										
A.4 Financings	92,982	4,048	65,912	59,928	144,400	71,502	36,677	3,637	6,798	9,853
- banks	35,725	1,108	10,773	7,599	6,555	14,790	12,548		22	9,853
- costumers	57,257	2,940	55,139	52,329	137,845	56,712	24,129	3,637	6,776	
Cash liabilities	**201,745**	**518,228**	**608**	**221,971**	**144,825**	**51,170**	**355**	**99,938**		
B.1 Deposits and current accounts	201,067	42,594	606	196,546	144,807	51,147	309	99,855		
- banks	123,047	42,594		196,546	143,296	51,147		99,855		
- customers	78,020		606		1,511		309			
B.2 Debt securities										
B.3 Other liabilities	678	475,634	2	25,425	18	23	46	83		
"Off-balance-sheet" operations		**147,258**	**59**		**5,343**	**4,059**	**3,591**			
C.1 Financial derivatives with capital exchange		147,258			5,000					
- long-term positions		100,936								
- short-term positions		46,322			5,000					
C.2 Financial derivatives without capital exchange			59		343	4,059	3,591			
- long-term positions			59		173	2,670	2,553			
- short-term positions					170	1,389	1,038			
C.3 Receivable deposits and financings										
- long positions										
- short positions										
C.4 Irrevocable commitments to disburse funds										
- long positions										
- short positions										
C.5 Financial guarantees issued										
C.6 Financial guarantees received										
C.7 Credit derivatives with capital exchange										
- long positions										
- short positions										
C.8 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
Cash activities	**106,486**	**53,961**	**32,820**	**35,789**	**50,479**	**117,046**	**132,560**	**66,382**	**9,050**	
A.1 Government bonds			88	4,630	57	506	32,325	12,083	9,050	
A.2 Other debt securities			550		107	260	580	54,299		
A.3 O.I.C.R. portions										
A.4 Financings	106,486	53,961	32,182	31,159	50,315	116,280	99,655			
- banks	103,092	53,009	3,743	22,343	13,358	113,131	94,669			
- customers	3,394	952	28,439	8,816	36,957	3,149	4,986			
Cash liabilities	**117,654**	**19,188**	**227**	**42,104**	**87,819**		**10,042**	**270,979**		
B.1 Deposits and current accounts	117,654	19,188	227	42,104	87,819		10,042	270,979		
- banks	65,120	9,521		42,013	87,815		9,569	270,979		
- customers	52,534		227	91			473			
B.2 Debt securities										
B.3 Other liabilities										
"Off-balance-sheet" operations	**8,892**	**151,316**	**243**		**6,818**	**293**	**9,451**			
C.1 Financial derivatives with capital exchange		151,316			4,951					
- long-term positions		49,191			4,951					
- short-term positions		102,125								
C.2 Financial derivatives without capital exchange			243		1,867	293	559			
- long-term positions			243		292	293	393			
- short-term positions					1,575		166			
C.3 Receivable deposits and financings										
- long positions										
- short positions										
C.4 Irrevocable commitments to disburse funds	8,892						8,892			
- long positions							8,892			
- short positions	8,892									
C.5 Financial guarantees issued										
C.6 Financial guarantees received										
C.7 Credit derivatives with capital exchange										
- long positions										
- short positions										
C.8 Credit derivatives without capital exchange										
- long positions										
- short 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
Cash activities	**1,410**	**1,778**								
A.1 Government bonds										
A.2 Other debt securities										
A.3 O.I.C.R. portions										
A.4 Financings	1,410	1,778								
- banks	1,408	1,778								
- customers	2									
Cash liabilities	**821**									
B.1 Deposits and current accounts	821									
- banks	249									
- customers	572									
B.2 Debt securities										
B.3 Other liabilities										
"Off-balance-sheet" operations		**1,906**								
C.1 Financial derivatives with capital exchange		1,906								
- long-term positions		57								
- short-term positions		1,849								
C.2 Financial derivatives without capital exchange										
- long-term positions										
- short-term positions										
C.3 Receivable deposits and financings										
- long positions										
- short positions										
C.4 Irrevocable commitments to disburse funds										
- long positions										
- short positions										
C.5 Financial guarantees issued										
C.6 Financial guarantees received										
C.7 Credit derivatives with capital exchange										
- long positions										
- short positions										
C.8 Credit derivatives without capital exchange										
- long positions										
- short 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 legislation.

At the moment, the Bank does not intend to request the application of the standardized approach. Despite having opted for the basic calculation methodology, Banca UBAE is implementing an operational risk management system capable of evaluating and monitoring over time the exposure to operational risks and the extent of the losses that could result.

In this sense, on the one hand, a project to review 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 Finance Division, on the occasion of the start of operations on new products or services, in collaboration with the Organization and IT Management, the Compliance Unit, the Risk Management Sector and the Internal Auditing Sector, submit a complete analysis to the General Management of the risks associated with the new operations.

The calculation of the capital requirement for operational risk as of 31 December 2023 was determined by taking as reference the indicator referred to in article no. 316 CRR.

In the ICAAP context, operational risks were included in the scope of stress testing through the capital impact of operational losses estimated according to the fall-back approach.

As part of the Risk Appetite Framework, the Risk Management Sector monitors compliance with the macro risk limit and risk tolerance for operational risks on a quarterly basis; the results of the analyses conducted are the subject of periodic reporting intended for the Risk Committee, the Audit & Risk Committee, the Board of Directors and Banca d'Italia.

Information

	31.12.2023	31.12.2022
OPERATIONAL RISK	**7,154**	**5,645**
1 Basic method	7,154	5,645
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

The intermediation activity in OTC rate and exchange rate derivative instruments generates the risk that, upon expiry, the counterparty will not meet the payment obligations deriving from the contracts stipulated (counterparty risk), once this contractual deadline has passed, in the event of failure to fulfil, the counterparty risk transforms into settlement risk.

Counterparty risk is monitored, both overall and with reference to individual types of exposure, via the ObjFin front office system which manages the system of internal operating limits.

Each counterparty, both banking and corporate, authorized to trade derivative instruments, is entrusted by the Board of Directors, the Credit Committee or another competent body of the Bank, through the granting of specific ad hoc credit lines.

The limits are controlled by the first level structures through the front office system which carries out a daily recalculation of all existing positions, based on updated prices.

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 monitors compliance with the macro risk limit and risk tolerance for counterparty risk (including Credit Valuation Adjustment) on a quarterly basis; the results of the analyses are subject to periodic reporting intended for the Risk Committee, the Audit & Risk Committee, the Board of Directors and Banca d'Italia.

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

With the exception of OTC derivative instruments, which generate counterparty risk, Banca UBAE negotiates financial instruments and exchange rates, both listed and unlisted, exclusively with a payment versus delivery clause, limiting exposure to settlement risk to a minimum.

Section 7 - Concentration risk

Qualitative information

A. General aspects, processes & methods for measuring concentration risk

For the purposes of containing the concentration level of overall exposures, the Bank operates in compliance with the legislation on large exposures, identifies and reports exposures with a weighted amount greater than 10% of the eligible capital and monitors compliance with the lending limit by ensuring possible reporting of positions exceeding the limits to the Supervisory Body.

In order to reduce the risk of possible over-runs of the lending limit, the Bank has equipped itself with an automatic calculation tool that enables the business units to continuously monitor the percentage of absorption.

The prudential regulations (Pillar II) provide for the calculation of an additional capital requirement for single name concentration risk for the corporate portfolio; essentially the simplified algorithm applied for the purpose of determining capital absorption is based on the Herfindal concentration index and is calculated quarterly for the purposes of capital adequacy and RAF.

The Risk Management Sector, in addition to conducting analyses of capital adequacy, conducts quarterly stress tests simulating, with the same corporate exposures, an increase in the concentration level of the portfolio.

Furthermore, the analyses in terms of capital adequacy are integrated with the expected capital absorption for the risk of geo-sectoral concentration; to this end, the quantitative methodology developed by the trade association is applied in order to calculate a capital add-on for exposures to corporate entities resident in Italy.

The concentration connected to exposures to banking counterparties does not fall within the perimeter of calculation 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 towards corporate counterparties, the Bank has introduced an internal lending limit prudentially lower than the regulatory limit and equal to the threshold identifying major risks.

In 2022, a further internal investment limit was also introduced for exposures to the same economic sector which became effective from 1 January 2023.

Furthermore, the Risk Management Sector conducts quarterly portfolio composition analyses based on the economic sector in which the counterparty operates and the geographical area where it is resident.

This information integrates and completes the analysis of the Bank's concentration profiles and is preparatory to the conduct of stress tests in the credit risk area.

As part of the Risk Appetite Framework, the Risk Management Sector monitors compliance with the macro risk limit and risk tolerance for single name concentration risk and geo-sectoral concentration risk on a quarterly basis; the results of the analyses are subject to periodic reporting intended for the Risk Committee, the Audit & Risk Committee, the Board of Directors and Banca d'Italia.

Lastly, the Bank has an internal policy for managing concentration risk, large exposures and SBEs (Shadow Banking Entities) which defines the roles and responsibilities of the various corporate bodies and functions, the process of monitoring internal and external limits by providing a system of internal operational limits, as well as the reporting process.

Section 8 - Country risk

Qualitative information

A. General aspects, processes and methods for measuring country risk

Banca UBAE measures the capital requirement for country risk by applying an internal calculation methodology aimed at determining an additional capital absorption which 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 peculiar operations of the Bank in certain geographical areas.

From a managerial point of view, the granting of plafonds for use by individual countries is envisaged, under the responsibility of the Board of Directors, and which regulates credits towards countries that have a rating lower than BBB or that have no rating.

The internal policy, however, regulates the methods of identification, evaluation, measurement and monitoring of country risk and transfer risk.

This policy was revised in order to implement the decisions of the European Commission regarding banks resident in non-equivalent countries (SBE).

With regard to transfer risk, the Bank has decided to include, from a quantitative point of view, this risk in the overall context of country risk; while from a qualitative point of view, the periodic evaluation of the materiality of this risk is envisaged through the analysis of the composition of the credit portfolio and the determination of the relevance of the exposures towards the countries belonging to the transfer risk classes provided by the trade association.

As part of the Risk Appetite Framework, the Risk Management Sector monitors compliance with the macro risk limit and risk tolerance for country risk on a quarterly basis; the results of the analyses are subject to periodic reporting intended for the Risk Committee, the Audit & Risk Committee, the Board of Directors and Banca d'Italia.

Section 9 - Strategic risk

Qualitative information

A. General aspects, processes and methods for measuring strategic risk

Banca UBAE measures the capital requirement for strategic risk by applying an internal calculation methodology aimed at determining additional capital absorption which completes the internal analyses in terms of capital adequacy.

The rationale for this additional requirement, though not prescribed by law, is to be attributed to the relevance of the strategic planning process and the economic effects connected to potential changes in the operational/regulatory contexts and/or to non-timely processes of adapting the strategic lines to these changes.

As part of the Risk Appetite Framework, the Risk Management Sector monitors compliance with the macro risk limit and risk tolerance for strategic risk on a quarterly basis; the results of the analyses are subject to periodic reporting intended for the Risk Committee, the Audit & Risk Committee, the Board of Directors and Banca d'Italia.

The Bank identified the planning model on a multi-year basis, the subjects/bodies involved, as well as the internal approval paths and, finally, the time frames of the planning and subsequent monitoring tools.

The policy drawn up following this activity was submitted for approval to the 293rd Board of Directors at the meeting on 7 June 2022.

Section 10 - Risk of excessive financial leverage

Qualitative information

A. General aspects, processes & methods for measuring risk of excessive financial leverage

Current prudential legislation requires banks (in line with the principle of proportionality) to monitor the risk of excessive financial leverage, providing for its inclusion among the risks to be assessed within the ICAAP framework and introducing an indicator representative of financial leverage (leverage ratio), calculated as the ratio between Tier 1 Capital and the Bank's overall exposure.

This ratio is subject to a regulatory limit of 3%, as well as to the attention thresholds set within the Recovery Plan.

In the context of stress testing, this risk was included in the analysis perimeter by evaluating the impacts of adverse scenarios on the leverage ratio level.

The Bank has an internal policy to manage this risk, defining the methods of identification, evaluation, measurement and monitoring of the risk and dividing tasks and responsibilities between the internal structures.

The Risk Management Department prepares periodic reporting containing the results of the analyses conducted and destined for the Risk Committee, the Audit and Risk Committee and the Board of Directors.

PART F: INFORMATION ON SHAREHOLDERS' EQUITY

Section 1 - Shareholders' equity

A. Qualitative information

Asset management concerns the set of policies and decisions necessary to establish the scale of 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 required by European regulators (CRR/CRD) and in particular to the capitalization objectives that the Supervisory Body sets within the SREP (Supervisory Review and Evaluation Process).

The activity of verifying compliance with the minimum supervisory requirements and the consequent adequacy of the capital is a function of both the objectives set during planning, which take into account the possible evolution of the risk, and what is regulated at the level of the Risk Appetite Framework (RAF).

Compliance with capital adequacy is ensured by observing a dividend distribution policy related to the achievement of the minimum capital requirements mentioned above and taking into consideration the relevant supervisory regulations.

On a quarterly basis, the Risk Management Sector monitors compliance with the supervisory indices, prepares estimates of future ratios and verifies the adequacy with respect to what is regulated in the RAF.

A further phase of analysis and preventive control of the Bank's capital adequacy takes place whenever exceptional transactions (major operations) are planned.

In this case, the impact on the risk limit system is estimated and an opinion of consistency with the RAF is formulated by the Risk Manager.

Lastly, with the aim of ensuring integration between key corporate processes, an analysis of future capital ratios is conducted as part of the strategic planning process and on the basis of budgeting data so as to verify the capital sustainability of the strategic directions outlined by senior management.

B. Quantitative information

B.1 Shareholders' equity: breakdown

Items/Values	Amount (31.12.2023)	Amount (31.12.2022)
1. Capital	261,186	261,186
2. Issue surcharges	870	870
3. Reserves	(64,725)	(76,477)
- of profits	6,698	6,111
a) legal	14,151	13,564
b) statutory		
c) own actions		
d) others	(7,453)	(7,453)
- miscellaneous	(71,423)	(82,588)
3.5 Advances on dividends (-)		
4. Capital instruments		
5. (Own actions)		
6. Valuation reserves	1,162	1,340
- 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	1,301	1,466
- 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	(139)	(126)
- Shares of valuation reserves relating to subsidiaries valued at net equity		
- Special revaluation legislation		
7. Profit (loss) for year	23,826	11,752
Total	**222,319**	**198,671**

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

Assets/Values	Total (31.12.2023)		Total (31.12.2022)	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debit securities	1,301		1,466	
2. Capital securities				
3. Financings				
Total	**1,301**		**1,466**	

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

	Debt securities	Capital securities	Financings
1. Opening balance	**1,466**		
2. Positive changes			
2.1 Fair value increases			
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	**165**		
3.1 Reductions in fair value	165		
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)			
3.5 Other variations			
4. Closing balance	**1,301**		

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 1.9 million Euro and consisting of:
  - 0.1 million Euro in the negative reserve for actuarial losses deriving from defined-benefit plans in accordance with the new IAS19;
  - 1.3 million Euro in positive reserves for HTC&S.
- accumulated negative retained earnings/losses as at 31/12/2023: 65 million euros.

D) Items to be deducted from CET1

This item includes the following main aggregates:

- 0.4 million Euro in goodwill and other intangible assets;
- deductible deferred tax assets that are based on future profitability and arise from temporary differences, amounting to 7.7 million euros.

No data to report

B. Quantitative information

	Total (31.12.2023)	Total (31.12.2022)
A Common equity Tier 1 (CET1) before application of prudential filters	**221,158**	**198,672**
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)	**221,158**	**198,672**
D Items do deducted from CET1	(6,906)	(259)
E Transitional regime - Impact on CET1 (+/-)		13,540
F Total Common Equity Tier 1 (CET1) (C-D+/-E)	**214,252**	**211,953**
G Additional Tier 1 Capital (AT1) grosse 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)	**214,252**	**211,953**

2.2 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 permitted by the Supervisory Body for Class 3 banks).

It aims to continuously guarantee compliance with capital requirements (with reference to both the risks considered in Pillar I and the quantifiable risks considered in Pillar II, according to simplified methodologies), and to provide the Board of Directors and management with general information necessary to efficiently and effectively set up the Bank's capital strengthening policies.

To achieve these two objectives, the process (despite the estimation approximations due to using standard methods) focuses on establishing and monitoring four quantities:

- the overall 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 risks and operational risks), of Pillar II (concentration risk for counterparties or groups of related counterparties and interest rate risk on the banking book) and the risk categories deemed relevant by the Bank (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 on the specific date, modified to take into account the stress hypotheses envisaged for credit risk, concentration risk (single name) and banking interest rate risk book and country risk.

  In compliance with the EBA guidelines and national provisions on the matter, the risks subjected to stress tests also include country risk, market risks, operational risks and the risk of excessive financial leverage;

- the future internal capital, given by the overall internal capital calculated on the capital quantities approved as a result of the planning and budgeting process and having an impact on credit risk, operational risks, market risks, 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 evaluates on a quarterly basis and on the basis of supervisory body reporting data the adequacy of capital resources with reference to Pillar I and Pillar II risks and according to three analysis perspectives: under ordinary conditions, in stress conditions and from a future perspective.

The Sector prepares periodic reporting containing the results of the analyses intended for the Risk Committee, the Audit & Risk Committee, the Board of Directors and Banca d'Italia; furthermore, on an annual basis, the Sector prepares the annual report submitted to the attention of the Supervisory Body, prior to Board approval.

B. Quantitative information

Categories/Values	Non-Weighted amount		Weighted amount	
	Total (31.12.2023)	Total (31.12.2022)	Total (31.12.2023)	Total (31.12.2022)
A RISK ASSETS				
A1 **Credit and counterparty risk**				
1 Standard methodology	**2,728,321**	**1,737,829**	**1,048,495**	**992,452**
2 Methodology based on internal ratings				
2.1 based				
2.2 advanced				
3 Securitization				
B REGULATORY CAPITAL REQUIREMENTS				
B1 **CREDIT AND COUNTERPARTY RISK**			**83,880**	**79,396**
B2 **CVA RISK**			**235**	**1**
B3 **SETTLEMENT RISK**				
B4 **MARKET RISK**			**3,847**	**1,532**
1 Standard methodology			3,847	1,532
2 Internal models				
3 Credit concentration risk				
B5 **OPERATIONAL RISK**			**7,154**	**5,645**
1 Basic indicator approach			7,154	5,645
2 Standardized approach				
3 Advanced method				
B6 Other calculation factors				
B7 Total prudential requirements			**95,116**	**86,574**
C RISK ASSETS AND CAPITAL REQUIREMENTS RATIOS				
C1 Risk-weighted assets			1,188,952	1,082,177
C2 Common equity Tier 1 Capital/Risk-weighted assets (CET1 capital ratio)			**18.02%**	**19.59%**
C3 Capital/Risk-weighted assets (Tier 1 capital ratio)			**18.02%**	**19.59%**
C4 Total own funds/ Risk-weighted assets (Total capital ratio)			**18.02%**	**19.59%**

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.

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 2023.

1. Remuneration of Directors, Auditors and Management

Remuneration during 2023 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.

Description		Total
Short-term benefits [1]		**3,486**
- Directors	2,202	
- Auditors	94	
- Management	1,190	
Post-severance benefits [2]		**53**
Other benefits [3]		**362**

[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			
Financial liabilities	655		655

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 (Consolidated Banking Law - T.U.B.);
- 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 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	795	18,990	19,785
Financial liabilities	662,224	276,254	938,478
Issued commitments	6,265	237,753	244,018

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		505	505
Comm. on Letters of Guarantees	415	267	682
Interest	29,044	9,372	38,417
Total	**29,459**	**10,144**	**39,604**

REVENUES

Description	LFB	CONNECTED	Total
Comm. on Letters of Credits	201	5,282	5,483
Comm. on Letters of Guarantees	1,024	491	1,515
Interest	1	2,264	2,264
Total	**1,225**	**8,037**	**9,262**

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 2023 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

SECTION 1 - LESSEE

Qualitative information

Banca UBAE, with respect to the rental contracts in which it assumes the role of lessee, takes steps to represent the right to use assets covered by rental contracts and, at the same time, a debt for future rental payments provided for in the contract.

As part of the application choices permitted by IFRS 16, the specification is that the Bank has decided not to recognize usage rights or leasing debts for the following contracts:

- short-term leasing, less than 12 months;
- leasing of goods with a modest unit value.

At the balance sheet reference date, the Bank has N° 7 of rental contracts included in the scope of application of IFRS 16 for operational leasing transactions involving both leases of real estate (2), cars (4) and hardware (1).

The goods in question are intended to be used in the normal functioning of corporate operations and for this reason are included among tangible assets for functional use.

For further information on the recognition and measurement criteria, please see Part A accounting policies of these notes to the financial statements.

Quantitative information

For further information of a quantitative nature relating to the assets acquired by the Bank through operational leasing contracts, please see the sections referred to below:

- Part B, Assets, Section 8, concerning usage rights of leased assets in existence at the balance sheet reference date;
- Part B, Liabilities, Section 1, concerning leasing debts outstanding at the balance sheet reference date;
- Part C, Section 12, concerning amortization of usage rights recognized during the year.

The following table shows the dynamics of usage rights of tangible assets for functional use:

Eur/000

Material assets for functional use	Rights acquired by leasing 01.01.2023	Amortisation during financial year	Other changes during financial year	Impairment loss during financial year	Accounting value 31.12.2022
(a) Land					
(b) Buildings	404	(58)	(214)		132
(c) Furniture					
(d) Electronic equipment	78	(52)			26
(e) Other	90	(76)			14
Total	**572**	**(186)**	**(214)**		**172**

Other: these are cars

SECTION 2 - LESSOR

This is a case not applicable to the bank.

STATUTORY AUDITORS' REPORT PURSUANT TO AND FOR THE PURPOSES OF ART. 2429 OF THE CIVIL CODE

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

During the financial year which closed on 31 December 2023, the activity of the Board of Statutory Auditors was based on legal regulations and the rules for conducting Boards of Statutory Auditors issued by the national council of chartered accountants.

For clarity's sake, this single report is made up of section A) relating to supervisory activities, and section B) relating to the results of the financial year as well as the activities carried out.

Lastly, there is a section for comments and proposals regarding the balance sheet and its approval.

A) Supervisory activities

The Board of Statutory Auditors has worked, diligently and in good faith, albeit within the framework of effective knowledge of social matters, the supervisory role that it is responsible for, in terms of observing the law and the articles of association, and respecting the principles of correct administration, the adequacy of organisational structures and the system of internal controls, taking into account the rules and regulations for banks.

The Board of Statutory Auditors:

I. took part in the Shareholders' Meetings and in the meetings of the Board of Directors, in which regarding the transactions approved, on the basis of the information provided, no violations of the law and the Articles of Association were found, nor manifestly imprudent, risky, potential conflict of interest or such as to compromise the integrity of the corporate assets;

II. during the meetings and periodic encounters, the Board has obtained from the administrative body, the General Management and the Area Management information on the general performance of the management and on the foreseeable evolution, as well as on the most important operations, in terms of size or characteristics, carried out by the Bank and can reasonably ensure that the actions carried out comply with the law and the corporate statute and are not manifestly imprudent, risky, in potential conflict of interest and in conflict with the resolutions adopted by the Shareholders' Meeting or such as to compromise the integrity of the corporate assets;

III. as part of the periodic meetings, the Board of Statutory Auditors carried out, during the financial year just concluded, 18 meetings during which no relevant data or information emerged that should be highlighted in this report;

IV. the legal auditing of the accounts pursuant to legislative decree no. 39/2010 was carried out by the auditing firm KPMG S.p.A. to which, during the financial year just concluded, no further tasks were entrusted with reference to contractual relationships with associated companies, and therefore the Board of Statutory Auditors noted the absence of influential or complementary activities to the statutory audit activity assigned. In the meetings with the auditors, no relevant 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 articles 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 on the assignment carried out on behalf of BANCA UBAE S.p.A.;

V. the Board monitored the appropriate structuring of the control functions typical of credit institutions (Internal Audit Function, Compliance Function, Anti-Money Laundering Function and Risk Management Function), also in the context of the organizational changes implemented in the 2022-2023 financial year;

VI. the Board met with the managers of the Internal Audit, Risk Management, Anti-Money Laundering and Compliance functions, having mutual exchanges of data and news with them, as well as examining their actions through the analysis of the investigations carried out;

VII. the Board has issued the opinions requested by the Supervisory Body and the board of directors on the basis of the current provisions of law and statute;

VIII. in exercising its Supervisory Body functions, the Board did not detect any critical issues with respect to the organizational model that need to be highlighted in this report;

IX. the Board has acquired knowledge and monitored, to the extent of its competence, the adequacy and reliability of the organizational structure of the Bank, also through the collection of information from the managers of the operational and control functions and, in this regard, has no specific observations to report;

X. the Board has acquired knowledge and monitored, 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 facts, by obtaining information from the managers of the functions and companies concerned, the examination of the periodic management information of the General Manager and through the examination of the results of the systematic checks carried out by the person in charge of the statutory audit of the accounts.

Furthermore, it is deemed necessary to highlight that the Board of Statutory Auditors:

- monitored compliance with anti-money laundering and financial counter-terrorism regulations and noted the related training activities arranged for staff;
- has verified that the obligations regarding the protection of personal data set out in EU Regulation 2016/679 and subsequent amendments and additions (so-called Privacy Regulations) have been observed.

During the financial year, the Board of Statutory Auditors received no complaints or complaints pursuant to article 2408 of the civil code.

The Board of Statutory Auditors did not find any atypical and/or unusual transactions during the financial year.

During the supervisory activity, as described above, no other significant facts emerged that would require mention in this report.

B) Balance sheet for financial year

The Board of Statutory Auditors examined the draft financial statements for the year ended 31

December 2023, 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 27 March 2024, which highlights a profit operating amount of 23,826,408 euros.

The draft financial statement for the year ended 31 December 2023 consists of the balance sheet, the income statement and 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 corporate headquarters accompanied by this report, and this regardless of the deadline set by article 2429, paragraph 1, of the civil code.

Since the Board of Statutory Auditors is not responsible for the legal audit of the financial statements, it monitored the general layout of the financial statements, its compliance with the law with regards to the preparation procedure, the structure and composition of the related documents, as well as the correctness of the evaluation principles adopted and in this regard has no observations to report.

In this regard, the Board of Statutory Auditors specified that:

a. the periodic accounting control and the statutory audit of the financial statements are delegated to the auditing firm KPMG S.p.A. to whose report, therefore, we refer for the relevant professional judgment;
b. the accounting control and auditing activity implemented by KPMG S.p.A. was carried out on the basis of the guidelines of the ISA Italia auditing standards and the financial statement report was drawn up pursuant to articles 14 and 16 of legislative decree 39/2010 and includes the judgment of consistency and conformity of the management report required by article 14, paragraph 2, letter e) of the same decree.

As far as it is concerned, the Board of Statutory Auditors monitored the general layout of the financial statements, its compliance with the law with regards to the training procedure, the structure and composition of the related documents, as well as the correctness of the evaluation principles adopted and has no observations to report; there are no observations to report on compliance with the legal provisions relating to the preparation of the management report.

As specified by the directors, in the preparation of the financial statements, no use was made of exceptions to the legal provisions pursuant to article 2423, paragraph 4, of the civil code.

As highlighted in the supplementary note, 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 related interpretations of the International Financial Reporting Interpretations Committee (IFRIC), approved by 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 Body (O.I.C.) and the Italian Banking Association (ABI), as referred to in 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 staff responsible for drafting the financial statements, direct checks, as well as through the information gathered from the appointed auditing firm which released its report with an unqualified opinion.

In particular, it should be noted that the documents accompanying the financial statements provide an exhaustive illustration of the risks to which the business is exposed and the related hedging policies adopted by the Bank.

Regarding these checks, there are no particular observations to report.

The Board of Statutory Auditors has verified the compliance of the financial statements with the facts and information of which it became aware following the performance of its duties and there are no observations in this regard.

Conclusions

Regarding what has been stated so far and also considering the results of the activity conducted by the auditing firm appointed to carry out the statutory audit of the financial statements contained in the financial statement audit report, the Board of Statutory Auditors expressed its assent to the proposal formulated by the directors regarding the approval of the financial statements closed on 31 December 2023, as well as the proposed allocation of 5% of the profit for the year to the legal reserve for 1,191,231 euros and the remainder equal to 22,635,087 euros divided as follows:

a. 15,600,934 euros to the reserve called "previous profits surplus";
b. 7,034,153 euros to the reserve under article 26 of legislative decree no. 104/2023 (tax on extra profits).

The Board of Statutory Auditors reports herewith that its term of mandate expires with the approval of the financial statements for the year ending December 31, 2023.

As its mandate expires, the Board of Statutory Auditors extends its appreciation for the trust shown in it.

Rome, 12 April 2024.

BOARD OF STATUTORY AUDITORS

Ms Ersilia Bartolomucci - Chairperson

Mr Angelo Pappadà - Statutory Auditor

Mr Michele Testa - Statutory Auditor

LEGAL AUDITORS' REPORT

KPMG S.p.A.
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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 2023, 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 material information on the 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 2023 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 43 of Legislative decree no. 136/15.

Basis for opinion

We conducted our audit in accordance with the 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 audit opinion.

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 financial assets at amortised cost and measurement of the provision for financial guarantees issued

Notes to the financial statements "Part A - Accounting policies": paragraph A.2.3 "Financial activities at amortised cost"

Notes to the financial statements "Part A - Accounting policies": paragraph A.2.8 "Provisions for risks and charges"

Notes to the financial statements "Part B - Information on the balance sheet - Assets": section 4 "Financial assets at amortised cost - Item 40"

Notes to the financial statements "Part B - Information on the balance sheet - Liabilities": section 10 "Provisions for risks and charges - Item 100"

Notes to the financial statements "Part C - Information on the income statement": section 8.1 "Net value adjustments for credit risk relating to financial assets valued at amortised cost: breakdown"

Notes to the financial statements "Part C - Information on the income statement": section 11.1 "Net provisions for credit risk relating to commitments to disburse funds and financial guarantees issued: composition"

Notes to the financial statements "Part E - Risks and their coverage": section 1 "Credit risk"

Key audit matter	Audit procedures addressing the key audit matter
Lending to customers, both cash and endorsement loans, and to banks is one of the bank's core activities. Financial assets at amortised cost totalled €1,847 million at 31 December 2023, accounting for about 88% of total assets. Financial guarantees issued amounted to €759 million. Net impairment gains for credit risk of financial assets at amortised cost recognised in profit or loss during the year totalled €8 million. The provision for financial guarantees issued recognised under liabilities amounted to €10.6 million, including accruals for the year of €4 million. For classification purposes, the directors make analyses of loans and receivables 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 and banks, both cash and endorsement loans, is a complex activity, with a high 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	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 financial assets at amortised cost and financial guarantees issued; • 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 on financial assets at amortised cost and the accruals to the provision for financial guarantees issued; • analysing the classification criteria used for allocating financial assets 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

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 financial assets at amortised cost and the measurement of financial guarantees issued are a key audit matter.	rates 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 financial assets at amortised cost, loan commitments and financial guarantees issued.

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 43 of Legislative decree no. 136/15 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, the measures taken to eliminate those threats or the safeguards applied.

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 this report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 15 May 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

The bank's directors are responsible for the preparation of a directors' report at 31 December 2023 and for the consistency of such report with the related financial statements and its 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 with the bank's financial statements at 31 December 2023 and its compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report is consistent with the bank's financial statements at 31 December 2023 and has 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, 12 April 2024

KPMG S.p.A.

(signed on the original)

Riccardo De Angelis
Director of Audit

RESOLUTIONS PASSED BY SHAREHOLDERS' ORDINARY GENERAL MEETING HELD ON 10.05.2024

AGENDA

1. Review and approval of the accounts for the financial year ended 31 December 2023 and of the Annual Report on operations;
2. Statutory Auditors' report;
3. Legal Auditors' report;
4. Proposal for the allocation of net profit; resolutions pertaining thereto;
5. Approval of a bonus for the members of the Board of Directors in relation to the Bank's 2023 profit results;
6. Approval of the 2024 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; acknowledgement of the policy on seconded personnel;
7. Appointment of a Director and resolutions pertaining thereto;
8. Appointment of the Board of Auditors for the period 2024-2026 in accordance with art. 28 of the Articles of Association and determination of their yearly emoluments.

THE SHAREHOLDERS' MEETING

- having acknowledged the financial statements as at 31 December 2023, which close with a profit for the year of Euro **23,826,408**
- having taken note of the documentation prepared by the Board of Directors, the Board of Statutory Auditors and the Independent Auditors

By unanimous vote,

RESOLVED

1. to approve the financial statements as at 31 December 2023, downloading them, ratified and valid for the Board of Directors;
2. to approve the proposal to allocate 5%, equal to Euro **1,191,321** to the Legal Reserve (Article 30 letter A of the Articles of Association) and the remainder, equal to Euro **22,635,087**, allocated as follows:
   a. " surplus of previous profits" amounting to Euro **15,600,934**
   b. Reserve as per Art. 26 DL 104 /2023 (extra-profits tax) in the amount of Euro **7,034,153**.

Following this decision, the total assets of the Bank as at 31 December 2023 will amount to Euro 222,319,228 divided as follows:

- Share Capital	Euro	261,185,870
- Legal Reserve	Euro	15,342,659
- 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	1,161,468
- Previous Years' Losses	Euro	(83,911,066)
- Reserves ex art 26 DL 104/2023 ("extra-profits tax")	Euro	7,034,153
- Profit for the year surplus	Euro	28,088,477
		222,319,228

ANNEX A: COUNTRY-BY-COUNTRY REPORTING AS AT 31 DECEMBER 2023

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: Rome, Via Quintino Sella 2

Milan branch: Piazza A. Diaz, 7

Representation office: Tripoli (Libya), O. Mukhtar Investment 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 - Rome, Banque Centrale Populaire and Banque Marocaine du Commerce Extérieur - Casablanca, Intesa Sanpaolo - Turin, and leading Italian companies: Sansedoni Siena (Monte dei Paschi di Siena Foundation) - Siena, ENI Adfin (ENI Group) - Rome, and Telecom Italia - Milan.

b) Turnover[5] = Eur 44,717,216
c) Number of employees on equivalent full-time basis[6] = 148
d) Economic Result (before tax) = Eur 20,113,820
e) Income tax on year's result = Eur 3,712,588
f) Public contributions received = None

ANNEX B: FEES FOR AUDITING ACCOUNTS AND OTHER AUDITING SERVICES PURSUANT TO ARTICLE 149 DUODECIES OF CONSOB REGULATION NO. 11971

The table below shows a detail of the 2023 fees according to the contract with the auditing firm with the task of auditing the accounts pursuant to legislative decree 59/98, together with the scale of the network to which the auditing firm belongs.

EUR/000

Type of services performed	Entity that provided the services	Fees
Auditing services [1]	KPMG S.p.A.	80,628
Certification services [2]	KPMG S.p.A.	
Other services [3]	KPMG S.p.A.	18,000
Total fees 2023		**98,628**

[1] Including costs of legal auditing, limited audit at 30/06 and mandatory fiscal certifications
[2] Amount includes contribution to National Guarantee Fund
[3] Amount includes: certification release for MIFID 2 Report

[5] "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.

[6] "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.

TRADE FINANCE

FACTORING

FINANCE

ADVISORY ACTIVITIES

ITALY

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