

ANNUAL REPORT 2024

Fifty-Second financial year



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

Head Office and Operational Units

Rome



Milan



Tripoli



HEAD OFFICE - ROME

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

MILAN BRANCH

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

TRIPOLI (Libya)
REPRESENTATIVE OFFICE (Libya)

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

BOARD OF DIRECTORS 2022-2024

Appointed by Shareholders' Meeting on 10 May 2022

Chairman: *Othoman Mohamed Alnouser*

Vice Chairman: *Antonio Piras*

Directors: *Sharef S. Alwan (1)*
Saleh A. M. Edbayaa (2)
Abdurahman Sulieman O. Ehtash (3)
Karima Munir Elguel (4)
Amal A. Khalifa Eshater (4)
Rauf Ibrahim Gritli
Abdalkhalig Mohamed M. Ibrahim (5)
Paul Henry Jennings
Aiman Hussein M. Laswad (6)
Alaeddin Mokhtar Salim Msellati
Abdulmonam Geat Ali Tbigha

- (1) *Resigned from 30.01.2024*
- (2) *Resigned from 23.07.2024*
- (3) *Appointed by co-optation finalised on 12.11.2024*
- (4) *Appointed by the Shareholders' Meeting on 20.07.2022*
- (5) *Resigned as of 29.11.2024. The Board of Directors co-opted Mr Mohamed Almarghani Adbulhad ABUSAID as his replacement on 20 December 2024*
- (6) *Appointment by co-option completed on 24 May 2024*

Secretary of the Board of Directors
Lavinia Callegari

BOARD OF STATUTORY AUDITORS (*)**

Appointed by Shareholders' Meeting on 10 May 2024

Chair:
Ersilia Bartolomucci

Statutory Auditors:
Angelo Pappadà
Michele Testa

Alternate Auditors:
Sergio Montedoro
Carlotta Fasani

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

On 24 May 2024, the 318th Board of Directors appointed the members of the Board of Statutory Auditors as members of the Supervisory Body pursuant to Legislative Decree 231/2001.

GENERAL MANAGEMENT

General Manager
Deputy General Manager

Maurizio Valfrè
Sharef Alwan (*)

Executive Directors

Global Head of Business
Development Area

Massimo Castellucci

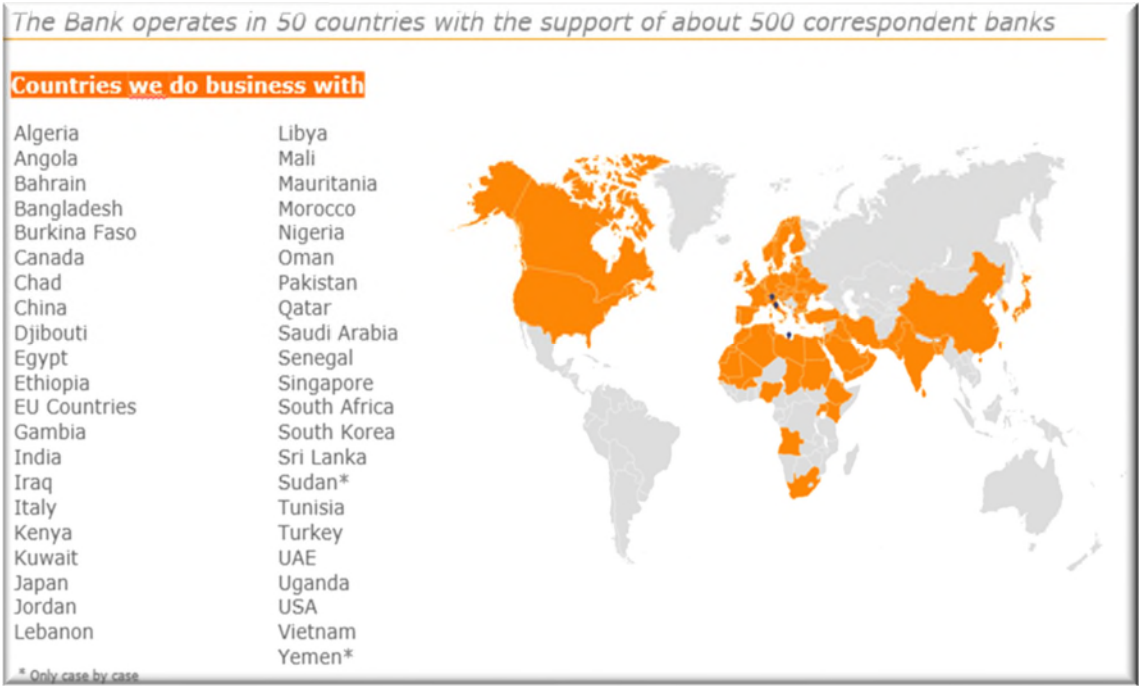
Head of Tripoli
Representation Office

Hatem Mahmud S. Benabdussalam (**)

(*) Appointed as of 1 May 2024, replacing Mr Esam M. Elrayas, whose secondment from the Libyan Foreign Bank ended on 31 January 2024.

(**) The 324th Board of Directors meeting on 29 November 2024 approved the appointment of Mr Hatem Mahmud S. Benabdussalam as Head of the Tripoli Representative Office to replace Mr Tariq Mohammed Saed Alajeeli, with effect from 1 January 2025.

SUMMARY OF DATA, ECONOMIC AND FINANCIAL INDICES, AND CORPORATE GRAPHS



Banca UBAE 2024 Annual Report Project

	31 Dec 2022	31 Dec 2023	31 Dec 2024
Financial Assets	€ 138,713,795	€ 168,559,453	€ 314,386,389
Banks Financing	€ 255,762,158	€ 325,972,018	€ 379,723,940
Deposits to banks	€ 58,545,497	€ 61,440,715	€ 87,808,435
Customer Financing	€ 1,116,143,384	€ 1,459,343,120	€ 1,957,086,607
Earning assets	€ 1,569,164,834	€ 2,015,315,307	€ 2,739,005,371
Total Assets	€ 1,638,782,341	€ 2,103,204,037	€ 2,826,057,682
Deposits from banks and a/c with banks	€ 1,253,506,124	€ 1,152,898,702	€ 1,346,880,298
Customer funding	€ 144,440,873	€ 646,318,181	€ 1,163,636,024
Total funding	€ 1,397,946,997	€ 1,799,216,883	€ 2,510,516,323
Reserves	€ (74,266,292)	€ (62,693,051)	€ (39,166,219)
Share capital	€ 261,185,870	€ 261,185,870	€ 261,185,870
Net Profit / Loss	€ 11,752,052	€ 23,826,408	€ 22,561,943
Gross worth	€ 198,671,629	€ 222,319,228	€ 244,581,594
Net interest income	€ 27,236,691	€ 29,688,004	€ 30,649,592
Net Commissions	€ 14,070,361	€ 14,960,329	€ 17,882,626
Net financial income	€ 11,078,712	€ (817,538)	€ 15,996,813
Net trading income	€ 52,385,765	€ 44,717,216	€ 64,529,031
Operating charges	€ (26,900,900)	€ (28,756,318)	€ (32,315,128)
Net operating profit	€ 25,484,865	€ 15,960,898	€ 32,213,903
Net profit	€ 11,752,052	€ 23,826,408	€ 22,561,943
no cash asset (L/C)	€ 220,504,547	€ 436,676,611	€ 323,724,379
no cash asset (L/G)	€ 253,791,953	€ 312,700,183	€ 535,491,331
Turnover letters of credit	€ 1,386,613,493	€ 2,122,450,329	€ 2,187,503,737
Turnover guarantees	€ 80,668,878	€ 108,809,152	€ 257,306,192
Outstanding guarantees	€ 268,913,409	€ 320,440,270	€ 547,085,782
NPL	€ 184,311,019	€ 159,218,116	€ 154,970,563
NPL Ratio	8.50%	5.52%	4.17%
TEXAS Ratio	31.47%	25.19%	18.66%
Gross worth/Total assets	12.12%	10.57%	8.65%
Loans/Deposits ratio	109.45%	154.85%	173.50%
Interbank Ratio	25.07%	33.60%	34.71%
ROE net profit/paid capital	4.50%	9.12%	8.64%
ROE net profit/gross worth	5.92%	10.72%	9.22%
ROA net profit/total assets (*)	0.72%	1.13%	0.80%
Operating charges/net trading income	59.16%	64.81%	41.79%
Net profit/number of employees	€ 78,347	€ 154,717	€ 141,012
Number of employees (Fixed and not Fixed term)	150	154	160
LCR (Liquidity Coverage Ratio)	540.50%	217.04%	194.68%
NSFR (Net Stable Funding Ratio)	123.38%	163.66%	136.53%
Total Capital ratio (Capital Adequacy Ratio)	19.08%	18.02%	18.22%
Cet1/Tier I capital ratio (Equity Asset Ratio)	19.08%	18.02%	18.22%
Banking Own Funds	€ 206,507,983	€ 214,251,679	€ 223,193,118

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

ANNUAL REPORT
1 January - 31 December 2024





Chairman's Letter

To all shareholders

the past year saw global activity growth remain robust, although uneven across sectors and regions, and this trend is expected to carry on at least into the first months of 2025.

At the end of 2024, world trade growth slowed slightly, in spite of the significant increase in US imports continuing to be a global driver.

Overall inflation in Organisation for Economic Co-operation and Development (OECD) member countries increased, but core inflation seems to have consolidated its downward trend.

World GDP growth is definitively expected to be around 2.7% for 2024, and xx% in particular across the Euro Area; in both cases slowing down - in the last quarter - due to the causes mentioned above.

In Italy, GDP growth is estimated to stand at 0.6% at the end of 2024, being affected by a slow-paced trend aligned with the rest of the Euro Area, especially in the second half of the year; in this respect, the performance of some productive sectors, such as manufacturing and services, had a negative impact.

World economy growth in 2025 is expected to stabilise or improve slightly compared to 2024, with a rate forecast to be around 3.3% depending on the actual extent of the recovery of advanced economies and the dynamism of emerging economies. The latter, in particular India, South-East Asia and parts of Africa, will continue to drive global growth, while the advanced economies (US, Europe, Japan) are predicted to experience a slower, yet continuous and steady, growth.

Inflation is expected to come close to the central banks' targets (around 2% in advanced economies), thanks to the restrictive monetary policies that were adopted in previous years and the objective slowdown in some economies.

Geopolitical tensions, such as the conflict in Ukraine, US-China relations and instabilities in the Middle East, will continue to influence the global economy. However, a significant stabilisation and/or the resolution of some conflicts could improve traders' confidence.

In turn, energy prices are expected to stabilise, thanks to increased investments in renewable energies and the reduced dependence on fossil fuels.

Public debt will remain a problem for many countries, especially for those with fragile economies. However, lower interest rates could ease the debt burden for some of them.

In summary, the world economy in 2025 will be characterised by moderate but stable growth, with opportunities connected with technological innovation and green transition, but also challenges related to geopolitical, financial and climate risks. International cooperation and well-calibrated economic policies will be essential to address these challenges and promote sustainable growth.

The Bank was able to seize - as in previous years - the various business opportunities offered by the international and domestic markets, while maintaining a sufficiently balanced yet cautious approach to country risks, with particular reference to geographical areas such as the Middle East and North Africa, of historical interest to the Bank.

In the past year, UBAE obtained once again an important economic result for its stakeholders, considerably higher than expected and among the best ever attained in its history testifying to the correct strategic choices made.

The *Tier 1 ratio* and *Total capital ratio* capital ratios, which stood at 18.22 % at the end of the year, are well above the regulatory minimums; the cost income ratio has fallen to 41.79%, well below the average level for Italian banks of the same size.

During 2024, the Board of Directors continued to support the Bank in the path of consolidating corporate profitability from a medium/long term perspective, accompanying the technical-organisational development with an effective internal control structure.

The choices made, in line with the 2024-2026 Business Plan approved in the autumn of 2023, proved to be successful and are a prelude to a 2025 financial year that looks equally favourable.

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

Lastly, it is worth informing you that the Bank, during 2024, was subject to a statutory audit by the Bank of Italy, which was completed in January 2025; as of today, we have yet to receive the closure report, although no particularly critical issues are expected to emerge.

To all Shareholders,

2024 was a year in which your Bank achieved very positive economic results, replicating those obtained the previous year; an event that is definitely appreciable if one takes into due consideration the context of political-institutional uncertainty that marked some of the Bank's areas of interest.

We remain convinced that - on the strength of the strategic guidelines that the governing bodies intend to pursue - the Bank will be able to worthily tackle all future challenges, consolidating its role as a credit institution with an international vocation that it legitimately deserves.

In the hope that the Shareholders, and in particular the reference shareholder Libyan Foreign Bank, Tripoli, will continue to look at the Bank with reaffirmed confidence and support it in every aspect - commercial, patrimonial and organisational - I would like to thank the Directors, Auditors, General Management and all employees, for their commitment during the past financial year.

Othoman Mohamed Alnouser
Chairman of the Board of Directors

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

EUR/mln

COUNTRIES	2024		2023		2022	
	IMPORTS	EXPORTS	IMPORTS	EXPORTS	IMPORTS	EXPORTS
LIBYA	5,937	2,051	7,365	1,701	9,146	1,939
BANGLADESH	1,476	346	1,640	556	1,882	629
TURKEY	11,060	16,311	11,548	14,267	11,351	12,109
SWITZERLAND	14,493	27,769	17,936	30,527	17,151	28,522
EGYPT	2,258	2,474	2,635	3,325	2,596	3,251
MAURITANIA	118	26	151	35	128	28
SPAIN	31,414	31,728	32,757	32,962	28,012	29,623
UAE	1,849	7,163	2,152	6,679	2,010	5,438
TUNISIA	3,184	3,063	3,516	3,349	2,827	3,691
PAKISTAN	951	423	1,095	428	1,115	627
HONG KONG	375	4,593	471	4,998	315	4,160
QATAR	2,076	2,081	3,004	2,654	5,255	2,574
ALGERIA	9,953	2,578	14,079	2,816	15,820	2,070
JORDAN	79	593	69	630	73	538
UNITED KINGDOM	7,435	25,482	8,727	26,089	7,588	25,430
SLOVAKIA	4,149	3,556	4,733.9	4,027	4,249.9	3,644
BAHRAIN	217	253	246	269	285	267
CHAD	0.4	9	1	10	0.002	4
FRANCE	41,966	57,679	46,537	63,359	44,754	57,517
HUNGARY	7,084	5,434	8,490	5,813	7,138	5,959
SUDAN	230	17	278	46	434	86
SLOVENIA	5,114	5,170	5,868	5,980	6,244	6,453
ROMANIA	8,264	9,311	9,574	10,216	8,524	9,049
SINGAPORE	718	2,888	674	2,842	676	2,192
MOROCCO	1,996	2,471	1,976	2,784	1,487	2,544
CHINA	45,953	13,967	47,589	19,172	54,070	14,682
YEMEN	8	48	8	78	73	66
MALTA	287	2,185	290	2,032	282	1,826
CYPRUS	154	979	136	1,104	110	1,227
TOTAL	208,799	230,648	233,547	248,747	233,597	226,145
UBAE'S SHARE	13	1,337	17	1,472	20	760
%	0.01	0.58	0.01	0.59	0.01	0.34

The BANK'S ACTIVITIES: BRIEF SUMMARY



Board of Directors' Room.

BANKING OPERATIONS IN 2024

COMMERCIAL ACTIVITIES

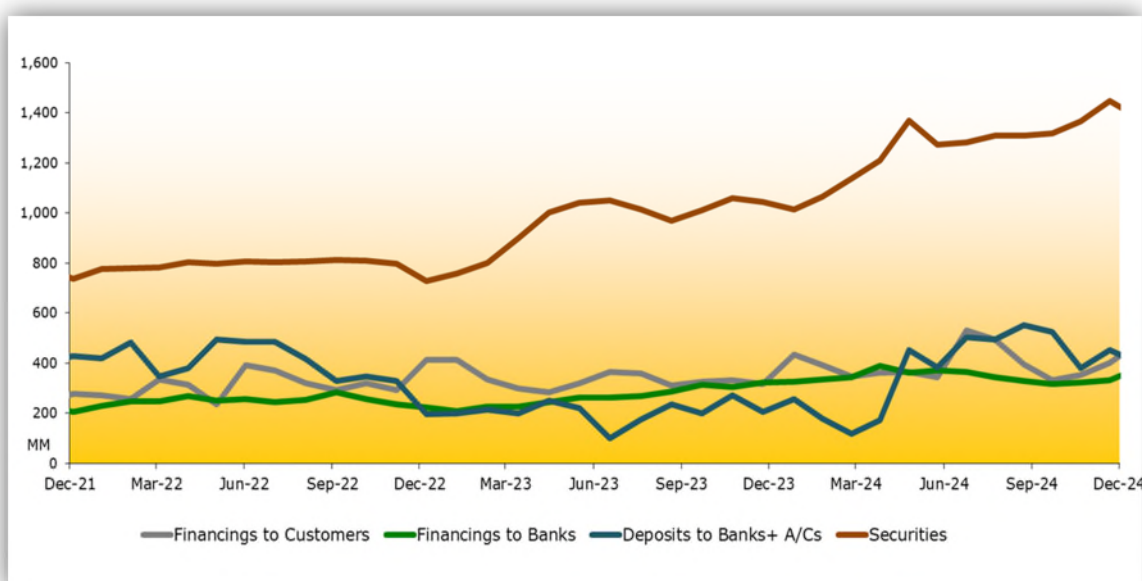
► Loans

In 2024, the Bank's activities were almost exclusively focused on the corporate segment, particularly on supporting commercial import/export operations, infrastructure works in Banca UBAE's reference countries and factoring.

The client portfolio is therefore mainly composed of national and international companies which are active in international trade as well as banks and financial institutions specialising in trade finance operations.

In the year under review, loans to corporate clients and banks increased by 24.9% and 20.7% respectively, confirming the effectiveness of the commercial initiatives undertaken.

The graph below summarises the effects of the most recent strategic choices in terms of business and financial investments.



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 counterparties show an irrelevant volume and tend to be limited to customers for whom the Bank already offers its assistance for trade finance transactions.

► Operations on foreign markets

Also Throughout 2024, **global growth** continued, with strongly differentiated trends across geographical areas: economic activity remains robust in the United States but is losing momentum in the other more advanced economies and also, due to the prolonged crisis in the real estate market, in China. According to forecasts by some specialised institutes, world trade will expand by just over 3% in 2025, in line with the expected trend in global GDP. However, the outlook for international trade could be adversely affected not only by heightened geopolitical tensions, but also by the announced tightening of US trade policy. Oil prices rose only slightly in 2024; natural gas prices remain volatile and subject to upward pressure from both demand- and supply-related factors.

The easing of monetary policy in the United States, where inflation rose slightly, was gradual and in line with expectations. In other countries it was more erratic, pushing the Central Banks towards a more gradual process of normalising monetary policy, also in view of the low level of unemployment rates.

These dynamics contributed to a marked strengthening of the USD against other major currencies, including the euro. The Chinese authorities announced a package of measures to support domestic consumption, which would complement the China's central bank (PBC) commitment to maintain an expansionary monetary stance.

Against this backdrop, global growth in 2025 is projected at 3.3% and should only increase to 3.7% in 2026, while global inflation is expected to stand at 4.2% in 2025 before falling to 3.5% in 2026.

In Italy, growth is showing little sign of recovering; in the latter part of 2024, the economy remained very weak (annual GDP growth is expected to be around 0.6%), suffering, as in the rest of the euro area, from the poor performance of the manufacturing, only partially offset by the dynamics of the services sector. In the construction sector, the positive effects provided by the works of the NRRP (National Recovery and Resilience Plan) were hindered by the decline in activity in the residential sector. According to latest projections, GDP growth should gain momentum in the course of 2025, averaging around 1% over the three-year period 2025-27.

On exports, the slowdown in European and global demand weighed heavily. The effects of the protectionist policies announced by the new US administration could also have a negative impact on the foreign sales of Italian companies.

The upward trend in employment continued, although with reduced intensity in the second half of the year.

In the last months of 2024, a temporary drop in energy goods prices helped to keep consumer inflation well below 2%. According to forecasts, the increase in consumer prices will be at 1.5% in 2025-26 (from 1.1% in 2024), reaching 2% in 2027.

As far as monetary policies are concerned, the ECB's benchmark rate cuts are gradually being incorporated into the cost of bank funding and the interest rate on loans to businesses. The European Commission has expressed a positive assessment of the programme to adjust Italy's public finances, as outlined in the medium-term structural budget plan for the years 2025-31.

The euro area's GDP is slowing down, economic growth has been fragile, affected by a lack of dynamism in consumption and investments and by a drop in exports. The performance of manufacturing continues to be weak, particularly in Germany; the momentum provided by the service sector has also slowed markedly. Inflation remains moderate, at around 2%.

In December, EU experts scaled back their growth forecasts for the area, placing them at just above 1% per year in the three-year period 2025-27; inflation is expected to stabilise around the European Central Bank's 2% target.

Also in December, the ECB Executive Board cut benchmark rates by a further 25 basis points. Markets expect a further reduction of around 75 basis points in the course of 2025, with a decrease of 50 basis points already happening in the first quarter. Despite the gradual easing of monetary policy, credit dynamics remain subdued, in a context of high uncertainty and weak demand.

In the emerging and developing economies, growth in 2025 and 2026 is expected to be broadly in line with 2024 (+4.2%). Compared to October's projections, China's growth in 2025 was marginally revised to 4.6%. This revision reflects the carry-over from 2024 and the tax package announced in November, which largely offset the negative effect on investment from the increased trade policy uncertainty and the slowdown in the real estate market. In 2026, growth is expected to remain stable at 4.5%, as the effects of trade policy uncertainty fade and the increase in the retirement age slows the decline in labour supply. In India, growth forecasts are still solid at 6.5% for 2025 and 2026, as already predicted last October.

In the countries of traditional interest to the Bank, such as those of the MENA region (Middle East and North Africa), growth is expected to increase from an estimated 1.8% in 2024 to 3.4% in 2025 and 4.1% in 2026. The outlook for 2024 has worsened since June, mainly due to prolonged oil production cuts by

major producers. The main risk factors for the future are the intensification of armed conflicts in the region, increased political uncertainty and unforeseen unfavourable changes in global policies. Delays in increased oil production by major exporters could also slow regional growth. Other downside risks include persistent international inflation and the consequent tightening of global financial conditions, increased domestic violence and social tensions, and a higher frequency in extreme weather events. The potential for further upward adjustments depends both on more robust growth in the main international economies and on global financial conditions characterised by faster than expected disinflation.

In Libya – Banca UBAE's focus country - 2024 was a year characterised by strong political and institutional tensions, which affected the economy and the energy sector in particular, with GDP 2024 estimated at - 2.6% compared to the previous year.

In the second part of the year, there was also a return to relatively stable political and institutional conditions, with a strong recovery in the energy sector; Libya is known to have the largest oil reserves in the whole of Africa, and the fifth largest natural gas reserves. These sectors contribute around 98% of the country's revenue, and estimates, in the event of optimistic scenarios on political developments, give rise to legitimate hopes of significant GDP growth for the years 2025 and 2026 (9.6% and 8.4% respectively).

Italy, as Libya's main trading partner, could benefit from this stabilisation, with Confindustria estimates suggesting gains of four billion euros per year for Italian companies over the next decade. Furthermore, the possible release of Libyan funds and assets (estimated at over 60 billion dollars in 2025, according to reliable sources) at an international level could open up much-needed investment opportunities for Libya, particularly to modernise its energy production facilities.

In the banking sector, international analysts have analysed the sector's prospects for 2025, concluding that consolidation is the trend that is more likely to prevail.

As a matter of fact, the landscape of the Italian and European banking sector will probably change significantly, creating the conditions for the emergence of more solid operators with a greater international vocation.

On the other hand, the impact of lower rates and the EU's Next GEN funds could incentivise consumption and investment, helping to boost growth expectations.

In this economic environment, marked by deep uncertainty, some problems with the asset quality of small and medium-sized enterprises (SMEs) may emerge, after years in which defaults have been historically low. Considering the over 200 billion

euros of state guarantees on loans, the impact of any losses on banking operators should be, on the whole, rather limited.

The banking sector is expected to remain profitable in 2025, although not at 2024 levels. However, differences between individual banks will become increasingly apparent, especially in terms of revenue and efficiency. Analysts assume that dividend payouts will remain generous, even if most banks will continue to accumulate capital reserves.

Political and economic turmoil, in some jurisdictions, could trigger the return of a stronger link between banks and sovereign governments, with peripheral countries such as Spain or Italy potentially in a better position than core countries such as France or Germany

In November 2024, **Banca UBAE** updated its projections for 2025 as outlined in the 2023-2026 Strategic Plan, in consideration of the shifting economic and financial, national and international scenarios. This is to redefine commercial and operational strategies and setting new objectives in terms of volumes and profitability.

As the last financial years (2023 and 2024) have already shown, Budget 2025 confirms the return to excellent, solid and stable earnings results.

The main guidelines for 2025 strengthen the institutional role of Banca UBAE in supporting business development between Italy (and other European countries) and some African countries (particularly in the MENA region) and (on a selective basis) the Middle/Far East. The 2025 Budget is based on the following pillars: a) a rather conservative approach, evaluating all elements of international uncertainty, in particular the impact of the conflicts between Russia and Ukraine and the Middle East; b) special focus on the efficient allocation of own funds; c) maximisation of the interest margin and income from trade finance operations; d) careful and ongoing monitoring of the main risk factors (primarily credit risk); e) diversification in terms of countries/product lines/customers which continues to be considered an element of crucial importance in a medium-long term perspective.

Even in a macroeconomic context influenced by more or less critical political and institutional situations, which to date remain such in the geographical areas of specific interest, the Bank, thanks to the market position acquired and the strategies followed, has been able to operate efficiently and effectively also during 2024, laying the foundations for new commercial opportunities and a consolidation of existing relationships.

Revenues from commercial activities amounted to 34 million euros (previously 27 million euros) in 2024, of which 49.6% came from commissions on credit letters and guarantees, 34.3% from financing operations and commercial discounts, and 16.1% from factoring activities.

With particular reference to geographical origin, it should be noted that 79.9% of revenues were generated abroad and 20.1% in Italy.

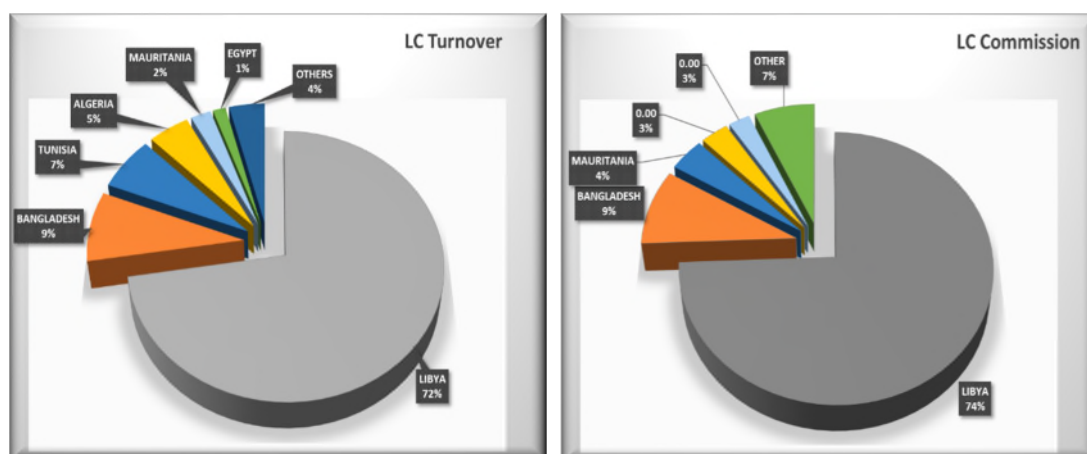
At the end of the 2024 financial year, there were a total of 425 borrowers (previously 405), of which 230 banks (Italian and foreign) and 195 companies with an international vocation.

Below, the main qualitative and quantitative information on the Bank's operations during 2024. For further details, please refer to the information contained in the explanatory notes.

In 2024, the overall turnover of credit letters (see table) showed a modest (+2%) increase over the previous year, although with a lower average unit ticket. Total exposure at the end of the financial year reached 324 million euros, with 12.5 million euros in revenue generated (+13.6%).

The analysis of credit letters 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					
	2024		2023		2022	
	Value / no.	+/- %	Value / no.	+/- %	Value / no.	+/- %
Letters of credit: Number	2,635	19.39	2,207	(1.60)	2,243	(15.07)
Non Oil Letters of Credit: turnover	2,187,500	2.17	2,141,110	49.85	1,428,840	7.21
Commissions accrued	12,519	13.60	11,020	4.82	10,513	5.79

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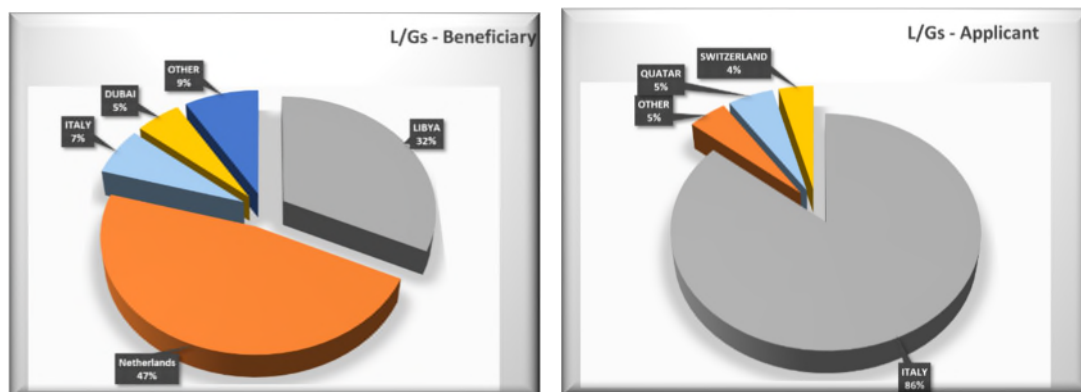
Detailed analysis of the guarantee sector data showed the following trend:

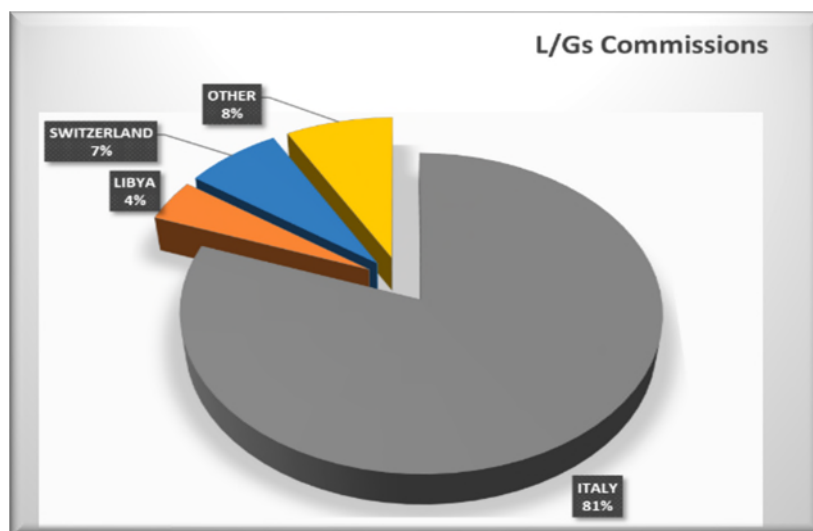
	2024		2023		2022	
	Value	+/- %	Value	+/- %	Value	+/- %
Guarantees issued in year	257,306	136.47	108,809	34.88	80,669	77.55
Guarantees: Outstanding at EoY	547,086	70.73	320,440	19.16	268,913	(9.74)
Commissions received	4,238	58.85	2,668	0.13	2,665	19.95

Compared to 2023, the guarantees sector - mainly issued on behalf of leading Italian and European companies in response to exports and/or significant orders in the markets of interest - showed a significant increase in both turnover (257.3 million euros, +136%) and exposure (546.6 million euros, +71%).

Total income amounted to 4.2 million euros (+59%).

Geographic analysis





►Activities on financial markets

In 2024 the Bank was yet again actively engaged in the search for more profitable forms of investment, within risk limits defined as appropriate, in view of the increased cash flow collected from institutional counterparties and customers.

The portfolio of securities to be held to maturity grew by 367.6 million euros (+ 38%).

During the 2024 financial year, the funding grew both in terms of amount and number of counterparties, according to a according to an approach – already in place for some time – of seeking a more diversified portfolio; thanks to the tools made available over time, in particular the use of REPO operations, the Bank was able to overcome, without any noteworthy critical issues, the institutional crisis that arose in Libya in the summer (and was subsequently resolved) as part of the process of replacing the Governor of the Central Bank.

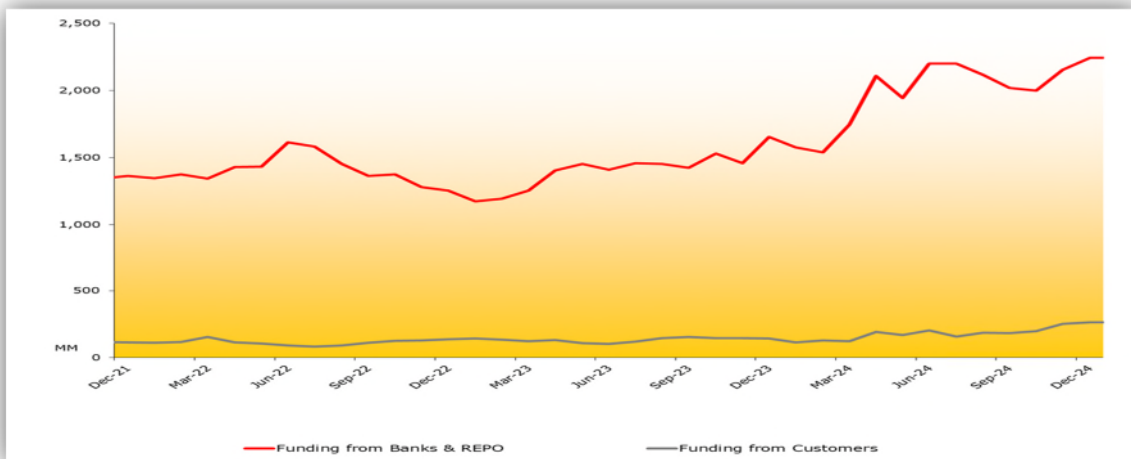
The 'Security Agreement', under which the stakeholder Libyan Foreign Bank (LFB) continued to guarantee two deposits, of 300 million USD and 100 million euros respectively, was renewed. The contractual duration was increased from one to two years in 2024, with the dual objective of stabilising the tenor of the Bank's funding as well as supporting the business aimed at counterparties 'related' to the Libyan Foreign Bank itself.

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

FUNDING 2024								EUR/000
First quarter		Second quarter		Third quarter		Fourth quarter		
Value	+/- %	Value	+/- %	Value	+/- %	Value	+/- %	
1.742.069	2,91	2.272.822	30,47	2.288.040	0,67	2.371.538	3,65	

The increase seen during the second quarter of the year is due to the growth of the investment portfolio and more active management of liquidity risk.

In the graph below, we show the trend of the main funding items over the last period (2021-2024):



►Managing financial activities

The Bank's proprietary securities portfolio consists almost exclusively of Government Securities, issued by the Italian State; it supports the management of liquidity commitments and follows a logistical approach aimed at stabilising income over mainly medium/long-term time perspective.

Also throughout 2024, the strategy adopted by the Bank ensured satisfactory 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 consistently above the minimum requirement set by current regulations.

Investments in the HTC portfolio grew by 350 million euros to reach a total value of 1.35 billion euros at the end of the year.

New investments during the year totalled 900 million euros and sales/maturities amounted to 550 million euros.

The final result of the Finance unit, in terms of financial margins on the portfolio, exceeded expectations, and the portfolio, as currently structured, is suitable to guarantee an adequate flow of revenues also in future years, in line with the projected evolution of interest rate trends.

This portfolio therefore meets, for almost its entire value, 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:

- **50.3%** variable-rate securities
- **49.7%** fixed-rate securities

The average residual duration of the investment portfolio is approximately 7 years.

In order to mitigate interest rate risk, the **49.7%** fixed-income component of the portfolio was fully hedged through OIS rate derivatives, with the effect of bringing the portfolio's average duration down to within 3 months.

The investment portfolio also consists of **1.9%** of securities with sustainability requirements.

The Bank's financial strategies enabled it to anticipate and follow the dynamics of interest rates, achieving results well above projections, although lower than the previous year's, in full compliance with the limits set on liquidity (NSFR and LCR).

The total assets administered by Finance in the various currencies remained at above 2 billion euros.

► **The main results achieved during the year.**

The net economic result for the year in question, amounting to **EUR 22.6 million**, was down slightly from 2023 (EUR 23.8 million). It was affected however by some non-recurring effects.

Specifically:

- **"Net interest income"** was approximately **EUR 30.6 million**, up 3% compared to 2023; this result confirms the good average return on commercial loans and financial investments as well as the Bank's prudent and appropriate positioning with respect to interest and exchange rate trends;
- **"Income from intermediation"** was approximately **EUR 33.9 million** (previously EUR 15 million); this result, up sharply from 2023, derives from the implementation of the strategic choices made by the Bank in recent fiscal years. On one hand, there was the result of the intermediation of letters of credit and international guarantees, the turnover of which overall confirmed the good volumes achieved last year, and, on the other hand, the effect of Forex transactions with a selected number of correspondent banks;
- **"Value adjustments and provisions for risks"** reflects the careful and prudential assessment carried out by the Board of Directors and Management. Though there were no objective signs of deterioration in the portfolio, they decided to significantly increase the credit risk hedging level. Write-downs in the period in question totaled **EUR 15.7 million**, as a combined effect of approximately EUR 7.6 million in write-downs from the application of international accounting standard "IFRS 9" on loans and securities classified as performing (Stage 1 and 2) and approximately EUR 8.1 million with reference to positions already classified in previous years as non-performing and prudentially written down;
- **"personnel costs"**, were **approximately EUR 21.5 million**, up approximately 17% as a result of actual overhead costs, and in particular the allocation of the bonus due to personnel and directors by virtue of the excellent results achieved by the Bank, in accordance with current remuneration policies, as well as the acknowledgement of the charges due to the renewal of the National Collective Bargaining Agreement at the end of 2023.

The Bank in its financial statement, on the basis of the actual possibilities of recovery, as highlighted by the Three-Year Plan, the 2025 budget and future expectations, has recognised "Deferred tax assets" from tax losses relating to previous years totaling approximately **EUR 11.3 million** (with a positive impact of approximately EUR 3.6 million on the income statement).

1. ORGANIZATION AND PERSONNEL

Throughout 2024, the Bank continued with its plan to progressively build a reality based on people (and for people), on the competence and professional qualification of the staff, on their spirit of collaboration and on their corporate identity, with the aim of maximising the benefits for stakeholders and in particular of offering customers adequate levels of service. In this framework, one of Banca UBAE's main strategic drivers is to build a reality oriented towards the enhancement of its human capital.

The path taken therefore requires the Bank's Management to be responsible for a process of ongoing change based on the close interdependence between Environment-Strategy-Structure, through the deployment of all the necessary initiatives for the care and development of its employees, with the aim of creating added value for the Bank as a whole and for its Shareholders.

a. Main initiatives for 2024

1) TRAINING

A key development in 2024 was the expansion of the **Human Capital Management and Enhancement project**, launched in 2022, to include issues related to **diversity** and **sustainability**.

In this context, training represented (and represents) a lever considered strategic for achieving business objectives: the Senior 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 organisational change.

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

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

The Bank has therefore launched a 2024-2025 action plan, based on **differentiated training paths** aimed at supporting career paths and enhancing the professionalism already possessed.



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

- **cross-sectional**, i.e. providing, particularly to junior resources, the basic knowledge of what it means to be a Bank, as well as supporting organisational behaviours characterised by the development of cross-sectional/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 deepening of the knowledge required to carry out one's role in the short term.

Particular attention has been paid to **technical training** (i.e. the specific knowledge and technical-operational skills of the banking sector); as a matter of fact, the latter represents the long-term element of the plan and fundamentally meets the strategic need to ensure continuity in terms of **regulatory updates and the use of work tools**.

In addition to "*traditional*" training, the Bank has launched an initiative dedicated to **Knowledge Sharing**. In keeping with the belief that teamwork represents an extraordinary opportunity to consolidate relationships and share information, the Bank has scheduled, starting from the 4th quarter of 2024, a set number of days to be shared among all front-line managers.

Through these moments devoted to teamwork, it has been possible to work on many aspects:

- **strategic alignment**: shared working days allow the opportunity to focus on company objectives, share our vision and define common priorities. This gives a stronger sense of direction and improves the consistency of operational decisions;

- **communication improvement:** direct engagement promotes transparency, offering the opportunity to explore complex issues in depth, solve problems and make decisions more quickly and effectively;
- **consolidation of interpersonal relationships:** spending time together helps to create a climate of trust and collaboration, strengthening the sense of belonging to the group, and motivating members to work with greater synergy.

2) DIVERSITY & INCLUSION

A further initiative was to enhance the **diversity** that exists, whether de facto or even just potentially, within the Bank. The diversification of skills, abilities, cultural and social backgrounds, as well as the creation of an **inclusive** space that encourages constructive dialogue among the many experiences, represent an opportunity for Banca UBAE to enrich its business with new perspectives and to devise innovative organisational and management processes. The Bank considers **inclusion**, or in other words *feeling part of the organisation*, to be an essential value for promoting organisational well-being and a corporate climate based on fairness and transparency.

With this in mind, a company event was organised to promote an organisational culture based on integration and social sustainability, with a particular focus on *corporate* identity and a *shared sense of belonging*.

Always part of the initiatives aimed at supporting a culture of inclusion, the bank joined the '**Charter Women in Banking**', promoted by ABI-Ass. Bancaria Italiana. The Bank is therefore committed to enhancing its corporate policies according to the following principles for equal opportunities:

- promote an inclusive working 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 company level;
- promote gender equality even outside the Bank, for the benefit of the communities it serves;
- implement appropriate initiatives to address and enhance its corporate gender equality policies.

In line with this vision, the Bank sponsored and participated as a speaker at the annual ABI D&I IN FINANCE 2024 Conference 'Diversity and Inclusion: Essential Elements for Development'.

The event was an important opportunity to meet other organisations in the sector, reaffirming the Bank's commitment to creating a fair and welcoming working environment that is open to diversity in all its forms: gender, ethnicity, sexual orientation, age and ability. This participation represented a further step towards the fulfilment of the objective of supporting sustainable and inclusive development, in keeping with the principles of social responsibility and the ethical values of the Bank.

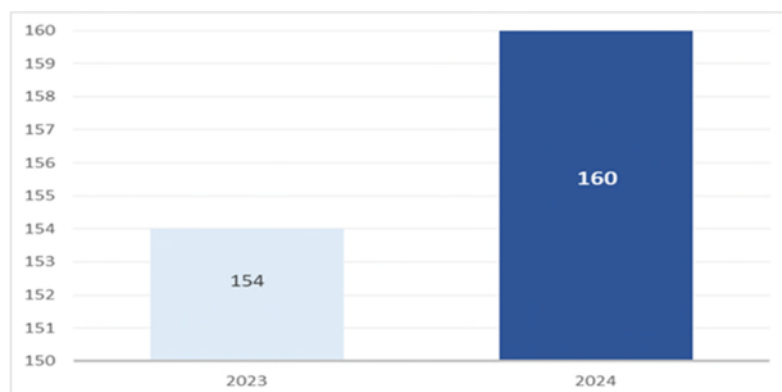
b. Further initiatives and projects

HR Management was also involved in the following activities:

1. **Maintaining and updating the performance management system**, aimed at greater understanding/assessment of professional performance; the focus was to orient action on objectives and behaviour patterns that directly govern Banca UBAE's business (identifying the critical factors for the Bank's success and translating them into organisational objectives and behaviour patterns to manage);
2. **Promoting the culture of safety at work** through training/information initiatives, in addition to the activities regulated by legislative decree 81/2009 (e.g. annual meetings, risk assessment, etc.);
3. **Launching of a project** dedicated to the **effectiveness of the organisational model**, placing a **focus on processes, activities and workloads**, in order to identify optimisation opportunities;
4. **Strengthening the 'Corporate Welfare' system**, aimed at providing employees with goods and services related to the needs of their working, personal and family life. This initiative has set itself, as qualifying objectives, improving the corporate climate, increasing productivity, and boosting staff satisfaction and motivation. The Bank's promotion of the flu vaccination campaign was also a worthwhile initiative.

c. Quantitative data

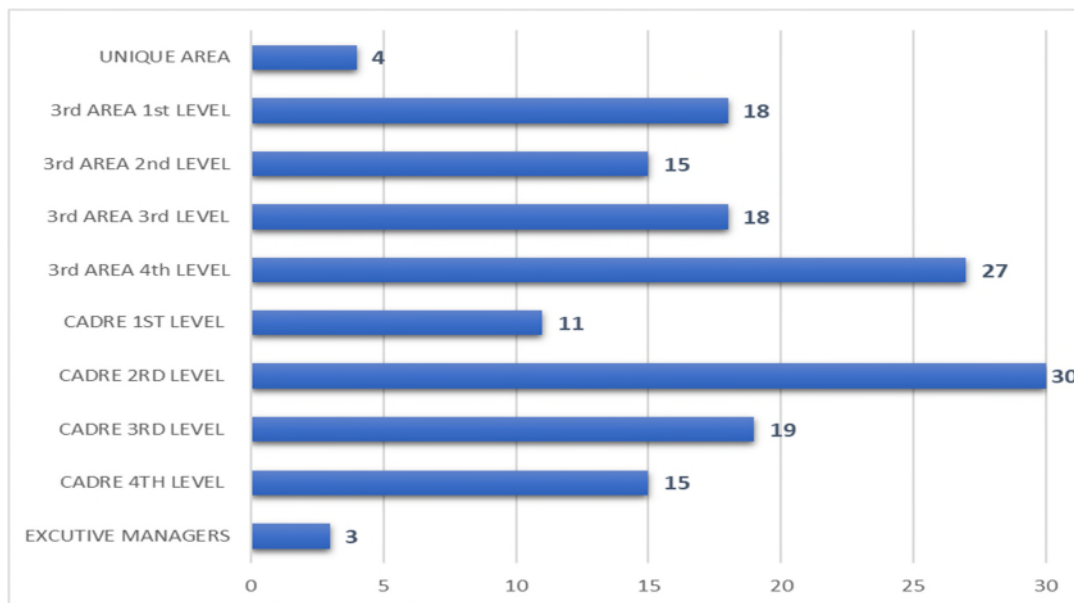
At the end of 2024, the workforce consisted of **160** people:



The table below shows the dynamics of the composition for the framework in 2023 and 2024.

	31/12/2023		31/12/2024	
	N°	incidence	N°	incidence
<i>Executives</i>	3	2.0%	3	1.9%
<i>Managers</i>	76	49.3%	82	51.2%
<i>PROFESSIONAL AREAS</i>	75	48.7%	75	46.9%
	154		160	

In more detail the composition of the workforce at 31 December 2024 was:



2. Organization, IT Systems, Security and Privacy

The Organisational and IT Systems unit is entrusted with activities aimed at improving business operations, organisational structures and ICT security.

In the course of 2024, the Bank, in compliance with the provisions of Banca D'Italia circular no. 285 (Part One, Title IV, Chapter IV "The Information System"), monitored the services outsourced to 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. Additionally, particular attention was paid to compliance with SLAs.

In the Cedacri context, in collaboration with the consulting firm Mazars, periodic monitoring of the adequacy of the interventions prepared in the Remediation Plan drawn up by the supplier following the inspections carried out by Banca D'Italia at Cedacri has continued (see Banca D'Italia communication dated 11/10/2021 file no. 1445055/21 and communication dated 10/10/2024 file no. 1985253/24).

Periodic analyses of the performance indicators showed service levels in line with the contractual terms (SLAs). During 2024, an incident with a critical impact at national level was highlighted, although it had little impact on the Bank's operations, as it was limited to the ATM service (not considered core). This incident was, however, duly reported to senior executives and, in compliance with current regulatory provisions, to the regulatory bodies (Banca D'Italia).

With regard to the development and maintenance of business applications, several projects were completed in 2024 with the aim of improving work processes in terms of effectiveness and efficiency.

Within the factoring area, investment continued on the K4F platform and its related web portal 'WOF-Web Online Factoring'; special attention was paid to developments relating to integrations with Cedacri's FEU information system.

On the Trade Finance front, the implementation of new AI software for the control of documents relating to documentary credits and guarantees is being pursued, in collaboration with a leading international partner. The project will end in 2025.

On the Finance front, the on-boarding process began on the Check 24 online comparison platform, with the simultaneous adoption of automation tools aimed at managing funding operations for foreign customers in an almost completely automatic manner. This initiative will be fully implemented during 2025.

On the payment side, as required by law, in the last quarter of 2024 the Bank activated the Instant Payment service.

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

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

During the year, as a result of the need to comply with the new DORA regulation in force as of 17 January 2025, a revision of the entire internal regulatory document system was initiated. This activity will be completed during 2025.

With regard to IT and payment services security risks, it should be emphasised that the result of Cedacri's IT risk assessments reported a level of residual risk in line with expectations and the limits set by the RAF. Consistently with the regulatory/procedural framework prepared for the IT and operational risk analysis, the final results were produced with the aid of IT applications.

In 2024, periodical vulnerability checks of the IT infrastructures were also carried out.

Also for 2025, with regard to procedural developments on important management aspects, the commitment to adapting information systems to the new regulations remains a priority, with a view to pursuing maximum operational efficiency and adequate IT security.

3. External and Institutional Relations

In the area of External Relations, the main activities of the Board Secretariat and External Relations unit in the course of 2024 were:

- the development and consolidation of institutional relations with Italian and foreign counterparties, such as Embassies, Consulates, Financial Institutions, Associations, Bodies and Chambers of Commerce;
- the planning of strategic marketing, communication and product development projects;
- the enhancement of the company's corporate identity, aimed at communicative consistency as the key to consolidating and increasing the Bank's brand awareness in the market, as well as with its customers and, more generally, with all stakeholders.

The objectives underlying the activities of the Board Secretariat and External Relations unit are aimed at the innovation and quality of the products and services offered to customers, consisting of correspondent banks and corporate companies. Additionally, it was pursued the preservation of the Bank's reputation and the promotion of a consistent and positive image. These activities that took concrete form in the monitoring and constant updating of the institutional website and equally in the development and management of the Bank's social channels which are establishing themselves as very effective methods of outbound communication.

In detail, the main activities carried out by the unit were:

- writing of press releases and articles;
- creation and production of sales materials;
- content management and graphics of the company website;
- development and management of the Bank's social channels (LinkedIn and Facebook) as communication channels aimed at promoting Banca UBAE. Activities included ongoing content creation, interaction with the community, and the sponsorship of internal and external corporate initiatives such as development missions, on-the-job training programmes, seminars, corporate events, newspaper articles, interviews, job offers and eco-solidarity initiatives.
- organisation of corporate events;
- eco-solidarity initiatives;
- management of membership fees and relations with Associations and Chambers of Commerce of which Banca UBAE is a member/partner;
- 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;
- updating of publications (Bankers Almanac, ABI Yearbook, etc.) also on input from the offices concerned;
- receiving and analysing advertising and sponsorship proposals.

Furthermore, the unit participated in Business Development activities in collaboration with the Commercial Area and Finance, aimed at increasing the Bank's strategic opportunities and developing and consolidating relationships with key Italian and foreign customers

4. Risk Management

The Bank has continued to apply the procedures and methodologies for calculating total internal capital, as described in the ICAAP (Internal Capital Adequacy Assessment Process) reports. It also acted in compliance with national and international regulations, maintaining careful monitoring of the Bank's exposure to risks, with particular reference to the liquidity risk management process as per ILAAP (Internal Liquidity Adequacy Assessment Process), and continuing to conduct analyses of asset adequacy based on the various types of risk.

It should be pointed 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, characterised by the adoption of simplified methodologies for measurable risks and mitigation policies and procedures for non-measurable risks.

For the purpose of analysing capital adequacy, the three additional prudential requirements of country risk, geo-sectorial concentration risk and strategic risk were also considered. These requirements are not prescribed by the regulations, but have been included in the internal capital adequacy assessments with the aim of considering all risks deemed to be of particular relevance for the Bank's business. Specifically, the country risk, estimated according to an internal calculation methodology, takes into account the risk exposure generated by the Bank's specific operations in certain geographical areas. It should be noted that the regulatory framework on the internal control system also includes country risk (and transfer risk) among the risks to be analysed in the ICAAP.

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

The purpose of the prudential control process is to ensure, on an ongoing basis, compliance with capital requirements (with reference to both the risks considered in Pillar I and the quantifiable risks considered in Pillar II, as well as the risks considered significant by the Bank) and to provide the Board of Directors and the Executive Board with the information necessary to efficiently and effectively set up the Bank's capital strengthening and/or loan policies.

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

- raise awareness among senior management about issues related to risk and asset planning;
- make the Bank aware of the exposure to the various types of risk arising from carrying out the business activities;

- introduce further types of risk into the field of measurement (i.e. concentration and interest rate risks on the *banking book*, as well as country, geo-sectorial and strategic concentration risks)
- strengthen organisational controls and management tools for all other risks (liquidity risk, risk of excessive financial leverage, reputational risk, money laundering risk and IT security risk);
- stress the need to equip the Bank with increasingly efficient and adequate risk measurement and monitoring tools;
- extend the time horizon of internal analyses (prospective analysis) and the reference scenario (stress testing);
- improve the strategic planning process by introducing capital policies closely linked to the Bank's risk profile and therefore to the results emerging from the ICAAP and ILAAP, as well as to the levels of risk propensity established by the strategic supervisory body (Risk Appetite Framework - RAF).

With regard to the changing regulatory and operational environment, 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:** the Bank revised the plan, with particular reference to the system of recovery indicators. The new version of this plan was approved by the 317th Board of Directors on 24 April 2024 and revised with particular reference to the liquidity indicators by the 320th Board of Directors on 23 July 2024.
- **Credit risk:** with reference to the implementation of an early-warning system, aimed at making the performance monitoring process more effective, the project of the Credit Catalyst tool provided by Moody's was launched in 2024. As part of the process, both indicators and the related alert thresholds were parametrised. Further areas for improvement and efficiency have been identified in the context of second-level control measures.
- **ICT and security risk:** In 2024, Risk Management, in exercising its function of second-level control of ICT and security risk, conducted the first assessment and drew up the Summary Report on IT risk, submitting it to the attention of the 317th Board of Directors on 24 April 2024. During the fourth quarter of the year, the Service reviewed the relevant internal regulatory sources (Information Security Policy and ICT Risk and Security Management Methodology), with the aim of aligning them with the European DORA regulation. The unit also added a section dedicated to ICT risk to the quarterly reporting (Risk Dashboard) including some KRIs subject to internal monitoring.

During the year, the Bank also launched a project to make the necessary changes to comply with the European DORA regulation, updating its internal regulatory sources and outlining the organisational framework related to the main topics covered by said regulation.

• **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 will fail to fulfil its obligations when the contract expires; after the contractual deadline has passed, in the event of breach, the counterparty risk turns into settlement risk.

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

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

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

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

Internal capital for credit risk is measured using the standardised method, as required by the current prudential regulations.

Furthermore, for ICAAP purposes, Risk Management carries out scenario analyses with the intent of *stress testing*, simulating the impact on the capital requirement generated by certain shock elements, 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, Risk Management, in collaboration with Finance, periodically monitors the exposures reassessed at mark-to-market price, in order to verify compliance with the credit lines granted to each individual counterparty.

Internal capital against counterparty risk is measured using the simplified standardised approach, as required by current regulations. In accordance with the existing regulatory framework, the capital requirement is also calculated for the risk of adjusting the assessment of the counterparty's creditworthiness; this is also known as, *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 incurring losses due to adverse variations in the prices of foreign currency rates on all positions held by the Bank, regardless of the allocation portfolio;
- **position risk**, which can arise from fluctuations in the price of securities due to factors relating to market trends (generic position risk) and the situation of the issuing company (specific position risk). In particular, 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 to which they belong, expose the Bank to the risk of loss resulting from failure to settle the transaction.

The operations of Finance Management and the compliance with the operational limits set by internal regulations are constantly monitored by the first and second-level control functions.

The reports, produced daily, are broken down by desk and cover the composition of positions, the performance and the trend of the various risk/sensitivity indicators (Stop Loss).

Compliance with the internal operating limits is monitored on a daily basis and any anomalies are promptly reported to the structures involved to enable the appropriate corrective action to be taken and/or the start of the authorisation process governed by internal regulations.

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

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

- Operational Risk Management

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

Although having opted for the basic calculation methodology (Basic Indicator Approach) in determining its capital requirement required by prudential regulations, the Bank has started the implementation of an operational risk management system capable of assessing and monitoring over time the actual exposure to 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 'cross-sectorial' tool that, containing a common mapping of internal processes and rules, could be used in an 'integrated' perspective for risk assessment and loss data collection activities.

With reference to the year 2024, both an internal process of loss data collection, as well as a self-risk assessment session were initiated for the company processes of the core business. Upon completion of the project activities, the internal policy concerning the operational risk management process will be defined (currently being formalised).

- Management of Others risks

❖ Liquidity Risk

Liquidity risk is the risk of being unable to meet demands for repayment of liabilities, which are unexpected in terms of volume and/or time expiry, due to an inability to raise funds (funding liquidity risk) or limitations on the disposal of assets (market liquidity risk).

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

The process of managing this risk is governed by internal policy and entails 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 current Recovery Plan in force.

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

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

As far as tools are concerned, the Bank uses the JCompass tool, which is connected to the IT outsourcer's (Cedacri) system, and an automated management tool for the daily processing of the LCR.

❖ **Concentration Risk**

Concentration risk arises from exposures to counterparties, groups of affiliated counterparties and counterparties belonging to the same economic sector or engaged in the same activity or belonging to the same geographical area. In essence, it is the risk of suffering losses as a result of the correlation between several counterparties.

The current prudential legislation (Pillar II) provide for a specific capital requirement to take into account the concentration by counterparty or groups of affiliated counterparties (for the corporate portfolio). For the quantification of internal capital (according to the simplified methodology required by the law), the Bank uses a calculation tool fed with data from supervisory reports. With a view to stress testing, Risk Management conducts quarterly internal simulations to assess the impact of any strategic-operational changes.

The Bank has also supplemented its internal measurements with an additional capital requirement for geo-sectorial Concentration Risk, determined according to the quantitative methodology developed by the Italian Banking Association (ABI) and applied to the Italian corporate portfolio.

As regards the monitoring of regulatory lending limits, the Bank monitors compliance, handles the preparation of the related supervisory report and submits the quarterly report to the attention of the company bodies/functions. In this context, the system of external limits for related parties also applies, while with reference to the concentration profile of loans to corporate or groups of related corporate entities, the Bank has set an internal lending limit equal to the threshold for identifying 'Major Risks' (10% of eligible capital).

With regard to 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, in order to contain this risk exposure.

With regard to concentration risk by economic sector and by geographic area, for which the regulations do not prescribe any quantification, the Bank has opted to adopt a qualitative assessment of its lending portfolio as a whole and has established internal limits of investment/loan by economic sector.

With reference 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 exposure regulations.

❖ **Interest Rate Risk on the Banking Book**

Interest rate risk on the banking book is the risk of suffering losses in value of assets due to adverse movements in market interest rates.

Compliance with the operating limit internal prudentially set below the regulatory threshold is monitored by Risk Management, through the integrated treasury product (JCompass).

For ICAAP purposes, for the quantification of internal capital, the Bank has implemented the new regulatory methodology introduced by the 40th update of Banca D'Italia circular no. 285/2013 on the basis of the new reporting flows introduced by the regulatory bodies. The stress scenarios envisaged by the EBA and based on various shocks to the interest rate curve were also implemented; on a quarterly basis, Risk Management monitors the level of the risk indicator and prepares a periodic report to senior management.

Furthermore, in compliance with the relevant regulatory requirements, the measurement of the effects produced by a shift in the interest rate curve occurs not only in terms of change in 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 occurring in a country other than Italy.

The concept of country risk is broader than that of sovereign risk, as it refers to all exposures, regardless of the nature of the counterparties, be they individuals, companies, banks or public administrations.

Transfer risk represents the risk that a bank or a company, exposed to a party that finances itself in a currency other than that in which it earns its principal sources of income, suffers losses due to the debtor's difficulty 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 Bank's operations, the political risk associated with some of the countries on which the business is concentrated has required close attention in 2024.

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 rated below BBB or unrated.

From the point of view of quantifying risk exposure, Risk Management introduced several years ago an internal estimation methodology aimed at determining an additional capital absorption for country risk, which complements internal analyses in terms of capital adequacy. This capital requirement, although not prescribed by regulations, is calculated according to an internal estimation methodology based on exposure data for supervisory reporting purposes and on the probabilities of a banking or currency crisis differentiated by country.

In order to comply with supervisory guidelines on stress testing, the Bank decided to include country risk in the list of risks subjected to stress testing (credit risk, concentration risk and interest rate risk on the banking book). Therefore, based on the internal methodology already in use for quantifying internal capital under ordinary conditions, adverse projections consistent with credit risk stress testing are assumed. The inclusion of country risk in stress testing was also reflected in the RAF, with the provision of a risk tolerance appropriately calibrated on the basis of the calculation methodology in use.

With regard to transfer risk, the Bank has decided to include, from a quantitative point of view, this risk within the more global framework of country risk; on the other hand, from a qualitative point of view, the periodic assessment of the materiality of this risk was envisaged through analysing the composition of the credit portfolio and determining the relevance of exposures to countries belonging to the transfer risk classes provided by the ABI.

❖ **Risk of Excessive Financial Leverage**

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

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

The internal policy regulates the methods of identification, assessment, 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 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. On the other hand, with reference to capital adequacy analyses, the Bank accepts the variability of the intermediation margin from company targets as an approximation of the risk and as a measure of an additional capital requirement that integrates and completes the methodological approach in the ICAAP context. This risk is also included in the perimeter of risks subject to internal limits in the Risk Appetite Framework.

❖ **Reputational Risk**

Reputational risk represents the current or prospective risk of a fall in profits or capital resulting from a negative perception of the Bank's image by its various stakeholders (customers, counterparties, shareholders, investors, supervisory authorities, markets in general).

This risk requires, due to the complexity inherent in its treatment, 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 envisaged, 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 mitigation policies necessary to contain any negative effects and/or prevent the occurrence of the harmful event and finally establishes the intervention strategies in the event of having to deal effectively with a 'reputational crisis'.

❖ **Money Laundering and Terrorist Financing Risk**

The risk of money laundering and terrorist financing is constantly monitored and analysed in depth by the Bank, taking into account the nature, size and complexity of the activity carried out, the type of services provided and the countries of reference of the counterparties involved.

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

The main elements that characterise the above regulatory/organisational framework 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 operations involving unusually high amounts;
- the obligation to report suspicious transactions to the appropriate authority if it is known, suspected or there are reasonable grounds to suspect that money laundering or terrorist financing operations are underway or have been carried out;
- the obligations regarding data and document retention requirements to prevent, detect or ascertain any money laundering activities and to enable analyses to be carried out, within the scope of their respective powers, by the FIU (Financial Intelligence Unit) and other competent authorities.

In view of the cross-sectional profile of money laundering risk, for the purposes of managing it, the role of the corporate bodies and corporate control functions is crucial, as well as that of internal structures (business and operational), whose tasks and responsibilities are defined in the money-laundering risk management policy mentioned above.

The ongoing verification of the adequacy of the money-laundering risk management process and the suitability of the internal control system and procedures is entrusted to Anti-Money Laundering, a function independent of the other operational structures, located within the Compliance and Anti-Money Laundering unit. This department is also in charge of carrying out the annual assessment of the risk of money laundering to which the Bank is exposed, the results of which are presented in the annual report of the Compliance and Anti-Money Laundering unit and then submitted to the Board of Directors for the examination of any deficiencies and anomalies found and the adoption of appropriate remedial actions.

Anti-Money Laundering oversees the risk arising from sanctions and international embargoes, intervening directly in the authorisation process in the case of operations with countries subject to restrictions, ordering the freezing of relations and reporting periodically to the authorities.

❖ **ICT risk and security**

ICT and security risk represents the risk of incurring economic, reputational and market share losses in connection with the use of Information and Communication Technology (ICT).

In the integrated representation of business risks for prudential purposes (ICAAP), this type of risk is considered, according to specific aspects, among operational, reputational and strategic risks. Cyber risk is a sub-category 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 organisation and the risk ('Cyber Risk') deriving from the use of IT assets in an interconnected context and operating on the Web, in order to protect the organisation from possible attacks, internal and external, with potentially significant operational, economic, 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, and a methodological framework aimed at assessing risk exposure.

In light of the regulatory changes from the 40th update to the above circular, the Bank introduced the distinction between the role assigned to the first-level ICT function (headed by Organisation & IT Systems) and the role assigned to the control function (second-level) of ICT and security risk (headed by Risk Management). The tasks were outlined in accordance with the relevant external regulations (both national and European) and were regulated within the 'Information Security Policy', which was reviewed and approved in the fourth quarter of the year under review.

On the other hand, risk scenarios with related threats and the cyber risk assessment methodology have been regulated within the 'ICT and Security Risk Management Methodology', which is submitted to the Board of Directors for approval on an annual basis.

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

a cybersecurity framework (NIST) is applied, based on 108 controls, grouped into 18 categories and whose maturity level is assessed.

The assessment of the residual risk as a function of the probability of occurrence and the level of impact per individual business application and individual risk scenario leads to the construction of a risk matrix from which the overall assessment of corporate risk is derived.

The comparison between the internal risk assessment and the risk propensity established by the Board of Directors leads to a risk treatment plan, as appropriate.

ICT risk is also monitored by Compliance, as a second-level control function, responsible for verifying compliance with internal regulations and their compliance with external regulations (Circular No. 285/2013 and Regulation (EU) 2022/2554 - DORA) as well as the exposure to reputational risk related to possible ICT incidents, also in terms of personal data security. The Compliance unit also provides ICT Risk Management with recommendations regarding aspects connected to ICT risk

❖ **Climate risks and ESG factors**

ESG risk consists of three closely linked components (Environment, Social, Governance). Furthermore, it does not represent a 'stand-alone' type of risk, but has a cross-sectorial 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 reported below:

- **Physical risk** refers to the economic impact resulting from the expected increase in natural events whose manifestation can be defined as 'extreme' or 'chronic'. Acute physical risks are caused by 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 climatic 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 changing consumer preferences and market confidence.

Environmental, social and governance (ESG) issues and the associated opportunities and risks are becoming increasingly relevant for financial institutions. For banks, sustainability is no longer just an ethical issue, but is increasingly becoming a priority issue with important economic implications, generating a new type of risk: the so-called ESG risk.

The change of pace, in this sense, has been mainly dictated by a political will that - particularly within the European Union - has led to the financial sector playing 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/transactions, promoting their transparency, in order to achieve balanced and inclusive growth (commonly named 'Sustainable Finance').

In this context, on 31 March 2023, the Bank forwarded the Action Plan on Climate and Environmental Risks to Banca D'Italia. This Plan, approved by the 303rd Board of Directors on 28th March 2023, set the objective of defining, over a three-year horizon (2023/2025), a path of progressive alignment with the supervisory expectations on climate and environmental risks (C&E).

5. Reporting on corporate management

During the 2024 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 2025 Budget was revised; on the basis of the 2024 performance, compared to the Business Plan for the three-year period 2024-2026, while maintaining the guidelines and a cautious conservative approach unchanged, the income results for 2025 were revised upwards.

6. Logistics

The Bank has confirmed its ongoing commitment to supporting the quality of the work experience of its personnel, through maintenance and infrastructural renewal interventions at the Rome and Milan offices, in accordance with the principles of social responsibility and sustainability.

All extraordinary interventions were designed to guarantee that the business premises are of the highest standard, that all areas are functional, welcoming and suitable for the operational needs of the staff and customers.

At the same time, routine maintenance activities continued, as necessary to keep the premises in full working order.

All work was carried out in accordance with current legislation and regulations, ensuring that operations were completely legal and safe.

Particular attention was paid to quality and sustainability criteria:

Safety: the safety of the environment has been given special consideration, as it is fundamental for protecting people's well-being and preventing accidents.

Energy saving: the interventions made included solutions designed to reduce energy consumption, contributing to a more efficient management of resources.

Care for the environment: the choices made in terms of design and operation were geared towards environmental sustainability, minimising the ecological impact.

Cost efficiency: efforts have been made to optimise operating costs, with the aim of improving economic efficiency without compromising quality.

To this end, hydrogen water dispensers have been made available to employees free of charge since June 2024, in order to discourage the internal use of plastic bottles.

7. Sustainability in Banca UBAE - ESG project

Foreword

In the course of 2023, the Bank began preparatory activities to achieve the targets communicated to Banca D'Italia through its Climate and Environmental Risk Alignment Plan, requesting the involvement of all relevant corporate structures.

The identified path will provide an opportunity to:

- broaden the Bank's discussions by taking a 360° view of environmental, social and governance issues;
- define a sustainability strategy with reference to the Bank's entire value chain;
- implement a voluntary sustainability disclosure by the Bank, also in anticipation of future regulatory developments.

The project activity aimed at meeting the Supervisory Authority's expectations reflects the following governance model:

- Overall project governance: the General Manager has been identified as project manager;
- PMO - Monitoring and Reporting: the Risk Management department is responsible for coordinating the plan and monitoring its progress.

Governance area

Within the framework of the definition of a structured sustainability governance, also with reference to the active role of guidance and governance in integrating climate and environmental risks into the corporate culture and strategy by the Administrative Body, the Bank has defined the roles and responsibilities of the main functions that oversee the Company (i.e. Board of Directors, General Management, Board and managerial committees, Control functions, etc.).

In this area, the most significant activities implemented by the Bank are listed below:

- Induction activities for the Board of Directors, with the aim of increasing the ESG skills of company representatives. The training focused on topics related to ESG factors such as, for example, the evolution of sustainability, the opportunities for sustainability in the banking world, current and prospective ESG regulations and the main guidelines for the integration of climate and environmental risks in business strategies;

- identification of specific roles, responsibilities and tasks within the various company departments, with particular reference to 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, Management of Risks Related to Sustainability Issues, Sustainability Preparation and Reporting, etc.;
- formalisation of the Bank's Sustainability Policy, which specifies the roles and responsibilities of the corporate bodies and structures involved in the ESG factors and risks management process.

Again with reference to the area of Governance, UBAE has started the first moves regarding the revision of its remuneration model, with the aim of prospectively integrating risks and sustainability factors within its remuneration definition metrics. This initiative is expected to be finalised following the future inclusion in the Strategic Plan of targets relating to environmental, social and governance risks, which will then be progressively integrated into remuneration policies as well.

Business Models and strategies

As part of the definition and implementation of the general strategy, and in particular the process of identifying the climatic and environmental risks that affect the company context, Banca UBAE has conducted an initial materiality analysis, which represents the starting point for the progressive integration of climatic and environmental risk factors into its 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 formalised in a specific sustainability disclosure document and it is used to identify the topics to be reported on; in this specific case, 11 topics were identified that focus on Business & Governance, Customers, Human Resources and Community and Environment, integrating further types of risk that impact operations as a whole. The definition of the sustainability strategy, therefore, is oriented towards the issues relevant to the Bank in order to guarantee its sound and prudent management. In the course of 2024, preparatory activities were initiated for the purpose of defining Banca UBAE's strategic roadmap, which will establish the specific strategic initiatives, including the related targets and key performance indicators (KPIs) for monitoring, the activities to be implemented, their ownership and timeframes. The process that led to the identification of specific strategic initiatives began with a benchmark analysis conducted on a sample of banks, in order to analyse the initiatives being implemented in the market. Keeping in mind the priorities set by the stakeholders of Banca UBAE, a number of possible sustainability initiatives were identified and analysed in detail by the work groups set up within the Bank itself, in terms of complexity and potential benefits. Following final confirmation of the

specific strategic initiatives, these will become part of the Bank's Budget/Strategic Plan, and the activities to be implemented, the owners, the timing as well as the related targets and the specific Key Performance Indicators will be defined for them in order to monitor their implementation.

Risk Management area

Within the scope of defining the Risk Management strategy, it is also essential to integrate the risk management system through a mapping of events that could occur as a result of climatic and environmental risks, so as to allow the identification of risks that could potentially be influenced by them and the prudential implications. The Risk Management strategy, therefore, aims at a comprehensive and integrated view of risks, thus promoting a transparent and accurate representation of the overall business risk. In particular, Banca UBAE has devised a risk map aimed at identifying the climatic and environmental risks correlated to the first and second pillar risks; it has also prepared an analysis of the exposure to physical and transition risks of the individual counterparties active in the credit sector, also using tools made available by external info-providers to supply specific data and information necessary to determine the main risk metrics for each counterparty. From this analysis, it was therefore possible to identify the level of risk to which the Bank is indirectly exposed.

The risk map was prepared according to the following roadmap:

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

The main findings that emerged from the preliminary qualitative analysis, also in relation to the Bank's business peculiarities, were:

- moderate sensitivity to physical risk factors due to geographical concentration; however, the Bank reserves the right to carry out more detailed assessments once it has identified structured information gathering systems for assessing counterparty vulnerability to physical risks;
- moderate sensitivity to transition risk factors caused by exposure to sectors in which decarbonisation regulations could significantly affect the counterparties' profitability (e.g. automotive or oil & gas).

During 2025, Banca UBAE will proceed to integrate its risk management models by identifying specific KPIs and KRIs for those risks that have been found to be material, which will then be integrated into the Risk Appetite Framework. The Bank

will also expand the analysis of risk exposure to credit counterparties, also integrating social and governance risks.

Organisational System, Operational Processes and Training area

As part of defining the organisational system, with reference to interventions on the organisation and operational processes to deal with climate and environmental risks by the Board of Directors, the Bank has opted for a 'decentralised' governance approach, identifying the Sustainability and Risk Management Committee (managerial committee) as the structure in charge of overseeing internally climate and environmental risks, reporting to the Audit, Risk and Sustainability Committee (advisory committee) as well as to the Board of Directors.

As part of its activity to monitor corporate risks, and working to integrate environmental factors into the activities themselves, Sustainability and Risk Management Committee, in agreement with the Executive Board, delegates specific responsibilities, defined from time to time, to the operational functions, and coordinates their activities.

The Bank is also actively committed to reducing its environmental impacts by optimising its main energy, paper and water consumption and rationalising them in order to limit emissions and ensure correct waste management.

For 2025, the Bank has already planned to deliver sustainability training courses, both in relation to the integration of climate and environmental risks, and with regard to social and good governance components.

Market information framework

In the context of external communication activities, the Bank is required to incorporate the drivers identified for the assessment of climate and environmental risks and the metrics used to assess strategic sustainability objectives, internal organisation and risk management mechanisms into its market disclosure.

The Bank also plans to adapt its reporting, in line with developments in the regulatory framework on environmental sustainability and the development of new business practices. In this direction, Banca UBAE published its first Sustainability Report in 2024, which constitutes the first report on the Bank's sustainability performance. The contents of this report refer to the 2023 financial year and were identified through a materiality assessment process. The collection of data and information for the drafting of the report was carried out ensuring the involvement of the relevant Bank structures, through the use of tools in line with the recommendations of the 'Global Reporting Initiative Sustainability Reporting Standards' (GRI Standards). It is intended that the disclosure methods may be subject to change depending on the evolution of current regulations (i.e. CSRD - Corporate Sustainability Reporting Directive).

RECLASSIFIED BALANCE SHEET

EUR/000

	Balance as at :		Change	
	31.12.2024	31.12.2023	Amount	%
ASSETS				
Cash and cash equivalents	314,386	168,559	145,827	86.51
Loans and advances				
- to customers	579,875	464,304	115,571	24.89
- to banks	467,532	387,413	80,119	20.68
Financial assets held for	4,196	4,989	(793)	(15.89)
Fixed assets				
- financial [1]	1,377,221	1,009,830	367,391	36.38
- tangible	20,523	20,707	(184)	(0.89)
- intangible	475	391	84	21.48
Other assets [2]	61,850	47,011	14,839	31.56
Total assets	2,826,058	2,103,204	722,854	34.37
LIABILITIES				
Accounts payable				
-to customers	1,163,636	646,318	517,318	80.04
-to banks	1,346,880	1,152,899	193,981	16.83
Earmarked provisions [3]	56	51	5	9.80
Hedging derivatives.	20,099	12,702	7,397	n/a
Financial liabilities held for	18,920	18,672	248	1.33
Other liabilities [4]	31,885	50,243	(18,358)	(36.54)
Shareholders' equity				
-Capital and reserves	222,020	198,493	23,527	11.85
-Net profit (Loss) for the year	22,562	23,826	(1,264)	(5.31)
Total liabilities	2,826,058	2,103,204	722,854	34.37
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	
	31.12.2024	31.12.2023	Amount	%
Net interest income	30,650	29,688	962	3.24
Net non-interest income [1]	33,879	15,029	18,850	125.42
Gross operating income	64,529	44,717	19,812	44.31
Personnel expenses	(21,521)	(18,381)	(3,140)	17.08
Administration Expenses and Other Operating expenses/income	(3,262)	(5,226)	1,964	(37.58)
Gross operating result	39,746	21,110	18,636	88.28
Net adjustments to tangible and intangible fixed assets	(1,389)	(1,323)	(66)	4.99
Provisioning, write-downs and write-ups [2]	(15,883)	327	(16,210)	n.a.
Pre-tax profit (Loss) from continuing operations	22,474	20,114	2,360	11.73
Income tax for the year	88	3,712		
Net profit (Loss) from continuing operations	22,562	23,826	(1,264)	(5.31)
Net profit (Loss) for the year	22,562	23,826	(1,264)	(5.31)

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 process of credit investigation, granting, management and control involves the entire organisational structure of the Bank at various levels, so as to guarantee timely and effective responses to customer needs, with a view to adequate risk management.

During the course of 2024, this process underwent several updates aimed at continuously adjusting to regulatory changes in the field and/or dictated by operational efficiency.

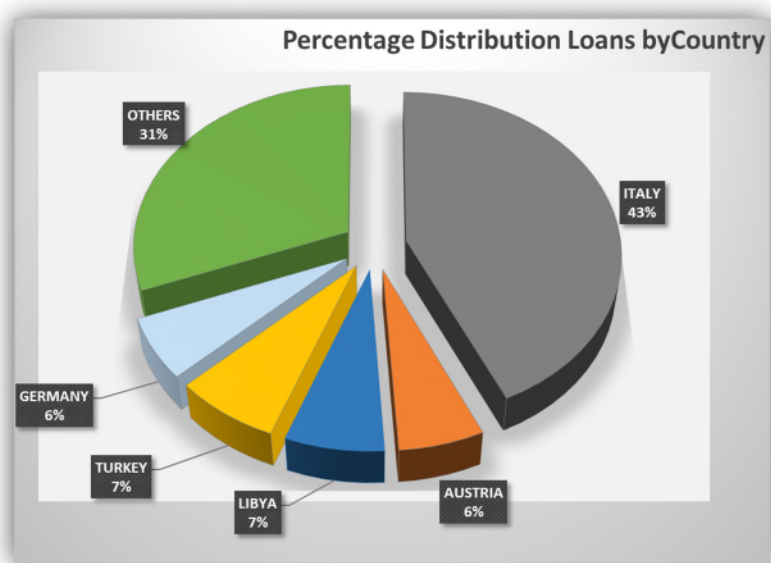
From a credit quality point of view, Banca UBAE's loan portfolio continued to confirm its stability.

The prudent credit granting policies adopted in recent years, and supported by corresponding first and second level monitoring, give reason to expect a reduced impact on the credit quality of the portfolio in the future.

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

EUR/000				
	Balance as at :		Variation	
	31.12.2024	31.12.2023	Amount	%
Loans and advances to customers:				
§ In euros	537,270	382,847	154,423	40.34
§ In other currencies	42,605	81,457	(38,853)	(47.70)
Loans and advances to banks:				
§ In euros	148,995	74,299	74,696	100.53
§ In other currencies	318,538	313,114	5,424	1.73
Total	1,047,407	851,717	195,690	22.98

Below is the graphical representation by country of the loans granted by the Bank as of 31 December 2024:



During the 2024 financial year, the Bank continued to give support to commercial activities, pursuing its policy of credit risk diversification in full compliance with the concentration limits set by the regulations on 'large exposures'.

The prevailing nature of the operations carried out by Banca UBAE is that of financial support to Italian operators for their trade finance activities conducted with core countries.

According to forecasts, factoring was also subject to strong consolidation in 2024, reaching very satisfactory overall exposure and turnover levels at the end of the year.

With regard to loans to customers, which amounted to approximately 579 million euros as of 31 December 2024, showing an increase of approximately 24.9% compared to the same figure for 2023; this is the result of the commercial strategies implemented and the Bank's increased ability to attract international trade flows.

Bank loans at the end of the financial year amounted to approximately 467 million euros, with an average annual level higher than that of the previous period (+20.7%).

► Activities in securities and derivatives

The consistency of financial activities including securities and minority stakes in shareholdings stood at 1,381 million euros, a net increase of 367 million euros compared to the previous financial year.

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

This portfolio, consisting mainly of securities issued by the Italian State, meets the dual objective of supporting and stabilising the interest margin, thus giving the Bank the opportunity to rely on a constant financial return over time and to support its liquidity profile.

In accordance with its strategic guidelines, the Bank has used short, medium and long-term derivative instruments for hedging purposes (fair value hedging) against the risk of interest rate volatility.

As of 31 December 2024, the nominal value of the securities in the HTC&S portfolio amounts to approximately 3.7 million euros (compared to 13.7 million euros as of 31 December 2023), while the portfolio of securities at amortised cost ('HTC') has increased compared to last financial year and stands at 1,374 million euros.

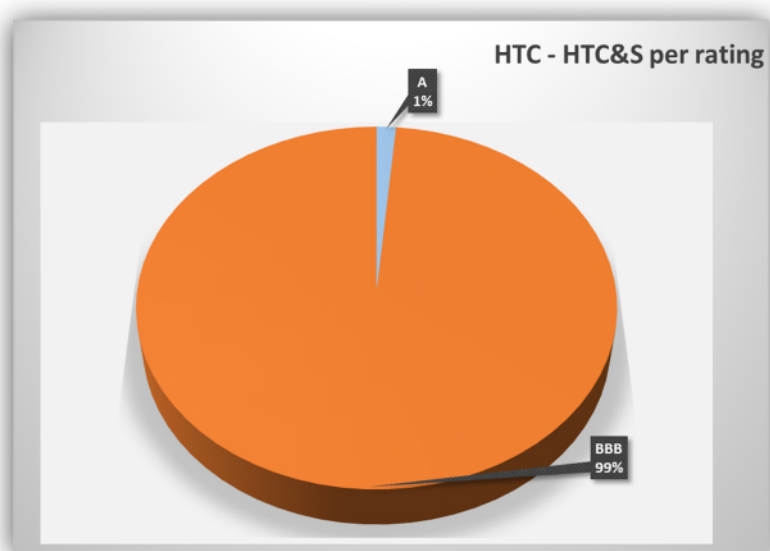
The policy followed by the Bank was to continuously maintain the stock of High Quality Liquid Assets (HQLA) at adequate levels, also in order to comply with the short-term liquidity ratio (Liquidity Coverage Ratio) prescribed by current regulations.

As of 31 December 2024, the Bank has pledged securities worth 890 million euros for transactions with the Euro-system (REPO Market, see explanatory note, section B – other information – tab. 2 assets pledged as collateral for own liabilities and commitments).

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

EUR/000				
	Balance as at :		Variation	
	31.12.2024	31.12.2023	Amount	%
Financial assets				
§ Assets held for trading	4,196	4,989	(793)	(15.89)
§ Liabilities held for trading	(56)	(51)	(5)	9.80
§ Assets HTC&S	3,221	13,773	(10,552)	(76.61)
§ Assets HTC	1,373,991	995,039	378,952	38.08
Total	1,381,352	1,013,750	367,602	36.26

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				
	31/12/2024			
	Gross Exposure	Write-downs	Net Exposure	coverage %
Impaired assets	154,970	(113,325)	41,645	73.1%
<i>Bad debts</i>	83,860	(77,370)	6,491	92.3%
<i>Probable impairments</i>	71,110	(35,955)	35,154	50.6%
Non Impaired assets	3,715,371	(13,640)	3,701,731	0.4%
Cash and non cash assets (deposits excluded)	3,870,341	(126,965)	3,743,376	3.3%
EUR/000				
	31/12/2023			
	Gross Exposure	Write-downs	Net Exposure	coverage %
Impaired assets	159,218	(105,239)	53,980	66.1%
<i>Bad debts</i>	80,535	(74,363)	6,172	92.3%
<i>Probable impairments</i>	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%

The management of impaired assets involves, depending on the case, the definition of suitable actions to restore the exposures that begin to show problems of irregular payments to performing status, rather than interventions aimed at the timely recovery, if necessary, even partial, of the exposures themselves. In both cases, the primary objective of the actions to be taken is to limit the expected negative effects on the income statement and the NPL Ratio.

The overall level of impaired assets, gross of value adjustments, amounted to 154 million euros at the end of 2024, a decrease of approximately 5 million euros compared to the previous financial year. This decrease reflects the combined effect of recoveries on existing positions, cancellations and, to a lesser extent, new reclassifications.

In the 2024 financial statements, value adjustments were made reflecting a very prudential approach, for a total of approximately 15.7 million euros. This reflects the overall expected impact of possible future losses on loans to customers, the release of previous write-downs and the writing off of non-performing loans for which only marginal recovery is considered possible.

In the context of write-downs on the performing portfolio (stage 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-downs were recorded for a total of approximately 7.6 million euros.

The ratio between gross bad debts and gross loans (cash and signature) stands at 2.18% (previously 2.74%), while the ratio between impaired loans excluding write-downs and loans stands at 0.17% (previously 0.22%).

The ratio between gross impaired credits and gross loans to customers (NPL ratio) decreased from 5.63% to 4.17%, while the overall coverage percentage of impaired credits increased from 66.1% to 72.3%, the latter in line with the performance of the Italian banking sector. In particular, at the end of the year the NPL ratio was well below the threshold for activating 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	31/12/2024	31/12/2023	31/12/2022
bad debts	92.26%	92.34%	94.24%
probable impairments	61.97%	61.97%	61.97%
Overall impairments	73.13%	66.10%	64.74%
"in bonis"	0.37%	0.21%	0.32%
Overall of credits	3.30%	3.78%	5.50%
Percentage composition of credits towards customers (cash and signature)	31/12/2024	31/12/2023	31/12/2022
Credits "in bonis"	99.63%	99.79%	99.68%
Impaired credits:	1.12%	1.91%	3.00%
Bad debts	0.17%	0.22%	0.08%
Probable impairments	0.95%	1.69%	2.92%
Risk ratios	31/12/2024	31/12/2023	31/12/2022
Gross impaired credits/gross credits	4.17%	5.63%	8.50%
Gross bad debts/gross credits	2.18%	2.74%	1.33%
Net impaired credits/net credits	1.12%	1.91%	3.00%
Net bad debts/net credits	0.17%	0.22%	0.08%
Texas ratio	31/12/2024	31/12/2023	
Impaired Credits/ Shareholders' equity	17.03%	25.06%	32.71%

► Debts

EUR/000				
	Balance as at :		Variation	
	31.12.2024	31.12.2023	Amount	%
Payable to customers				
§ In euros	1,074,390	582,789	491,601	84.35
§ In other currencies	89,246	63,529	25,717	40.48
Payable to banks				
§ In euros	686,308	657,476	28,832	4.39
§ In other currencies	660,572	495,439	165,134	33.33
Total	2,510,516	1,799,233	711,283	39.53

Payables due to banks and customers are shown in the Financial Statements, as per current regulations, at amortised cost.

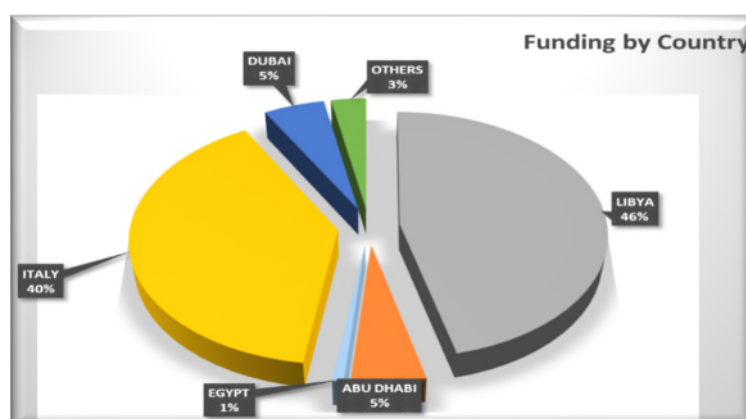
The table above shows the amounts and variations in the funding in euros and foreign currency from customers and correspondent banks.

In the course of the year under review, the overall funding remained at adequate levels to support investments and loans, both in terms of amounts and duration; as of 31 December, funding amounted to 2.5 billion euros, marking a significant increase of 39.5% compared to the previous year.

During 2024, the funding from banking counterparties as a whole showed an increase of 33.3% compared to the previous year as regards the foreign currency component (USD) and 4.4% as regards the euro component.

Funding from corporate customers – both in foreign currency and in euro – increased substantially compared to the previous year (80%). In particular, funding in euro was positively impacted by open market operations (REPO) carried out by the Bank, also with the aim of diversifying the sources of funding.

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
31.12.2023	261,186	870	(63,563)	23,826	222,319
§ Appropriation of profit: reserves			23,826	(23,826)	
dividends					
- Other reserves					
§ Valuation reserve			(299)		(299)
§ Net profit				22,562	22,562
31.12.2024	261,186	870	(40,036)	22,562	244,582

Net assets, including valuation reserves and the results for the reporting period as at 31 December 2024, amount to approximately 245 million euros, an increase compared to the previous financial year (222 million euros), due to the calculation of the operating profit.

The Annual Shareholders' Meeting, at the time of approving the 2023 financial statements, deliberated to allocate the entire profit achieved to reserves.

At the end of the 2024 financial year, Banca UBAE will have a CET1/Tier1 and Total Capital Ratio of 18.16% (compared to 18.02% as at 31 December 2023).

As a result of the prudential review and evaluation process carried out by Banca D'Italia (SREP), as of 31 December 2024 the OCR values are set at the following levels

Coefficient of:	31/12/2024	Limit expected by Banca d'Italia
Cet 1	18.22%	10.557%
Class 1	18.22%	12.557%
Total Capital	18.22%	15.157%

► Stocks and shares

The Bank's share capital at 31 December 2024 amounted to 261,185,870 million euros, subdivided into 2,374,417 ordinary shares each worth 110 euros.

COMMENT ON ECONOMIC DATA

► Interest margins

	Balance as at :		EUR/000	
			Variation	
	31.12.2024	31.12.2023	Amount	%
10. Interest income and related revenue	114,925	81,905	33,020	40.31
20. Interest charges	(84,275)	(52,217)	(32,058)	61.39
Net interest income	30,650	29,688	962	3.24

The net interest margin increased by approximately 3% to 30.6 million euros (29.7 million euros in the previous financial year).

The results achieved in 2024, as well as confirming the excellent performance of the Bank's core business areas, are also the result of the Bank's careful and appropriate positioning in relation to the expectations of the interest rate and exchange rate markets.

This approach has led to highly satisfactory results, especially considering the Bank's capital availability and the related limits imposed 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:

	Balance as at :		EUR/000	
			Variation	
	31.12.2024	31.12.2023	Amount	%
40. Commissions received	20,798	17,515	3,283	18.74
50. Commissions paid	(2,916)	(2,555)	(361)	14.13
Net commissions	17,882	14,960	2,922	19.53
80. Profits (Losses) on trading	8,608	74	8,534	11,532.43
90. Fair value adjustments in hedge accounting	5,579	887	4,692	
100. Profits (Losses) on disposal or repurchase HTC&S	1,810	(892)	2,702	n.a.
Net non-interest income	33,879	15,029	(18,850)	(125.42)

Brokerage and other income increased significantly (125%) compared to 2023.

In particular, net commissions amounted to approximately 17.9 million euros, an increase of 19.5% compared to 15 million euros in the previous financial year. This is a result of the stabilisation of the volume of credit letters and an increase in the volume of guarantee letters brokered, despite an economic context marked by significant geopolitical uncertainty.

The result of trading activities, which ended as a year of unprecedented success, stood at approximately 16 million euros compared to the result of approximately 0.1 million euros in the previous financial year; this outcome is the result of stronger commercial relations and at the same time of a willingness to explore new opportunities in strategic regions along with the acquisition of new customers.

These results and the commercial policies adopted form a solid foundation for facing 2025 with renewed confidence, as we focus our activities on balancing innovation and prudence.

Noteworthy, compared to the previous financial year, was the result deriving from the activities of the Finance Division in terms of interest rate and exchange rate risk 'hedging', which generated a profit of approximately 5.6 million euros (compared to a loss of 0.8 million euros in 2023) and Forex trading activities.

► Administrative expenses and other operating income and expenses

	Balance as at :		EUR/000	
	31.12.2024	31.12.2023	Variation	
			Amount	%
a) Personnel expenses:				
§ wages and salaries	(13,068)	(10,976)	(2,092)	19.06
§ social security contributions	(3,101)	(2,742)	(359)	13.09
§ staff severance payments	(744)	(625)	(120)	19.18
§ other expenses	(1,566)	(1,397)	(168)	12.03
Total employee expenses	(18,479)	(15,740)	(2,739)	17.40
§ Administrators	(2,562)	(2,364)	(198)	8.37
§ Statutory Auditors	(149)	(114)	(35)	30.72
§ Non-staff associates	(331)	(163)	(168)	103.45
Total personnel expenses	(21,521)	(18,381)	(3,140)	17.08
b) other administration expenses	(10,794)	(10,375)	(419)	4.04
c) Other operating expenses/income	7,532	5,149	2,383	n.a.
Other administrative expenses and operating income/expenses	(24,783)	(23,607)	(1,176)	4.98

Administrative expenses and other operating income and expenses' increased by 5% with respect to the previous financial year, going from approximately 23.6 million euros to circa 24.8 million euros.

The personnel expenses item, amounting to approximately 21.5 million euros, is higher (+17%) than last year's figure. This is the overall effect of making the organisational structure more efficient through new hires aimed at achieving the challenging objectives set in the budget, as well as the allocation of the bonus due to the staff and the Board of Directors in light of the excellent income results achieved by the Bank.

Other administrative expenses amounted to 10.7 million euros (compared to 10.4 million euros last year), broadly in line with the previous year, and reflect the particular attention that the Bank continues to pay to controlling them, without compromising operational and organisational efficiency and effectiveness.

The excellent result achieved by 'other operating income/expenses', which stands at 7.5 million euros, is the consequence of efficient work aimed both at recovering costs and provisions made in the past and the accounting evidence of a tax credit of approximately 4 million euros relating to the results of a tax audit conducted by the 'Agenzia delle Entrate' on the 2017 financial year.

The cost/income ratio was exceptionally low - 41.79% (previously 64.81%), well below that of comparable Italian and foreign banks

► Formation of the operating profit

	Balance as at :				EUR/000	
	31.12.2024		31.12.2023		Variation	
					Amount	%
Gross operating profit		39,746		21,110	18,636	n.a.
Net adjustments to tangible and intangible fixed assets		(1,389)		(1,323)	(66)	4.99
Net impairment adjustments:						
§ to loans	(14,243)		8,017			
§ to financial assets available for sale	69		52			
§ to financial assets held to maturity						
§ to other financial operations	(1,556)		(4,081)			
§ net provisioning for risks and charges	(153)		(3,661)			
total		(15,883)		327	(16,210)	(4,957.19)
Profit (Loss) before tax		22,474		20,114	2,360	11.73
Income tax for the year		88		3,712		
Net profit (loss)		22,562		23,826	(1,264)	(5.31)

The comparison with the respective closing dates shows an extremely positive net result for 2024 equal to **23 million euros**, in line with that achieved in the previous year.

Pre-tax result, on the other hand, stands at around **27 million euros**, an increase of 36.21% compared to 2023, confirming the solidity achieved over time by the Bank's core business and the progressive improvement of all business fundamentals.

In addition, the Bank has included approximately **3.4 million euros** in 'Deferred tax assets' under the item 'Income taxes for the year and taxes'. This detection was possible following confirmation of the achievement of the results contained in the Business Plan for the three-year period 2024-2026, the review of the expected results for 2025 and the projections of the same for 2027, since all the requirements imposed 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

On 24 January 2025, the statutory audit of Banca UBAE initiated by Banca d'Italia in November 2024 was completed.

At the date of approval of these financial statements, the Bank is pending receipt of the related inspection report.

► **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.**

► In accordance with article 2359 of the Italian Civil Code, Banca UBAE is controlled by the Libyan Foreign Bank as the latter holds the majority of exercisable votes in the ordinary assembly. Although it holds the majority of the votes, it should be noted that the Libyan Foreign Bank does not influence the management decisions of the Bank, i.e. the strategic and operational decisions of a financial and commercial nature concerning corporate affairs and therefore does not exercise any management or coordination activities.

EXPECTED DEVELOPMENTS IN MANAGEMENT

In November 2024, the Bank updated its economic and financial forecasts for 2025 contained in the 2024-2026 Business Plan, taking into account the most up-to-date internal and external data available.

Its contents confirm the institutional role of Banca UBAE in supporting business and trade exchanges between Italy (and other European countries), some selected African countries (particularly in the MENA region) and the Middle/Far East.

In a context still marked by factors of international uncertainty (the conflict between Russia and Ukraine, the outlook for the Middle East, the repositioning of the United States of America), the Bank intends to proceed along its growth path according to a carefully considered approach, while substantially confirming its commercial interest in products and countries in which it is already involved.

The key driving factors of 2025 budget continue to be the efficient allocation of the Bank's own funds, the optimisation of the interest margin and income from trade finance operations, all combined with ongoing and careful monitoring of the main risk factors (primarily credit risk).

The core areas of development for 2025 are therefore confirmed according to the 2024-2026 Business Plan, along with the pursuit of diversification (by business segment, customer, source of funding, etc.) aimed at guaranteeing adequate stability of the corporate results also in the medium to long term.

PROPOSAL TO SHAREHOLDERS

Approval of the financial statements at 31 December 2024 and the allocation of the profit for the year.

To all Shareholders,

- having examined the Bank's draft financial statements closed on 31 December 2024;
- having viewed the Board of Directors' Management Report;
- bearing in mind the amount of capital resources available at 31 December 2024;

WE PROPOSE

- to approve the financial statements of Banca UBAE at 31 December 2024, accompanied by the Directors' Management Report, which shows a profit for the year of **Euro 22,561,943**;
- to approve the proposal to allocate 5%, equal to **Euro 1,128,097** to the Legal Reserve (Article 30 letter A of the Articles of Association) and the remainder, equal to **Euro 21,433,846**, allocated to the "surplus of previous profits"

Following this decision, the total assets of the Bank as at 31 December 2024 will amount to Euro 244,581,595 divided as follows:

- Share Capital	Euro	261,185,870
- Legal Reserve	Euro	16,470,757
- 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	861,892
- 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	49,522,322
		244,581,595

Rome, 26 March 2025

THE CHAIRMAN

FINANCIAL STATEMENTS 2024

(AMOUNTS IN EUROS)



Rome Headquarters - Via Quintino Sella, 2

BALANCE SHEET: ASSETS

	ITEMS	31/12/2024	31/12/2023
10	Cash and cash equivalents	314,386,389	168,559,454
20	Financial assets measured at fair value through profit or loss	4,196,457	4,988,896
	a) financial assets held for trading	4,196,457	4,988,896
30	Financial assets measured at fair value through other comprehensive income	3,220,580	13,773,182
40	Financial assets measured at amortised cost	2,421,398,402	1,846,755,854
	a) due from banks	467,532,375	387,412,734
	b) loans to customers	1,953,866,027	1,459,343,120
50	Hedging derivatives	8,627	1,018,539
80	Property and equipment	20,523,183	20,707,118
90	Intangible assets	474,836	390,548
100	Tax assets	32,144,546	24,551,685
	a) current	9,685,832	5,430,755
	b) deferred	22,458,714	19,120,930
120	Other assets	29,704,662	22,458,761
	Total assets	2,826,057,682	2,103,204,037

BALANCE SHEET: LIABILITIES AND SHAREHOLDERS' EQUITY

	ITEMS	31/12/2024	31/12/2023
10	Financial liabilities measured at amortised cost	2,510,516,322	1,799,216,883
	a) due to banks	1,346,880,298	1,152,898,702
	b) due to customers	1,163,636,024	646,318,181
20	Financial liabilities held for trading	55,218	50,451
40	Hedging derivatives	20,099,173	12,702,260
60	Tax liabilities	4,737,168	5,656,232
	a) current	4,244,297	5,013,509
	b) deferred	492,871	642,723
80	Other liabilities	27,148,347	44,587,205
90	Employee termination indemnities	365,257	516,875
100	Allowances for risks and charges	18,554,602	18,154,903
	a) commitments and guarantees given	12,156,393	10,600,662
	c) other allowances for risks and charges	6,398,209	7,554,241
110	Valuation reserves	861,892	1,161,468
140	Reserves	(40,898,336)	(64,724,744)
150	Share premium reserve	870,226	870,226
160	Share capital	261,185,870	261,185,870
180	Net income (loss) (+/-)	22,561,943	23,826,408
	Total liabilities and shareholders' equity	2,826,057,682	2,103,204,037

INCOME STATEMENT

ITEMS		31/12/2024	31/12/2023
10	Interest and similar income	114,924,599	81,905,100
	of which: interest income calculated using the effective interest rate method	114,724,020	80,935,416
20	Interest and similar expense	(84,275,008)	(52,217,096)
30	Interest margin	30,649,591	29,688,004
40	Fee and commission income	20,798,254	17,514,909
50	Fee and commission expense	(2,915,628)	(2,554,580)
60	Net fee and commission income	17,882,626	14,960,329
80	Profits (Losses) on trading	8,608,342	73,937
90	Fair value adjustments in hedge accounting	5,578,042	(60,571)
100	Profits (Losses) on disposal or repurchase of:	1,810,430	(891,475)
	a) financial assets measured at amortised cost	1,389,979	(1,579,827)
	b) financial assets measured at fair value through other comprehensive income	420,451	688,352
120	Net interest and other banking income	64,529,031	44,717,216
130	Net losses/recoveries for credit risks associated with:	(14,173,867)	8,069,318
	a) financial assets measured at amortised cost	(14,243,282)	8,017,241
	b) financial assets measured at fair value through other comprehensive income	69,415	52,077
150	Net income from banking activities	50,355,164	52,786,534
160	Administrative expenses:	(32,315,128)	(28,756,318)
	a) personnel expenses	(21,520,974)	(18,381,150)
	b) other administrative expenses	(10,794,154)	(10,375,168)
170	Net provisions for risks and charges	(1,709,006)	(7,742,156)
	a) commitments and guarantees given	(1,555,730)	(4,080,644)
	b) other net provisions	(153,276)	(3,661,512)
180	Net adjustments to / recoveries on property and equipment	(1,193,012)	(1,189,315)
190	Net adjustments to / recoveries on intangible assets	(196,013)	(134,299)
200	Other operating expenses (income)	7,532,153	5,149,374
210	Operating expenses	(27,881,006)	(32,672,714)
260	Income (Loss) before tax from continuing operations	22,474,158	20,113,820
270	Taxes on income from continuing operations	87,785	3,712,588
280	Income (Loss) after tax from continuing operations	22,561,943	23,826,408
300	Net income (loss)	22,561,943	23,826,408

STATEMENT OF COMPREHENSIVE INCOME

ITEMS		31/12/2024	31/12/2023
10	NET INCOME (LOSS)	22,561,943	23,826,408
	Other comprehensive income (net of tax) that may not be reclassified to the income statement		
70	Defined benefit plans	3,709	(13,843)
	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	(303,285)	(164,967)
170	Total other comprehensive income (net of tax)	(299,576)	(178,810)
180	TOTAL COMPREHENSIVE INCOME (Captions 10 + 170)	22,262,367	23,647,598

STATEMENT OF CHANGES IN EQUITY -
01.01.2024-31.12.2024

	Balance as at 31.12.2023	Change in opening balance	Balances as at 01.01.2024	Allocation of profit from previous year		Changes to reserves
				Reserves	Dividends and others	
Share capital						
a) ordinary shares	261,185,870		261,185,870			
b) other shares						
Share premium account	870,226		870,226			
Reserves						
a) from profits	6,041,541		6,041,541			
b) other	(70,766,285)		(70,766,285)	23,826,408		
Revaluation reserves (1)	1,161,468		1,161,468			
Capital instrument						
Treasury stock						
Net profit for the year (1)	23,826,408		23,826,408	(23,826,408)		
Shareholders' equity	222,319,228		222,319,228			

Intervening variations							Shareholders' Equity as at 2024
Changes to Equity						Comprehensive Net Income 2024	
New Shares issued	Treasury stock bought	Extraordinary dividends paid	Changes to capital instruments	Derivatives on treasury stock	Stock options		
							261,185,870
							870,226
							6,041,541
							(46,939,877)
						(299,576)	861,892
						22,561,943	22,561,943
						22,262,367	244,581,595

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/loss from previous year		Changes to reserves
				Reserves	Dividends and others	
Share capital						
a) ordinary shares	261,185,870		261,185,870			
b) other shares						
Share premium account	870,226		870,226			
Reserves						
a) from profits	6,041,541		6,041,541			
b) other	(82,518,337)		(82,518,337)	11,752,052		-
Revaluation reserves	1,340,278		1,340,278			
Capital instrument						
Treasury stock						
Net profit for the year	11,752,052		11,752,052	(11,752,052)		
Shareholders' equity	198,671,630		198,671,630			

Intervening variations							Shareholders' Equity as at 2023
Changes to Equity						Comprehensive Net Income 2023	
New Shares issued	Treasury stock bought	Extraordinary dividends paid	Changes to capital instruments	Derivatives on treasury stock	Stock options		
							261,185,870
							870,226
							6,041,541
							(70,766,285)
						(178,810)	1,161,468
						23,826,408	23,826,408
						23,647,598	222,319,228

CASH FLOW STATEMENT

Indirect Method	31/12/2024	31/12/2023
A OPERATING ACTIVITIES		
1 Operations	29,713,033	16,201,197
- profit (loss) for the period (+/-)	22,561,943	23,826,408
Net impairment adjustments	14,173,867	(8,069,318)
- net impairment losses/reversals on property, plant and equipment and intangible assets (+/-)	1,389,025	1,323,614
- net allocations to provisions for risks and charges and other expenses/income (+/-)	399,699	5,036,371
- unpaid taxes, duties and tax credits (+/-)	(8,511,925)	(5,737,068)
- other assets	(299,576)	(178,810)
2 Liquidity generated (absorbed) by financial assets	(583,707,363)	(417,933,976)
Financial assets held for trading	792,439	1,349,509
- financial assets at fair value through other comprehensive income	10,552,602	(9,471,278)
- financial assets measured at amortised cost	(588,816,415)	(412,537,402)
- other liabilities	(6,235,989)	2,725,195
3 Liquidity generated (absorbed) by financial liabilities	701,110,643	433,199,359
- financial liabilities measured at amortised cost	711,299,439	401,269,886
- financial liabilities held for trading	4,767	(32,084)
- other liabilities	(10,193,563)	31,961,557
Net liquidity generated (absorbed) by operating activities	147,116,313	31,466,580
B INVESTMENT/DIVESTMENT ACTIVITIES		
2 Liquidity absorbed by:	(1,289,378)	(1,620,921)
Purchase of tangible fixed assets	(1,009,077)	(1,347,109)
Purchase of intangible fixed assets	(280,301)	(273,812)
Net liquidity generated (absorbed) by investment/divestment activities	(1,289,378)	(1,620,921)
C FUNDING		
NET LIQUIDITY GENERATED (ABSORBED) DURING THE YEAR	145,826,935	29,845,659
Reconciliation	31/12/2024	31/12/2023
Cash and cash equivalents at start of year	168,559,454	138,713,795
Net liquidity generated/absorbed during the year	145,826,935	29,845,659
Cash and cash equivalents: effect of exchange rate variations		
Cash and cash equivalents at the year end	314,386,389	168,559,454



Meeting room of the Milan branch

PART A

ACCOUNTING POLICIES

A.1 – GENERAL INFORMATION

The financial statements of Banca UBAE for the year ended 31 December 2024, 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).

The financial statements are prepared in accordance with the instructions contained in Bank of Italy Circular No. 262 of 22 December 2005 'Bank financial statements: layouts and compilation rules' 8th update of 17 November 2022. On 26 March 2025, 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 30 April 2025 (first call) and 8 May 2025 (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 26 March 2025, 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 2024 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 64 thousand euros plus VAT.

4.1 Changes to the accounting rules published by the European Commission

The following accounting standards, amendments or interpretations of accounting standards became effective in 2024:

- amendments to IFRS16 Leases: lease liabilities in sale and leaseback transactions (EU Reg. 2023/2579);
- amendments to IAS1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of the Effective Date and Non-current Liabilities with Covenants (Reg. EU 2023/2822);
- amendments to IAS7 Statement of Cash Flows and IFRS7 Financial Instruments: Disclosures: Financing Arrangements for Suppliers (Reg. EU 2024/1317).

The entry into force of these new accounting standards, amendments or interpretations has not had a significant impact on the balances recognised in the Balance Sheet and Income Statement. As of 31 December 2024, the following documents applicable to financial statements starting from 1 January 2025 have been endorsed by the European Commission:

- amendments to IAS21 The Effects of Changes in Foreign Exchange Rates: Absence of Substance (EU Reg. 2024/2862).

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

As of 31 December 2024, the IASB has issued the following accounting standards, interpretations or amendments to accounting standards, the application of which is however subject to the completion of the endorsement process by the competent bodies of the European Union:

- IFRS18 Presentation and disclosure of financial statements (issued on 9 April 2024);
- IFRS19 Subsidiaries without public accountability: Disclosures (issued on 9 May 2024);
- amendments to the classification and measurement of financial instruments (amendments to IFRS9 and IFRS7) (issued on 30 May 2024);
- annual improvements Volume 11 (issued on 18 July 2024);
- Contracts for the Purchase of Electricity from Natural Sources – Amendments to IFRS 9 and IFRS 7 (issued on 18 December 2024).

With reference to the amendments to the classification and measurement of

financial instruments (amendments to IFRS9 and IFRS7), the Bank is assessing the impact of the new provisions

The standards and amendments issued by the IASB but not yet in force are not expected to have a significant impact on the Group's financial position and results of operations..

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.

In 2024, no 'extraordinary' or 'ordinary' contributions were requested from the Bank of Italy (0.9 million euros in the 2023 financial year).

4.6 Information on ECL

Using the EDFxc tool provided by Moody's, the internal score (= alphanumeric score assigned internally to each counterparty) and PD_{PIR} 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 LGD_{PIR} 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.

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:

- the security must be traded on a regulated market or in an alternative trading system; the listing on a regulated market, therefore, is not in itself a condition that is necessary or sufficient to define an active market;
- the price expressed by that market must be "significant", that is the result of regular and effective transactions between counterparties who freely decide to buy and sell and are not forced to do so by their particular stressful conditions.

In the absence of an active market, for the purposes of determining the fair value of the securities, all relevant market information is considered that are in some way available especially, where possible, parameters directly observable on the market such as: prices of recent transactions or contributions and/or market quotations available at the valuation date, even if related to a market considered not active; valuations provided by the issuer or a calculation agent or in any case by an external valuation service, even if, since these are not prices deriving from actual market transactions, they are considered with particular caution and subject to verification by the Bank; mark-to-model valuations, carried out by discounting the expected future cash flows of the security taking into account all the available information.

With regard to other financial instruments, i.e. unlisted derivatives, the fair value corresponds to the presumable replacement cost obtained from the price of listed derivative contracts with identical characteristics (for underlying, working price and maturity) or discounting future financial flows (certain or estimated) at market rates measured by information circuits normally used internationally and/or applying best-practice valuation models.

(d) Cancellation criteria

Financial assets held for trading are derecognised when the contractual rights on the cash flows deriving from them expire or when the financial assets are sold with the substantial transfer of all the risks and benefits associated with them.

Financial assets sold are derecognised even when the bank retains the contractual right to receive the financial flows deriving from them, but at the same time it assumes the contractual obligation to pay such funds to third parties.

Securities received as part of a transaction that contractually provides for the subsequent sale, and securities delivered as part of a transaction that contractually provides for repurchase, are not recorded or written off in the financial statements.

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

(a) Classification criteria

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

- a) the financial activity is held according to a business model whose objective is achieved both by collecting the cash flows provided for in the contract or by selling ("Hold-to-Collect-and-Sell" business model);
- b) the contractual terms of the financial activity provide, at certain dates, for financial flows represented solely by payments of principal and interest on the amount of outstanding principal to be repaid (i.e.SPPI test passed).

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

The following items are therefore included under this heading:

- a) debt securities according to a Hold-to-Collect-and-Sell business model which have passed the SPPI test;
- b) shareholdings, which cannot be qualified for control, connection and joint control, which are not held for trading, for which the option has been taken for designation at fair value with impact on overall profitability;
- c) financial activities according to a Hold-to-Collect-and-Sell business model, which have passed the SPPI test.

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

b) Registration criteria

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

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

c) Valuation criteria

Following initial recognition, financial assets are measured at fair value with the recognition in the income statement of the instrument's remuneration calculated on the basis of the IRR method, while changes in fair value are recognised in a specific equity item called "Reserve from evaluation" until the financial asset is cancelled or a loss in value is recorded; at the time of disposal, the accumulated profit or loss is then written off on the income statement.

The equity instruments for which the choice was made for classification in this category are assessed at fair value; however, the amounts recognised as a contra-entry to the shareholders' equity (statement of comprehensive income) must not subsequently be transferred to the income statement, even in the case of sale. The only component referable to the equity instruments in question that is recognised in the income statement is represented by the related dividends. The fair value is determined on the basis of the criteria already illustrated for financial assets measured at fair value with an impact on the income statement.

Financial assets valued at fair value with an impact on the overall profitability – in the form of debt securities and loans – are subject to verification of the significant increase in credit risk (impairment) required by IFRS 9, like the assets at amortised cost, with the consequent recognition in the income statement of a value adjustment to cover expected losses.

All instruments are classified into three categories:

- a) financial activities that are performing in line with expectations (stage 1 assigned on origination date);
- b) financial activities that are performing significantly below expectations (stage 2 –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:

$$ECL = EAD \times PD \times LGD$$

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;

- a) For securities traded on active markets, fair value is represented by:
 - o the official price on the last trading day of the relevant period if the instrument is listed on the Italian stock exchange;
 - o the official price (or its equivalent) on the last day of the relevant period if it is listed on a foreign stock exchange.
- b) For securities not traded on active markets, fair value is represented by (in descending order of preference):

The 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;
 - Forex derivatives: the forward Forex rates applying at the reference date for maturities equivalent to those of the transactions being valued;
 - derivatives on securities, commodities and precious metals: the forward prices applying at the reference date for maturities equivalent to those of the underlying assets.
 - corresponding to those of the underlying asset.

b)- Recognition of Revenues and Costs

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

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

he 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 taxpayer 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

No report data.

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 31.12.2024			Total 31.12.2023		
	L1	L2	L3	L1	L2	L3
1. Financial assets measured at fair value with impact on income statement		499	3,697	1,179	163	3,647
a) financial assets held for trading		499	3,697	1,179	163	3,647
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	1,574	1,598	48	11,863	1,862	48
3. Derivatives for hedging		9				
4. Tangible assets						
5. Intangible assets						
Total	1,574	2,106	3,745	13,042	3,044	3,695
1. Financial liabilities held for trading		55			50	
2. Financial liabilities designated at fair value						
3. Derivatives for hedging		20,099			12,702	
Total		20,154			12,752	

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		3,647			48			
2. Increases		50						
2.1 Purchases								
2.2 Profits								
2.2.1 Income statement		50						
- of which: capital gains		50						
2.2.2 Net assets								
2.3 Transfers from other levels								
2.4 Other variations with increase								
3. Decreases								
3.1 Sales								
3.2 Refunds								
3.3 Losses								
3.3.1 Income statement								
- of which: losses								
3.3.2 Net assets								
3.4 Transfers to other levels								
3.5 Other variations with decrease								
4. Closing balance		3,697			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	31.12.2024				31.12.2023			
	VB	L1	L2	L3	VB	L1	L2	L3
1. Financial assets valued at amortised cost	2,421,398	1,357,410	20,997	1,054,215	1,846,756	967,751	25,911	854,411
2. Tangible assets held for investment purposes								
3. Non-current assets and groups of assets held for sale								
Total	2,421,398	1,357,410	20,997	1,054,215	1,846,756	967,751	25,911	854,411
1. Financial liabilities valued at amortised cost	2,510,516			2,509,627	1,799,217			1,798,633
2. Liabilities associated with assets held for sale								
Total	2,510,516			2,509,627	1,799,217			1,798,633

Legend:

VB= Value of Balance

L1= Level 1

L2= Level 2

L3= Level 3

Below are the types of asset/liability not measured at fair value:

Financial assets held to maturity = They are recorded at amortized cost and comprise securities listed on an active market. The fair value is classified at level 1 and level 2.

Loans and advances to banks and customers = They are recorded at nominal value. The amount shown in the Financial Statements takes into account the write-down following a risk of default and characteristics of guarantees.

Payables to banks and customers = They are recorded at nominal value, which normally equates to the amount the Bank received originally. It is reasonable to assume that this is the fair value inasmuch as the Bank is able to cover its payables thanks to the high level of equity.

The Bank has never valued assets and liabilities at fair value on a non-recurrent basis.

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

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

PART B

INFORMATION ON THE BALANCE SHEET

ASSETS

Section 1 – Cash and cash equivalents - Item 10

1.1 Cash and cash equivalents: breakdown

Items/ Value	Total 31.12.2024	Total 31.12.2023
a) Cash	1,331	1,626
b) Free deposits with central banks	47,531	54,572
c) Free deposits with banks	265,524	112,361
	314,386	168,559

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 31.12.2024			Total 31.12.2023		
	L1	L2	L3	L1	L2	L3
A Non-derivative assets						
1 Debt securities						
1.1 Structured securities						
1.2 Other debt securities						
2 Equity securities			3,697	1,179		3,647
3 Holdings in UCI						
4 Loans						
4.1 Repo						
4.2 Other debt securities						
			3,697	1,179		3,647
b Derivatives:						
1 Financial derivatives		499			163	
1.1 For trading		499			163	
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)		499			163	
Total (A+B)		499	3,697	1,179	163	3,647

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 Dec 2024)	Total (31 Dec 2023)
A. Assets for cash		
1. Debt securities		
a) Central banks		
b) Public administrations		
c) Banks		
d) Other financial companies of which: insurance firms		
e) Non-financial companies		
2. Capital securities	3,697	4,826
a) Banks		
b) Other financial companies of which: insurance firms		
c) Non-financial companies	3,697	4,826
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	3,697	4,826
B. Derivative instruments	499	163
a) Central counterparties		
b) Others	499	163
Total B	499	163
Total (A+B)	4,196	4,989

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 (31.12.24)			Total (31.12.23)		
	L1	L 2	L 3	L1	L 2	L 3
1. Debt securities	1,574	1,598		11,863	1,862	
1.1 Structured securities						
1.2 Other debt securities	1,574	1,598		11,863	1,862	
2. Capital securities			48			48
3. Financing						
Total	1,574	1,598	48	11,863	1,862	48

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

Items/Values	Total (31.12.24)	Total (31.12.23)
1. Debt securities	3,172	13,725
a) Central Banks		
b) Public administrations	1,598	11,799
c) Banks		
d) Other financial companies of which: insurance firms		
e) Non-financial companies	1,574	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	3,220	13,773

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

	Gross value					Total value adjustments				Total partial write-offs (*)
	First stage	of which instruments with low credit risk	Second stage	Third stage	of which: impaired, acquired/originated	First stage	Second stage	Third stage	of which: impaired, acquired/originated	
Debt securities			1,661	2,539			(62)	(965)		
Financings										
Total (31.12.24)			1,661	2,539			(62)	(965)		
Total (31.12.23)	9,938	9,938	1,993	2,891		(1)	(131)	(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 1,6 million euros. The third stage consists of securities issued by companies classified as probable default for a nominal value of 2 million euros.

Section 4 – Financial assets at amortised cost – Item 40

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

Types of operations/Values	Total (31.12.24)						Total (31.12.23)					
	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												
B. Loans to banks	465,547	1,985				467,532	370,448	6,609				377,057
1. Financings	465,547	1,985				467,532	370,448	6,609				377,057
1.1 Current accounts												
1.2. Deposits at maturity	8,310					8,310	50,589					50,589
1.3. Other financings:	457,237	1,985				459,222	319,859	6,609				326,468
- Active repurchase agree'ts												
- Financial leasing												
- Other	457,237	1,985				459,222	319,859	6,609				326,468
2. Debt securities												
2.1 Structured securities												
2.2 Other debt securities												
Total	465,547	1,985				467,532	380,804	6,609				387,413

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 (31.12.24)						Total (31.12.23)					
	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	568,510	11,365				579,875	449,441	14,864				464,305
1.1. Current accounts	655	2,322				2,977	657	4,921				5,578
1.2. Active repurchase agreements												
1.3. Mortgages	7,226					7,226	8,048					8,048
1.4. Credit cards, personal loans and employee	1,951					1,951	2,214					2,214
1.5. Financial leasing	386,457	1,512										
1.6. Factoring	172,221	7,531				179,752	342,844	2,595				342,844
1.7. Other financings							95,678	7,348				103,026
Debt securities	1,368,742	5,249		1,357,410	20,997	3,156	990,105	4,933		967,751	25,911	2,694
1.1. Structured securities												
1.2. Other debt securities	1,368,742	5,249		1,357,410	20,997	3,156	990,105	4,933		967,751	25,911	2,694
Total	1,937,252	16,614		1,357,410	20,997	583,031	1,439,546	19,797		967,751	25,911	466,999

Legend:

L1= Level 1

L2= Level 2

L3= Level 3

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

Types of operations/Values	Total (31.12.24)			Total (31.12.23)		
	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	1,368,742	5,249		990,105	4,933	
a) Public administrations	1,330,170	5,249		919,821	4,933	
b) Other financial companies of which: insurance firms						
c) Non-financial companies	38,572					
2. Financings	568,510	11,365		449,441	14,864	
a) Public administrations	86,075	1,370		38,008	3,864	
b) Other financial companies of which: insurance firms	119,781			26,057		
c) Non-financial companies	352,750	9,995		374,384	11,000	
d) Families	9,904			10,992		
Total	1,937,252	16,614		1,439,546	19,797	

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

	Gross value					Total value adjustments				Total partial write-offs (*)
	First stage	of which instruments with low credit risk	Second stage	Third stage	of which: impaired, acquired/or iginated	First stage	Second stage	Third stage	of which: impaired, acquired/or iginated	
Debt securities	1,368,607	1,368,607	580	56,197		(403)	(43)	(50,948)		
Financings	777,657		267,828	63,848		(4,924)	(6,504)	(50,497)		
Total	2,146,264	1,368,607	268,408	120,045		(5,327)	(6,547)	(101,445)		
Totale (31.12.23)	1,631,886	971,141	191,798	122,128		(2,886)	(448)	(95,722)		
of which: impaired, acquired/originated										

(*) Value to be displayed for information purposes

Section 5 – Hedging derivatives - Item 50

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

	Fair Value (31.12.24)			VN (31.12.24)	Fair Value (31.12.23)			VN (31.12.23)
	L1	L2	L3		L1	L2	L3	
A) Financial derivatives		9		100,000		1019		72,398
1) Fair value		9		100,000		1,019		72,398
2) Financial flows								
3) Foreign investments								
B. Credit derivatives								
1) Fair value								
2) Financial flows								
Total		9		100,000		1,019		72,398

Legend:

VN = Notional value

L1 = Level 1

L2 = Level 2

L3 = Level 3

5.2 Hedged derivatives: 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										
3. Portfolio										
4. Other operations										
Total activities										
1. Financial liabilities	9									
2. Portfolio										
Total liabilities	9									
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 (31.12.24)	Total (31.12.23)
1 Proprietary assets	20,344	20,535
a) land	8,187	8,187
b) buildings	11,210	11,170
c) furnishings	142	154
d) electric/electronic equipment	60	82
e) other items	745	942
2 Right of use acquired through leasing	179	172
a) land		
b) buildings	76	132
c) furnishings		
d) electric/electronic equipment		26
e) other items	103	14
Total	20,523	20,707
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	24,741	1,926	2,377	4,837	42,068
A.1 Reduction of total net values		13,442	1,758	2,377	3,784	21,361
A.2 Net opening balance	8,187	11,299	168		1,053	20,707
B. Increases:		806	21	110	136	1,073
B.1 Purchases			21	28	43	92
B.2 Expenses for capitalised improvements		806				806
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				82	93	175
C. Decreases:		819	47	50	341	1,257
C.1 Sales						
C.2 Amortisations		766	47	50	240	1,103
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		53			101	154
D. Net closing balance	8,187	11,286	142	60	848	20,523
D.1 Reduction of total net values		14,261	1,805	2,427	4,125	22,618
D.2 Gross closing balance	8,187	25,547	1,947	2,487	4,973	43,141
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 31.12.2024		Total 31.12.2023	
	Limited Life	Unlimited Life	Limited Life	Unlimited Life
A1 Goodwill				
A2 Other intangible assets	475		391	
of which software	16			
A2.1 Assets valued at cost	475		391	
a) Intangible assets developed in-house				
b) Other assets	475		391	
A2.2 Assets assessed at fair value				
a) Intangible assets developed in-house				
b) Other assets				
Total	475		391	

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				390		390
A.1 Reduction of total net value						
A.2 Net opening balance				390		390
B. Increases				281		281
B.1 Purchases				281		281
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				196		196
C.1 Sales						
C.2 Value adjustments				196		196
- amortisations				196		196
- 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				475		475
D.1 Total net value adjustments						
E. Gross closing balance				475		475
F. Valuation at cost						

Legend

DEF= definite duration

INDEF= indefinite duration

Other intangible assets as of 31 December 2024 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 31.12.2024	Total 31.12.2023
Total	22,459	19,121
<i>Income statement</i>	<i>19,825</i>	<i>16,487</i>
1 Tax losses		
2 Loan losses	8,514	5,579
3 Other	11,311	10,908
<i>Shareholders' equity</i>	<i>2,634</i>	<i>2,634</i>
4 Valuation reserves	2,634	2,634
5 Other		

According to paragraph 5 of IAS 12, 'deferred tax assets' are defined as the amount of income taxes for the financial year that can be recovered in future financial years for the following cases: a) deductible temporary differences; b) carryforward of unused tax credits.

With particular reference to 'temporary differences', these are defined as differences that temporarily arise between the book value of assets (liabilities) and their tax value. They are defined as 'deductible' when they generate amounts that can be deducted in the determination of future taxable income, in connection with the realisation of the assets (settlement of liabilities). In the presence of a deductible temporary difference, paragraph 24 of IAS 12 provides for the recording in the financial statements of a deferred tax asset – equal to the product of the deductible temporary difference and the tax rate expected in the year in which it will be reversed – only if and to the extent that it is probable that there will be future taxable income against which the deductible temporary differences can be utilised (so-called probability test). In fact, the economic benefit of a reduction in future tax payments can only be achieved if the taxable income is sufficiently high (IAS 12, par. 27).

That considered, the Bank presents deferred tax assets (DTA) in its financial statements as a balancing entry in the income statement equal to approximately 19.8 million euros. Of these, 8.5 million euros fall within the scope of application of Law 214/2011 and, therefore, as already described below, are considered 'qualified' DTAs (and therefore of certain recoverability). On the remainder of the DTA in the income statement (those not convertible into tax credits), equal to 11.3 million euros, the so-called 'probability test' in order to verify the Bank's ability to generate future taxable income capable of reabsorbing the aforementioned deferred tax assets. The following elements were taken into account in carrying out the "probability test": updated forecast data; forecast quantification of future profitability.' values.

10.2 Deferred Tax liabilities: breakdown

		Totale (31.12.24)	Totale (31.12.23)
	Totale	493	643
1	Conto Economico		
2	Patrimonio Netto	493	643
	<i>riserve da valutazione</i>	493	643
	<i>altre</i>		

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

	Total 31.12.2024	Total 31.12.2023
1 Opening balance	16,487	8,808
2 Increases	3,647	7,880
2.1 Pre-paid tax assets recorded during the year	13	202
a) relating to earlier years	13	202
b) due to changes in accounting policies		
c) write-backs		
d) other		
2.2 New taxes or increases in tax rates		
2.3 Other increases	3,634	7,677
3 Decreases	309	201
3.1 Pre-paid tax assets annulled during the year	309	201
a) reversals	309	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		
	19,825	16,487

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

	Total (31.12.24)	Total (31.12.23)
1 Opening balance	16,487	8,808
2 Increases	3,647	7,879
3 Decreases	309	200
3.1 Reversal		
3.2 transformation into tax credits		
a) resulting from operating losses		
b) resulting from tax losses		
3.3 Others decreases	309	200
4 Closing balance	19,825	16,487

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

	Total (31.12.2024)	Total (31.12.2023)
1. Initial amount	2,634	2,634
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	2,634	2,634

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 (31.12.24)	Total (31.12.23)
1 Tax Credits		
2 Items in process	13,361	3,808
3 Accrued income and prepaid expenses	1,887	1,792
4 Leasehold improvements		
5 Securities and other transactions to be settled	334	275
6 Tax credits acquired	9,220	13,830
7 Other items	4,903	2,754
Total	29,705	22,459

LIABILITIES

Section 1 – Financial liabilities valued at amortised cost - Item 10

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

Type of operations/Values	Total (31.12.2024)				Total (31.12.2023)			
	Balance value	Fair value			Balance value	Fair value		
		L1	L2	L3		L1	L2	L3
1. Debts towards central banks	310,189				242,876			
2. Debts towards banks	1,036,691				910,022			
2.1 Current accounts and deposits at sight	292,185				151,856			
2.2 Deposits at maturity	744,506				758,166			
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	1,346,880			1,346,880	1,152,898			1,152,898

Legend:

L1= Level 1

L2 = Level 2

L3= Level 3

The Item 1 includes deposits received from the Central Banks of third countries

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

Type of operations/Values	Total (31.12.2024)				Total (31.12.2023)			
	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	145,563				131,120			
2. Deposits at maturity	119,265				12,848			
3. Financing operations	897,319				501,455			
3.1 Repurchase agreements	897,319				501,455			
3.2 Others								
4. Payables for repurchase commitments of own equity instruments								
5. Lease for liabilities	226				221			
6. Other payables	1,263				674			
Total	1,163,636			1,162,746	646,318			645,734

Legend:

VB= Balance value

L1= Level 1

L2 = Level 2

L3= Level 3

1.6 Debits for leasing

Type of operations/Values	Total (31.12.24)	Total (31.12.23)
	Balance sheet value	Balance sheet value
1. Leasing debits for renting real estate	82	138
2. Leasing debits for renting software		
3. Leasing debits for renting hardware		26
4. Leasing debits for renting office equipment		
5. Leasing debits for hiring automobiles	144	57
Total	226	221

Section 2 – Accounts payable to customers - Item 20

2.1 Financial liabilities held for trading: breakdown by type

	31.12.2024					31.12.2023				
	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			55					51		
1.1 Held for trading			55					51		
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			55					51		
Total (A+B)			55					51		

Legend:

NV= nominal or notional value

L1= Level 1

L2 = Level 2

L3= Level3

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

Section 3 – Financial liabilities designated at fair value - Item 30

No data to report.

Section 4 – Hedging derivatives – Item 40

4.1 Hedging derivatives: composition by type and by hierarchical levels

	VN (31.12.24)	Fair value (31.12.24)			VN (31.12.23)	Fair value (31.12.23)		
		L1	L2	L3		L1	L2	L3
A) Financial derivatives	913,767		20,099		651,018		12,702	
1) Fair value	913,767		20,099		651,018		12,702	
2) Financial flows								
3) Foreign investments								
B. Credit derivatives								
1) Fair value								
2) Financial flows								
Total	913,767		20,099		651,018		12,702	

Legend:

VN: Nominal value

L1: Level 1

L2: Level 2

L3: Level 3

4.2 Hedging derivatives: composition by portfoglio 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	20,076									
3. Portfolio										
4. Other operations										
Total activity	20,076									
1. Financial liability	23									
2. Portfolio										
Total liability	23									
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 (31.12.24)	Total (31.12.23)
1 Debts to social security institutions, amounts to be paid to the tax authorities	1,842	1,521
2 Other debts to personnel	7,989	6,991
3 Items in progress	6,444	22,495
4 Accrued expenses and deferred income	5,525	4,819
5 Other items	5,348	8,761
Total	27,148	44,587

Section 9 – Employee severance benefits - Item 90**9.1 Staff severance fund: Yearly variations**

Items/ Values	31.12.2023	31.12.2022
A. Opening balance	516	497
B. Increases	16	28
B.1 Provisioning for the year		17
B.2 Other increases	16	
C. Decreases	167	9
C.1 Severance payments	11	
C.2 Other decreases	156	9
D. Closing balance	365	516
Total	365	516

9.1.1 Rates

Annual Technical	2.93%
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 (31.12.24)	Total (31.12.23)
Opening balance	516	497
Realignment		
Pension cost		
Financial charges	9	17
Benifits paid	(160)	
Transfers		
Expected liabilities	365	514
Actuarial loss		2
Closing balance	365	516

9.2 Other information

	Total (31.12.24)
Provisioning for the year	9
Pension costs	
Financial charges	9
Actuarial loss	
Other	

Section 10 – Provisions for risks and charges – Item 100**10.1 Provisions for risks and charges: breakdown**

Items/Values	Total (31.12.2024)	Total (31.12.2023)
1. Funds for credit risk relating to commitments and financial guarantees issued	12,157	10,601
2. Funds on other commitments and other guarantees issued		
3. Company retirement funds		
4. Other provisions for risks and charges	6,398	7,554
4.1 legal and tax disputes	4,744	5,300
4.2 personnel costs	1,364	1,364
4.3 others	290	890
Total	18,555	18,155

As of December 31, 2024, 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 previous years (approximately € 1.3 million); potential legal risks that could arise (€ 4.7 million).

10.2 Provisions for risks and charges: Yearly variations

Items/ Values	Funds for other commitments and guarantees issued	Pension funds	Other funds for risks and charges	Total
A. Opening balance	10,601	1,364	6,190	18,155
B. Increases	1,556			1,556
B.1 Allocation for the year	1,556			
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			1,156	1,156
C.1 Use during the year			1,156	
C.2 Variations due to changes in the discount rate				
C.3 Other changes				
D. Closing balance	12,157	1,364	5,034	18,555

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	51				51
Financial guarantees issued	1,148	391	10,566		12,105
Total	1,199	391	10,566		12,156

10.6 Provisions for risks and charges – other provisions

	Total (31.12.24)	Total (31.12.23)
Provision for holidays not taken		
Legal disputes	4,744	5,300
Other	1,654	2,254
Total	6,398	7,554

Section 11 – Redeemable shares - Item 120

No data to report.

Section 12 – Shareholders' equity - Items 110, 130, 140, 150, 160, 170 and 180

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

	31.12.2024	31.12.2023
1. Share capital	261,186	261,186
2. Share premium account	870	870
3. Reserves	(40,898)	(64,725)
4. Capital instruments		
5. (Treasury stock)		
6. Valuation reserves	862	1,161
7. Profit (Loss) for the year	22,562	23,826
Total	244,582	222,318

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 warrants		
- 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	(40,898)			
a) Legal Reserve	15,343	B	14,151	
b) Extraordinary Reserve		A,B,C		
c) FTA/IFRS reserves	(7,758)			
d) Extraprofits Reserve	7,034			
e) retained profit IFRS 2005	305			
f) retained profit	(55,822)	A,B,C		
Other Reserves				
Total	(40,028)			
Amount not allocatable	(47,932)			
Amount allocatable	7,904			

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 (31.12.2024)	TOTAL (31.12.2023)
	(First stage)	(Second stage)	(Third stage)	impaired acquired or generated		
Commitments to disburse funds	3,686,277	791,093	6,511		4,483,881	4,782,329
a) Central banks	45,000	14,432			59,432	37,927
b) Public administrations		63,908			63,908	11,990
c) Banks	2,955,334	666,111			3,621,445	4,149,366
d) Other financial companies	61,194				61,194	104,124
e) Non-financial companies	624,749	45,427	6,511		676,687	477,740
f) Families		1,215			1,215	1,182
Financial guarantees issued	657,399	181,262	28,911		867,572	758,742
a) Central banks		79,618			79,618	178,183
b) Public administrations						
c) Banks	531,750	47,026			578,776	354,429
d) Other financial companies						
e) Non-financial companies	125,649	54,618	28,911		209,178	226,131
f) Families						

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

Portfolios	Amount (31.12.2024)	Amount (31.12.2023)
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	888,653	513,044
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 (889 million)

4 Asset management and brokerage services

Services	Amount 31/12/2024
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	1,436,390
a) Third-party securities on deposit: connected with acting as custodian bank (excluding asset management)	
1. Securities issued by bank that draws up balance sheet	
2. Other securities	
b) Third-party securities on deposit (excluding asset management): other	26,984
1. Securities issued by bank that draws up balance sheet	14,379
2. Other securities	12,605
c) Third-party securities held by third parties	0
d) Own securities held by third parties	1,409,406
4. Other operations	

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 (31.12.2024)	Total (31.12.2023)
1. Financial assets measured at fair value with impact on income statement:					19
1.1 Financial assets held for trading					19
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	201			201	750
3. Financial assets valued at amortised cost:	51,030	63,694		114,724	81,136
3.1 Credits towards banks	404	28,967		29,371	23,972
3.2 Credits towards customers	50,626	34,727		85,353	57,164
4. Derivatives for hedging operations					
5. Other assets					
6. Financial liabilities					
Total	51,231	63,694		114,925	81,905
<i>of which: interest income on impaired financial assets</i>		1,526		1,526	722
<i>of which: interest income on financial leasing</i>					

Interest relating to customers' impaired assets amounted to Euro 1,5 million (previously Euro 0,7 million the year ended 31/12/2023).

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 (31.12.2024)	Total (31.12.2023)
1. Financial assets measured at fair value with impact on income statement:					19
1.1 Financial assets held for trading					19
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	51			51	174
3. Financial assets valued at amortised cost:	3,133	32,606		35,739	27,681
3.1 Credits towards banks		24,635		24,635	19,362
3.2 Credits towards customers	3,133	7,971		11,104	8,319
4. Derivatives for hedging operations					
5. Other assets					
6. Financial liabilities					
Total	3,184	32,606		35,790	27,874
<i>of which: interest income on impaired financial assets</i>		159		159	552
<i>of which: interest income on financial leasing</i>					

1.3 Interest charges and similar expenses: breakdown

Items/Technical forms	Debts	Securities	Other operations	Total (31.12.2024)	Total (31.12.2023)
1. Financial liabilities valued at amortised cost	84,275			84,275	52,217
1.1 Debts towards Central Banks	3,668			3,668	2,359
1.2 Debts towards other banks	77,274			77,274	48,344
1.3 Debts towards customers	3,333			3,333	1,514
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					0
Total	84,275			84,275	52,217
of which: interest expense relating to lease liabilities	3			3	2

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 (31.12.2024)	Total (31.12.2023)
1. Financial liabilities valued at amortised cost	31,402			31,402	25,546
1.1 Debts towards Central Banks	1,860			1,860	916
1.2 Debts towards other banks	28,279			28,279	24,388
1.3 Debts towards customers	1,263			1,263	242
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	31,402			31,402	25,546
of which: interest expense relating to lease liabilities					

1.5 Differences relative to the hedging operations

Items/Values	Total (31.12.24)	Total (31.12.23)
A. Positive differences relative to hedging operations:	37,354	23,947
B. Negative differences relative to hedging operations:	33,506	23,046
C. Balance (A-B)	3,848	901

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

2.1 Commission income: breakdown

Type of services/values	Total (31.12.24)	Total (31.12.23)
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 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	34	32
1. Current accounts	17	16
2. Credit cards		
3. Debit cards and other payment cards	5	6
4. Bank transfers and other payment orders	12	10
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 of which: credit derivatives	14,510	11,906
n) Financing operations of which: factoring operations	2,339	2,966
589		877
o) Currency trading	3,233	2,069
p) Goods and commodities		
q) Other active commissions of which: activities for managing multilateral exchange systems of which: activities for managing organized trading systems	682	542
Total	20,798	17,515

2.3 Commission expense: breakdown

Services/Values	Total (31.12.24)	Total (31.12.23)
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	23	25
of which: credit cards, debit cards and other payment cards	23	25
e) Servicing activities for securitization operations		
f) Commitments to receive funds		
g) Financial guarantees received	2,441	2,306
of which: credit derivatives		
h) External offer of financial instruments, products and services		
i) Currency trading		
j) Other passive commissions	452	223
Total	2,916	2,554

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

No Items

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	50	380			430
1.1 Debt securities		5			5
1.2 Capital securities	50	375			425
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					167
4. Derivative instruments		110		(22)	8,011
4.1 Financial derivatives:		110		(22)	8,011
- on debt securities and interest rates		110		(22)	88
- on capital securities and equity indices					
- on foreign currencies and gold					7,923
- others					
4.2 Credit derivatives					
<i>of which: natural hedging related to fair value option</i>					
Total	50	490		(22)	8,608

(*) The amount reflects the profit deriving from the valuation of items in foreign currency.

(**) Capital gains and losses (Euro 50 thousand) reflect the fair value measurement of financial derivatives on interest rates and foreign currencies and are included respectively in asset item 20 (below Euro 0.5 million) and in item 20 of liabilities (below Euro 55 thousand).

Section 5 – Net income from hedging activities – Item 90

5.1 Net result of hedging activity: composition

	Total (31.12.24)	Total (31.12.23)
A. Revenues relating to:		
A.1 Hedging derivatives at fair value	51,092	36,612
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)	51,092	36,612
B. Charges relating to:		
B.1 Hedging derivatives at fair value	(45,514)	(35,725)
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)	(45,514)	(35,725)
Net result of hedging activity (A - B)	5,578	887
C. <i>of which: result of hedging on net positions</i>		

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

6.1 Profit (Loss) from sale/repurchase: composition

Items/Income components	Total (31.12.2024)			Total (31.12.2023)		
	Profit	Loss	Net result	Profit	Loss	Net result
A. Financial assets						
1. Financial assets valued at amortised cost:	2,524	(1,134)	1,390	1,112	(2,692)	(1,580)
1.1 Credits towards banks						
1.2 Credits towards customers	2,524	(1,134)	1,390	1,112	(2,692)	(1,580)
2. Financial assets measured at fair value with impact on total profitability	531	(111)	420	727	(39)	688
2.1 Debt securities	531	(111)	420	727	(39)	688
2.4 Financial operations						
Total assets	3,055	(1,245)	1,810	1,839	(2,731)	(892)
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 (31.12.2024) (2-1)	Total (31.12.2023)
	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	1,382	46					3		2,249		803	2,820
- financing operations	1,382	46							2,249		800	359
- debt securities							3				3	2,461
B. Credits towards customers:	1,009	6,125		10,058				66	2,080		(15,046)	5,197
- financing operations	931	6,125		7,216					2,080		(12,192)	2,882
- debt securities	78							66			(2,854)	2,315
C. Total	2,391	6,171		10,079			3	66	4,329		(14,243)	8,017

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 (31.12.2024)	Total (31.12.2023)
	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				70			69	52
B. Financing operations												
- towards customers												
- towards banks												
Total				1				70			69	52

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 (31.12.2024)	Total (31.12.2023)
1) Staff	18,479	15,740
a) Wages and salaries	13,068	10,976
b) Social security contributions	3,101	2,742
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:	745	625
- defined contribution	745	625
- defined benefit		
h) Costs arising from agreements to make payments in own equity instruments		
i) Other benefits to staff	1,565	1,397
2) Non-salaried personnel	331	163
3) Directors	2,711	2,478
4) Retired personnel		
5) Expenses recouped for staff seconded to other institutions		
6) Expenses reimbursed for staff seconded from other institutions		
Total	21,521	18,381

10.2 Average number of employees per category

Employees:	
a) executives	3
b) managers	75
c) remaining employees	82
Other personnel	1

10.4 Other staff benefits

	Total (31.12.2024)	Total (31.12.2023)
Early retirement payments		
Other payments	1,565	1,397
Total	1,565	1,397

10.5 Other administration expenses: breakdown

	Total (31.12.2024)	Total (31.12.2023)
a) IT expenses	2,867	2,203
b) Expenses for movable/immovable property:	417	516
- rentals and other fees	92	61
- other	325	455
c) Expenses for the purchase of goods and non-professional services	2,547	2,516
d) Expenses for professional services	3,224	2,800
e) Insurance premiums	140	160
g) Advertising	434	304
h) Indirect duties and taxes	669	565
i) Other :	496	1,311
<i>of which: Resolution Funds and Deposit Guarantee Schemes (DGS)</i>	40	829
Total	10,794	10,375

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 (31.12.2024)	Total (31.12.2023)
Legal disputes		3,500
Commitments to disburse funds and financial guarantees issued	1,556	4,081
Other risks and charges	153	161
Total	1,709	7,742

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

	Total (31.12.2024)	Total (31.12.2023)
Other risks and charges	153	162
Total	153	162

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	1,193			1,193
- owned	1,090			1,090
- Right of use acquired through leasing	103			103
2. For investment				
- owned				
- Right of use acquired through leasing				
3. Inventories				
Total	1,193			1,193

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 wich software				
A.1 Owned	196			196
- generated internally by the bank				
- others	196			196
A.2 Right of use acquired trough leasing				
Total	196			196

Section 14 – Other operating income / charges – Item 200

14.1. Other operating charges: breakdown

	Total (31.12.2024)	Total (31.12.2023)
Other operating charges	821	617
Total	821	617

14.2. Other operating income: breakdown

	31.12.2024	31.12.2023
Duties and taxes recouped	56	31
Rentals and fees		1
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	178	209
- other	976	921
SSF attribution to profit and loss		
Other income	7,143	4,605
Total	8,353	5,767

The figures reflect the recovery of costs and expenses for activities inherent to the Bank's core business (Euro 1.2 million), and the recovery of tax credits relating to previous years and resulting in part from the conclusion of the agency's tax audit in 2024.

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 (31.12.2024)	Total (31.12.2023)
1. Current taxes (-)	(3,250)	(3,966)
2. Changes in current taxes from previous years (+/-)		
3. Reduction of current taxes for the year (+)		
3. (extra) Reduction of current taxes for the year with tax credits pursuant to law no. 214/2011 (+)		
4. Change in prepaid taxes (+/-)	3,338	7,678
5. Change in deferred taxes (+/-)		
6. Taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)	88	3,712

19.2 Reconciliation of theoretical tax liability and actual book liability

	31.12.2024	31.12.2023
Profit before tax	22,474	20,114
Theoretical IRES and IRAP due	(3,250)	(3,966)
IRAP adjustments for administration expenses		
IRAP adjustments for write-offs		
Taxes on non-deductible costs		
Pre-paid and deferred taxes	3,338	7,678
Net Worth increase benefit		
Total taxes	88	3,712
Net profit	22,562	23,826

As regards the tax effect relating to the year 2024, 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

	31.12.2024	31.12.2023
Net profit	22,562	23,826
Number of Shares	2,374,147	2,374,147
Profit per Share	10	10

PART D

COMPREHENSIVE INCOME DETAIL

Items		31.12.2024	31.12.2023
10.	Profit (loss) for year	22,562	23,826
	Other income components without reversal to income statement	4	(14)
70.	Defined benefit plans	4	(14)
	Other income components with reversal to the income statement	(303)	(165)
150.	Financial assets (other than equity securities) measured at fair value with impact on total profitability:	(303)	(165)
	a) changes in fair value	(303)	(165)
190.	Total other income components	(299)	(179)
200.	Overall profitability (10+190)	22,263	23,647

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 bodies¹:

- **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 a controlling body.

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.

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).

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, the Deputy General Manager and the Head of the Commercial Area the powers to grant credit within predetermined 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 and sustainability 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 and Sustainability 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. Furthermore, as part of the second level performance monitoring function, the Service periodically checks the correctness of the activities carried out by the first level Credit Performance Control Desk, providing support and suggestions within the internal process.

In the area of ICT and security risk, in light of the new regulations introduced by the 40th amendment to Bank of Italy Circular no. 285, the Risk Management Department performs a second-level control function for ICT and security risk. In particular, this Service is responsible for defining/revising the Information Security Policy and the ICT Risk and Security Management Methodology and annually carries out the risk exposure assessment reported in the Summary Report on the IT risk situation. The Service participates in the consortium committees regarding ICT risk and produces a periodic report for the top management and the Supervisory Authority.

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 Department participates in the meetings of the Risk and Sustainability Committee without the right to vote, carrying out secretarial duties. He is periodically called upon to report on his activities to the Bank of Italy, the Control, Risk and Sustainability Committee and the Board of Directors.

• **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 it 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 periodically required to report its activities to the Bank of Italy and to the Control, Risk and Sustainability Committee, highlighting critical elements for which risk recovery/mitigation actions have been planned.

The Board of Statutory Auditors, the Control, Risk and Sustainability Committee, and the Supervisory Body pursuant to Law 231/01 may also request the Compliance function to formulate opinions and assessments and to carry out specific checks on procedures potentially at risk of non-compliance.

The Compliance and Anti-Money Laundering Service is responsible for the processing of personal data (Privacy), carrying out second-level activities in addition to the tasks relating to the direct management of the department, supporting the Data Controller, his Delegate and the Data Protection Officer (DPO) appointed by the Bank.

The Anti-Money Laundering function is part of the Compliance Service and is responsible for overseeing the prevention and management of the risk of money laundering and terrorist financing; the Compliance Officer also holds the role of Head of the Anti-Money Laundering function. The activity connected to the evaluation 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 Department presents the results of the investigations carried out (as set out in the Audit Plan) and the assessments made and possible

improvements to be made to company processes to the Board of Directors on a quarterly basis, through the Risk Control and Sustainability Committee, and to the Board of Statutory Auditors (also in its role as Supervisory Body pursuant to Italian Legislative Decree 231/01). The Audit Plan (taking into account the risks of the various activities and company structures) and the Annual Report on the activities carried out, which illustrates the checks carried out, the results that emerged, the weaknesses detected with suggestions for actions to be taken to eliminate them, are presented annually to the Board of Directors, also through the Risk and Sustainability Control Committee, and to the Board of Statutory Auditors. the weaknesses detected with suggestions for actions to be taken to remove them. The above-mentioned Report is sent to the Bank of Italy by 30 April each year.

In addition, the Service liaises, through a possible meeting, with the Firm in charge of the statutory audit, exchanging with it the information relevant to the parties.

Diffusion of risk culture

Banca UBAE attaches particular importance to the dissemination of risk culture within the organisational structure and to this end provides internal training programmes for all staff to ensure continuous updating on external regulatory changes and the improvement of the skills necessary to perform their duties adequately and efficiently.

During 2024, several training courses were provided regarding national and international regulations of particular relevance to company operations, with particular reference to: Corporate Governance, DORA, Cybersecurity, Anti-Money Laundering, GDPR, EBA LOM. Participation varied between 80% and 90% of the total workforce, in accordance with the specific responsibilities of each organisational unit.

In addition, from an internal procedural point of view, both alert systems are provided for, to promptly inform people of the issue of new external regulations that could have an impact on the correct operation of the Bank, and internal reporting systems aimed at providing indications to the various competent structures regarding service communications concerning the publication of new operating procedures or their possible implementations, as well as informing the structure of any organisational adjustments to the Bank's structure.

FOREWORD

It is common knowledge that supervisory regulations make provision for selective differentiation of the methods used to calculate capital requirements for market risk, credit risk (including counterparty risk) and operational risk (Pillar I), in accordance with the size and operational complexity of the banks and the assessments of 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 Internal Capital Adequacy Assessment Process (ICAAP), individual banks are required to internally assess the overall adequacy of their capital with respect to other types of risk, not considered in the calculation of capital requirements under Pillar I of the prudential regulations.

The entire process is based on the principle of proportionality, according to which risk management procedures, internal control mechanisms, economic capital assessment methodologies, as well as the frequency and intensity of supervision by the Supervisory Body, depend on the nature, size and complexity of the activities carried out by each Bank.

With this in mind, Banca d'Italia has, for the purposes of applying the Pillar II regulations, categorised banks and intermediaries into three groups.

In particular, Banca UBAE falls under the third group, which includes banks that are not of systemic importance (first group) nor authorised to use internal models or have assets exceeding 4 billion euros (second group). The banks included in the third group adopt simplified methods for calculating and evaluating the 'other risks' to be considered within the scope of Pillar II.

For concentration risk by counterparty or by groups of associated counterparties and for interest rate risk on the banking book, the regulatory framework proposes a calculation method that involves identifying 'additional' capital requirements over and above the statutory requirements of Pillar I²

Furthermore, as early as 2012, to take into account that its operations are focused, however not exclusively, on higher-risk countries, Banca UBAE introduced a new additional capital requirement under Pillar II for country risk, even though it is not required by law.

In order to consider all the risks relevant to the Bank, an additional capital requirement was introduced to cover geo-sectorial concentration risk, with the aim of measuring the risk deriving from the concentration of the Bank's loans to certain macro-economic sectors.

² For the other 'quantifiable' risk, i.e. liquidity risk, there is no requirement to set aside additional capital, rather a management system involving the construction of a maturity ladder, the conducting of stress tests and the implementation of an internal policy and a contingency funding plan.

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

Finally, with reference to stress testing activities, it should be noted that the Bank, in compliance with regulatory guidelines, has taken steps in recent years towards 1) broadening the scope of analysis (including operational risks, market risks and the risk of excessive financial leverage), 2) introducing a stress test from a capital perspective, 3) extending the time span of the analysis (from annual to biennial), 4) including macroeconomic stress scenarios.

The activity performed as part of the prudential control process is reported annually to the Supervisory Body through the ICAAP/ILAAP Report. The report relating to the data as of 31 December 2024 will be sent to Banca d'Italia by April 2025.

As regarding compliance with the obligation to publicly disclose data and information regarding exposure to individual risk categories (Pillar III), the Bank will publish qualitative and quantitative information tables on its website (in the 'Financials' section) by the deadline set for the publication of the Financial Statements.

Section 1 - Credit Risk

QUALITATIVE INFORMATION

1. General aspects

Credit risk in Banca monitoring and management policies UBAE are defined by a specific internal policy, approved by the Board of Directors in its latest version of December 2024 and subject to periodic review, which governs

- in the area of governance, the roles and responsibilities of corporate bodies and functions involved in the credit risk management process;
- in the risk identification and measurement phase, the risk assumption process in terms of both preliminary investigation and operational delegation of assignments;
- in the risk monitoring phase, the process of monitoring credit performance and the internal limits for monitoring the risk itself;
- in the risk management phase, the process of identifying impaired credit exposures and the process of managing, classifying and evaluating them;
- the internal information flows between company departments (horizontal flows) and towards the company bodies (vertical flows), as well as towards the Supervisory Body.

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

Banca UBAE's mission is to promote and develop all kinds of financial, commercial, industrial and economic relations at an international level. The Bank's activities are primarily, although not exclusively, aimed at supporting relations between the 'Mediterranean and Middle Eastern Countries' and Europe, as well as between these areas and the rest of the world.

The fulfilment of this mission, consolidated in over 50 years of activity supporting its customers, involves the adoption of credit selection and disbursement policies based on criteria of rigorous professionalism.

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

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

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

The internal capital for credit risk is measured by applying the standardised approach, as required by current prudential regulations. Furthermore, with a view

to stress testing, scenario analyses are carried out simulating the impact in terms of capital requirements generated by certain shocks, such as the worsening of the domestic economic situation or the downgrading of creditworthiness for counterparties residing in certain countries or operating in certain economic sectors.

2. Credit risk management policies

2.1 Organisational aspects

Banca UBAE's credit risk assumption policies are approved by the Board of Directors, which also establishes:

- the corporate functions authorised to grant the assignments and their relative powers;
- the assignment selection and evaluation process;
- the risk monitoring and control process, also in relation to the regulations regarding risk concentration.

The decision-making powers are distributed through a system of delegations of authority based on the type and amount of risk to be undertaken; the organisational units involved in the risk management, control and mitigation processes are: the Credit Department, the first-level credit performance control unit, the second-level credit performance control unit, the Legal Department and Risk Management.

The internal policy governing the credit risk management process, and in particular impaired credits, was revised during 2024 and finally approved by the 325th Board of Directors on 20 December 2024. The update was necessary in light of the changes to the organisational model of Banca UBAE, revised in July 2024, as well as with a view to rationalising and increasing the efficiency of credit risk management and monitoring, also taking into account the new credit risk mitigation procedure and the pricing definition process.

In the Pillar I context, Risk Management is responsible for monitoring the capital requirement for credit risk and, based on the data communicated quarterly to the Supervisory Body by sending the risk matrix, submits a quarterly report on capital adequacy to the Sustainability and Risk Management Committee, the Audit, Risk and Sustainability Committee and the Board of Directors. This quarterly report is also submitted to Banca d'Italia.

For ICAAP purposes, the Risk Management unit also works on formulating stress testing scenarios to be submitted to the Risk Committee and on estimating internal capital based on strategic planning and budgeting data.

Within the Risk Appetite Framework, Risk Management monitors compliance with the macro-risk limit and the risk tolerance for credit risk on a quarterly basis; the results of the analyses conducted are periodically reported to the Sustainability and Risk Management Committee, the Audit, Risk and Sustainability Committee and the Board of Directors. The Risk Manager also formulates opinions on consistency with the RAF for the identified operations of major relevance (OMR).

The unit receives supervisory reports in the area of large exposures and any other reports in the event of non-compliance with the lending limit, assesses the trend and impact over time of positions classified as 'large exposures' and prepares specific reports for the company departments.

2.2 Management, measurement and control systems

Credit Investigation

Within the credit process, the preliminary phase, carried out by the Credit Department, represents the moment in which all the documentation necessary for the technical analysis from the patrimonial, financial and revenue point of view is acquired, elaborated and controlled, in order to evaluate the overall risk profile of the counterparts and their operations.

The preliminary investigation has the following objectives:

- the verification of the compliance and completeness of the corporate and financial documentation provided by the requesting party;
- the assessment of creditworthiness, based on a qualitative/quantitative analysis, also at group level, and on a forecasting basis;
- the verification that the request for renewal/variation of the credit line or for a new credit line is aligned with the Bank's objectives and the needs identified during the analysis;
- the verification that the technical forms requested are consistent with what was previously approved for the same counterparty;
- the verification of compliance with current regulations - Civil Code and T.U.B. (Banking Act) regarding the obligations of bank representatives (Administrators, Statutory Auditors and General Manager);
- the identification of affiliated customer groups for the purposes of risk concentration analysis;
- the identification of affiliated parties in accordance with Circular no. 263/2006 – Title V Chapter 5;
- the registration of approved credit lines in the Bank's database, in order to report the credit lines granted to the Central Credit Register;
- the conformity to anti-money laundering regulations as required by national and international provisions.

The preliminary process ends with the formulation of a technical report on the reliability of the applicant and with an evaluation of the risks connected to the investment operation.

The flow of all the activities described above is regulated by a set of internal rules that cover every phase, from the initial request presented by the counterparty to approval by the competent delegated body.

Over the last few years, this flow has undergone some structural and operational changes, in line with the relevant regulations and reflecting recent regulatory updates, including:

- Guidelines Eba/GI/2020/06 'Guidance on granting and monitoring loans';
- Corporate crisis and insolvency code in implementation of the law of 19 October 2017, no. 155 and subsequent legislative decrees, including that of 17 June 2022 (no. 83) which incorporated the elements of EU directive 2019/1023 (concerning insolvency).

In respect of this, a road map has been identified that involves the adaptation of the analysis framework, in particular for scenario and sensitivity analyses and for ESG assessments, and initiatives have been launched aimed at strengthening credit risk controls, according to a proactive approach (e.g. early-warning system).

Technically, all risk analysis activities are carried out through the use of a series of IT tools, which contribute to the definition of the information framework on the creditworthiness of the counterparty:

- internal models for reclassifying the economic and financial information of each counterparty, ensuring a standardised analysis of the data and a fully impartial technical audit;
- internal calculation system for all customers using specific software provided by Moody's (EDF-X) in order to assign each counterparty to internal categories of risk, providing the related PD - Probability of Default (quantitative and qualitative);
- verification of prejudicial events through consultation of the most reliable national and international info providers (Innolva, Cerved, Dun & Bradstreet, etc.);
- analysis of country risk through collaboration with the EIU (Economist Intelligence Unit), which provides periodic reports and country ratings.

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

Credit Performance Control

Within the credit performance control process, and in line with the provisions of guidelines EBA/GI/2020/06, the performance analysis guidelines identify differentiated actors (owners) both in the monitoring process and in the qualitative level of control (first and second-level controls).

The performance monitoring activity is assigned to two separate units: the level I credit performance control unit, set up within the Commercial Development Area, and the level II credit performance control unit, which is part of Risk Management.

For the purposes of credit performance monitoring, the first-level organisational unit, with the support of the relevant Italian and Foreign commercial sectors, compiles and updates a list of risk positions to keep under observation, based on information available from both external (Central Credit Register, prejudicial acts, press releases) and internal (e.g. reports produced by the application for performance monitoring, reports from the relevant Italian and Foreign commercial sectors regarding specific countries and/or economic sectors, etc.).

In the case of updated information or upon request, the managers of the relevant Italian and Foreign commercial sectors inform the level 1 credit performance control unit about the reasons of the anomalies found in the flagged positions and, if necessary, about the actions taken to mitigate credit risk.

This core unit reports periodically to General Management, to Senior Management, to the Italian and Foreign Commercial Management and to the Risk Management Service. If it deems it appropriate, and in any case in the event of circumstances that may result in an objective worsening of the possibility of partial or full recovery of the credit exposure, the organisational unit can propose to the General Manager that the at-risk position be reclassified as impaired credit (probable default), accompanied by a proposal for an initial write-down.

As to the anomalies found, and in particular the verification of compliance with the credit limits granted to counterparties by the decision-making bodies, the level 1 credit performance control unit relies on the reports produced by the Cedacri IT system.

Furthermore, the same procedure, as a support in credit control activities, is provided with a platform, called CQM – Credit Quality Manager, which aims to identify the positions to monitor and manage those in which anomalies have already occurred, with the final aim of controlling and minimising the Bank's credit risk.

Other information flows to which particular attention is paid, in order to then process the necessary information for the Senior Management and the competent Services, are the information present in the black list of the return flow of the Central Credit Register and the printout of the continuous past due coming from the Cedacri information system, together with those of the organisational development service for the monthly monitoring of related parties.

In this context, the level 2 credit performance control unit is responsible for verifying that the level 1 unit is monitoring correctly and periodically verifies the correctness of the classifications and the adequacy of the provisions, including through annual AQR (asset quality review) activities.

It also provides support in regulatory and technical investigations concerning credit matters and participates in company initiatives aimed at improving/perfecting credit risk management systems. Finally, it supports Risk Management for quarterly reporting, six-monthly analysis of non-performing positions and the annual calculation of additional provisions for signature exposures (letters of guarantee > 5 years) included in specific risk clusters.

During 2024, in the interest of strengthening monitoring activities, an early-warning system based on economic and financial indicators was implemented. In addition, with the aim of improving second-level controls, new control flows were implemented in the second half of 2024 aimed at improving the ability to intercept the first signs of anomalies.

2.3 Methods of measuring expected losses

The accounting standard IFRS 9 applies, starting from 1 January 2018, to all financial instruments classifiable as assets and liabilities in the financial statements, modifying the classification and measurement criteria and the method for determining impairment, as well as defining new rules for the designation of hedging relationships.

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).

Credit assessment criteria are linked to the inclusion of financial assets measured at amortised cost in one of the different credit risk stages defined by IFRS 9, where stages 1 and 2 include performing assets, while stage 3 includes impaired assets.

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 use at the reference date weighted by the credit conversion factor (CCF)
- **PDFL (Probability of forward-looking default):** represents the future-oriented probability of default obtained by applying a macroeconomic scenario to the **PD_{PIT}**
- **PD_{PIT} (Probability of point-in-time default):** represents the probability of default of each individual counterparty and is calculated on the basis of financial statement data, 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 **LGD_{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 is conditioned by the presence of real collateral (e.g. cash collateral) or personal guarantees (e.g. SACE).

The Bank can access the score and PD_{PIT} data for each counterparty (processed by the Credit Department when granting/renewing credit). During 2024, the score and PD calculation tool in use was replaced by an evolution supplied by the same provider, Moody's (EDFx instead of the previous RiskCalc).

In order to calculate the expected loss, i.e. the accounting devaluation, macroeconomic scenarios are factored into these risk parameters to allow for a forward-looking recalculation.

The Bank uses the macroeconomic models made available by Moody's through the 'Impairment Studio' platform. This platform is able to use specific macroeconomic variables for each country, which is particularly important considering the characteristics of the Bank's counterparties.

IMPAIRMENT - NON-PERFORMING CREDITS (Stage 3)

The valuation methodology for non-performing credits - all classified as Stage 3 under IFRS 9 - is differentiated according to the status of the impaired exposures.

Consequently, several evaluation methodologies are envisaged:

- **Evaluation of credits classified as 'non-performing'**, carried out analytically by the Legal Department for all positions thus classified.

The analytical evaluation process is based on a judgement assigned to the position by the Legal Department, performed periodically so as to allow the timely recognition in the financial statements of all events that may affect the prospects of credit recovery. In any case, such evaluation must be conducted in the following situations:

- upon classification as non-performing (usually within 30 days of receipt of the complete documentation from the organisational unit that was in charge of the relevant position);
 - subsequently, whenever a new event occurs that is likely to affect the prospects of recovery (e.g. change in the value of the assets on which a guarantee has been acquired, developments in ongoing litigation or bankruptcy proceedings, information or data acquired/received, etc.), and in any case at least once every six months.
- **Evaluation of credits classified as Unlikely to Pay (UTP), which** in turn is divided into:
 - flat-rate analytical assessment, applicable to positions whose amount is less than a set threshold (EAD < 500,000 Euro);
 - analytical assessment, applicable to positions whose amount exceeds a set

threshold (EAD > 500,000 Euro).

- **Evaluation of the positions of past-due credits**, carried out analytically on a flat-rate basis.

The principles for determining analytical value adjustments and the minimum percentages to be applied differ according to the severity of the classification, as defined by the internal policy on credit and counterparty risk management. For impaired positions arising after 26/04/19, European legislation also becomes applicable, in particular EU Regulation 2019/630, also known as calendar provisioning.

The expected credit recovery values must be estimated based on an assessment of the debtors' ability to meet their obligations, taking into account all the most recent information available, the financial position and economic situation of the customers and the value of any existing collateral securing the credits.

In order to proceed with the analytical evaluation of a counterparty, a preliminary definition is necessary as to whether to evaluate it from a liquidation perspective, in the event where recovery is possible through the realisation of guarantees and/or liquidation of the company's assets, or in terms of business continuity, where the evaluation focuses on verifying the sustainability of the company's indebtedness over time based on estimated cash flows.

STAGING RULES

As far as staging allocation is concerned, there are specific classification criteria and every stage has its own calculation method:

- **Stage 1** - past dues of less than 30 days, performing investment grade and speculative grade exposures (rated between BB+ and B-), with no significant deterioration in creditworthiness: write-downs calculated as 1-year expected loss (if the exposure is less than 1 year, the expected loss refers to the residual life);
- **Stage 2** - past dues of between 30 and 90 days, performing exposures classified as forborne, which are included in the watching list during credit performance control or for which there is a significant deterioration in creditworthiness (expressed in terms of a two-notch downgrade of the score class or an increase in 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 (more than 90 days past dues, probable defaults and impaired credits): write-downs calculated analytically in line with the current approach.

Specifically, the following cases are envisaged for the shift to stage 2:

- **Forborne** – automatic shift.
- **Expired between 30 and 90 days** – automatic shift
- **Watching list** – detection of anomalies based on specific risk indicators (AQR) or presence in the observation lists
- **Counterparties without a score and PD** – automatic shift
- **Significant decline in creditworthiness** – detected in terms of percentage increase in PD compared to the original value. For each score class, the bank defined (based on the average PD for each score class) an X parameter corresponding to a downgrade of 2 notches.

Banca UBAE's policy is to classify all counterparties in stage 1, including speculative grade counterparties (rated between BB+ and B-), which do not show a significant deterioration in creditworthiness compared to when the relationship began, with the exception of counterparties with a CCC rating, for which there will be a direct classification in stage 2 unless they can demonstrate that the pricing applied is in line with the estimated expected losses. As to exposures in the form of securities, the solution adopted by the Bank is to place these in stage 2 in the case of speculative grade issues (rating equal to or lower than BB+) showing a significant deterioration in its creditworthiness.

The notion of significant deterioration of creditworthiness is understood as a downgrading of at least two notches compared to the origination score. Therefore, the low credit risk assumption is only applied to securities.

2.4 Credit risk mitigation techniques

Credit risk mitigation techniques are currently regulated at European level by EU Regulation no. 575/2013 and subsequent amendments and additions, as well as by EU Directive 2013/36/EU on prudential supervision, both of which are aimed at implementing the rules defined by the Basel Committee on Banking Supervision (CRR) in the European Union.

In line with the objective of ensuring a clear and organic regulatory framework, Bank of Italy Circular no. 285 of 17 December 2013 has acknowledged and included the two acts mentioned above among the regulatory sources governing the matter.

The current regulatory framework³ has retained the distinction between real and personal credit protection instruments.

³ For full disclosure, it should be noted that, as of 1 January 2025, come into effect EU Regulation 2024/1623 of the European Parliament and Council of 31 May 2024 amending EU Regulation no.

In order to be admissible, real guarantees, giving the holder the right to the satisfaction of the credit against specifically identified assets or sums of money, for the Bank's purposes must be traceable to the following instruments: cash deposits with the Bank or similar instruments held by it;

- cash deposits held at the bank or similar instruments held by the bank;
- debt securities issued by governments or central banks, for which a credit rating from an ECAI, or an export credit agency, equivalent to credit rating 4 or higher is available;
- debt securities issued by institutions or other entities for which a credit rating from an ECAI equivalent to credit rating class 3 or higher is available;
- debt securities for which a short-term credit rating from an ECAI equivalent to credit rating class 3 or higher is available;
- capital instruments or convertible bonds;
- gold;
- positions towards defined securitisations equal to or less than 100%;
- debt securities issued by entities without a creditworthiness rating from an ECAI, provided that these securities meet stringent eligibility criteria (they are listed on recognised stock exchanges, they are classified as grade 1 debt, the entity's other issues are assigned a credit rating of 3 or higher, etc.);
- quotas or shares in collective investment undertakings (CIUs) if they comply with strict requirements in terms of form, commercialisation and reporting;
- cash deposits or similar instruments held with a third party;
- life insurance policies given as collateral to the Bank;
- instruments issued by third parties that may be repurchased by these entities upon request.

Furthermore, the offsetting of receivables between the Bank and the respective counterparty is permitted, limited to reciprocal cash balances. Additionally, the Bank may take into account the effects of bilateral netting agreements concerning

575/2013 in respect of requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor.

repurchase transactions, securities or commodities lending or borrowing transactions or other capital market-related transactions with a counterparty.

Personal credit protection, consisting of legal commitments by third parties to fulfil the obligation towards the Bank in the event of default by the principal obligor, may be granted by subjects who are:

- central administrations and central banks;
- regional administrations or local authorities;
- multilateral development banks;
- international organisations in cases where exposures towards them can be weighted at 0%;
- certain organisations or entities or companies that meet the requirements of Article 201 of EU Regulation No. 575/2013;
- eligible central counterparties.

Regulation 575/2013 does not include eligible personal guarantees, but merely introduces a general principle of eligibility for these forms of credit protection. Within the scope of the above-mentioned eligibility principle, only credit derivatives falling under the category of personal guarantees - i.e. credit default swaps, total return swaps, credit linked notes - are strictly listed.

However, Banca UBAE does not purchase credit risk protection through the holding of such instruments.

In addition to the above, the regulation identifies the requirements for eligibility for each type of guarantee, both in real and personal terms.

REAL GUARANTEES

A) BALANCE SHEET OFFSETTING

Requirements:

1. effectiveness and legal enforceability in all relevant jurisdictions, also in the event of insolvency or bankruptcy of the counterparty;
2. possibility for the Bank to identify the assets and liabilities that fall under

these agreements;

3. monitoring and control of risks associated with the termination of protection;
4. monitoring and control of relevant exposures on a net basis.

B) OFFSETTING AGREEMENTS

Requirements, additional to those for financial and gold collateral under C):

1. effectiveness and legal enforceability in all relevant jurisdictions, also in the event of insolvency or bankruptcy of the counterparty;
2. the possibility for the non-defaulting party to terminate and close all transactions affected by the agreement in the event of default, insolvency or bankruptcy of the counterparty;
3. the possibility of offsetting profits and losses, so that only one net amount is owed by one counterparty to the other.

C) FINANCIAL COLLATERAL AND GOLD

Requirements:

1. absence of a relevant correlation between the creditworthiness of the debtor and the value of the collateral. For example, securities issued by the debtor or by another related entity of the group are not accepted as collateral;
2. enforceability of contracts in all relevant jurisdictions;
3. fulfilment by the Bank of a number of requirements of an operational nature, set out below:
 - drafting of the contract in a suitable form and preparation of a appropriate procedure for the prompt enforcement of the guarantee;
 - carrying out of checks in relation to the risks deriving from the use of guarantees;
 - drafting of internal documentation that regulates the types of guarantees accepted and the relative amounts;
 - determination of the market value of the guarantees and revaluation of the same at least every six months.
 - if the guarantee is held by third parties, verification that the holder separates it from their own assets;

- allocation of sufficient resources to control and monitor all risks connected to the management of guarantees (e.g. concentration risk towards particular types of activities used as guarantees).

D) OTHER TYPES OF REAL GUARANTEES

Requirements for deposits with a third party:

1. the debtor's deposit with the third party is explicitly pledged or assigned to the Bank as collateral, and this act is effective and enforceable in all competent jurisdictions, unconditional and irrevocable;
2. the third party has been notified of the collateralisation or pledge;
3. as a result of the notification, the third party is only able to make payments to the Bank.

Requirements for life insurance policies:

- the life insurance policy is explicitly collateralised or pledged to the Bank;
- the insurance company has been notified of the collateralisation or pledge and, consequently, cannot pay out amounts without the Bank's consent;
- the Bank has the right to annul the policy and receive the surrender value in the event of the debtor's default;
- the Bank is informed of any failure by the holder to make payments under the policy;
- 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 Bank's prior consent;
- the insurance company is subject to Directive 2009/138/EC (on the access and pursuit of insurance business) or to the supervision of a competent body of a third country that applies prudential and regulatory provisions at least equivalent to those in force in the Union.

E) **REAL ESTATE GUARANTEES⁴**

Requirements:

1. legal certainty and enforceability in all relevant jurisdictions and registration in the prescribed form;
2. compliance with the requirements for securing the guarantee;
3. structure of the contract and underlying legal documents such as to allow prompt enforcement of the guarantee;
4. verification, by the Bank, of the value of the property at least once a year for non-residential properties and once every three years for residential properties;
4. the Bank verifies the value of the property at least once a year for non-residential properties and once every three years for residential properties;
5. the valuation of the property is revised when its value may have decreased significantly in relation to general market prices, and this revision is carried out by an expert with the necessary qualifications;
6. the Bank clearly documents the types of residential and non-residential properties it will accept and the related credit policy;
7. the Bank establishes procedures to ascertain that the real estate collateral received is adequately insured against the risk of damage.

F) **PERSONAL GUARANTEES**

Requirements:

- the credit protection is both direct and the extent of the protection is clearly defined and incontrovertible;
- there are no clauses whose fulfilment is beyond the Bank's direct control and which could:
 - allow the protection provider to unilaterally cancel the protection;
 - justify an increase in the cost of protection following deterioration in the credit quality of the protected exposure;
 - avoid the protection provider being obliged to make payments due in the event of default by the main debtor;
 - allow the protection provider to reduce the duration of the protection

⁴

For purposes of clarity, it should be noted that real estate collateral is not included in the list of eligible assets under the CRM approach (referred to in Part Three, Chapter 4 of the CRR) when applying the standardised approach. Provided the above, exposures secured by mortgages on real estate may, however, benefit, under the standardised approach, from the preferential treatments provided for in Articles 124 et seq. of the CRR when the same requirements and valuation rules provided for in the CRM framework are met (Articles 208 and 229 of the CRM for real estate collateral). In view of the above, it was deemed appropriate to include real estate guarantees in this section.

granted.

- the guarantee contract is effective and enforceable in all relevant jurisdictions;
- the Bank is able to demonstrate to the competent authority that it has the appropriate tools to manage the potential concentration of risk arising from the use of personal guarantees and credit derivatives;
- the Bank complies with the contractual and legal requirements relating to personal guarantees;
- the Bank has the right to promptly take recourse against the guarantor without the obligation of prior enforcement against the main debtor;
- the guarantee is explicitly documented;
- the guarantee covers all payments the main debtor is required to make or, when certain payments are excluded from the personal guarantee, the Bank has adjusted the value of the guarantee to take into account the limitation of coverage.

G) COUNTER-GUARANTEES FROM GOVERNMENTS AND OTHER PUBLIC SECTOR BODIES

Requirements:

Exposures protected by a personal guarantee, supported 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 governments or central banks;
- regional governments or local authorities;
- public sector bodies;
- multilateral development banks.

Such exposures may be treated as protected exposures if the following conditions are met:

- the counter-guarantee covers all credit risk elements of the exposure in question;
- the principal and counter-guarantee meet all the requirements for personal guarantees (referred to above) with the exception

- that the counter-guarantee may not relate directly to the principal obligation;
- the cover is solid and there is no historical precedent from which it can be inferred that the cover of the counter-guarantee is in fact inferior to that provided by a direct guarantee of the entity in question.

The Bank adopted the standardised method for credit risk mitigation purposes. Therefore, when quantifying risk exposure, the Bank uses the regulatory system of volatility adjustments deriving from the comparison between the type of hedge and the asset subject to it.

3. Impaired credit exposure

Impaired credit exposures are differentiated into the following categories:

- *past due and/or in overdraft impaired exposures*: on-balance-sheet credit exposures that are past due or in overdraft for more than 90 days at the reporting date;
- *Unlikely To Pay*: credit exposures for which the Bank considers it unlikely that, without recourse to actions such as the enforcement of collateral, the debtor will fulfil its credit obligations in full (in principal and/or interest). This assessment is made regardless of whether there are any amounts (or instalments) past due and unpaid.
- *Non-performing credits*: all cash and off-balance sheet credit exposures to a party in a state of insolvency (even if not judicially ascertained) or in substantially similar situations, regardless of any loss forecasts made by the Bank. Exposures whose anomalous situation is attributable to country risk profiles are excluded.

For the purposes of staging allocation, non-performing exposures (NPLs) fall within Stage 3 and are subject to analytical impairment as described in Section 2.3, also taking into account the minimum impairment levels prescribed by the credit policy for each class of impairment and the provisions of Calendar Provisioning.

3.1 Management Strategies and Policies

The units responsible for managing non-performing credits implement the measures defined by the internal policy and credit procedure in the event of a negative change in the risk position.

These interventions include all the activities carried out after the position has been classified as non-performing, which may involve, particularly in the case of a classification as non-performing, the revocation of credit lines, the consequent forfeiture of the debtor's right to benefit from the term and the termination (where possible) of the contractual relationship with the customer.

These activities are aimed at protecting and recovering the Bank's credit claims, both through internal out-of-court interventions and through recourse to judicial procedures activated by the Bank itself or even through credit management within the scope of the insolvency proceedings affecting the position.

The various phases of the process are referred to the Legal Department with reference to positions classified as UTP or non-performing and to the Level 1 credit performance control unit in the case of past due positions.

In particular, the Legal Department, as the body responsible for non-performing positions (with the exclusion of past due positions), is responsible for following the various management phases with the support of the other structures involved (Credit Department, Commercial Area, Level I credit performance control unit); it is also tasked with preparing periodic reports for the senior management.

Management of impaired past-due and/or overdue positions

The following individual exposures are identified as overdue and/or in overdraft:

- other than those classified as non-performing and/or likely to default;
- past due or overdrawn for more than 90 days (180 days for the Public Administration) on an ongoing basis and which have exceeded the materiality threshold in accordance with the provisions of Banca d'Italia circular 272 of 30 July 2008.

Past due and/or overdrawn impaired exposures are monitored by the level 1 credit performance control unit, which defines their classification (also based on the indications of the commercial department) and write-down, also based on the technical analyses provided by the credit department and taking into account the minimum write-down percentages defined by the Bank.

The assessments in terms of classification and percentage of devaluation are submitted to the governing body for approval.

Management of unlikely-to-pay positions

As prescribed by the regulations, for classification as a probable default it is not necessary to wait for the explicit symptom of an anomaly (non-repayment) where there are elements that imply a situation of risk of default by the debtor. All on- and off-balance sheet exposures to the same debtor in the above situation are referred to as 'probable default' unless the conditions for classifying the debtor as a non-performing debtor are met.

The condition of 'unlikely that, without recourse to actions such as enforcement of collateral, the debtor will fully meet its obligations' is considered to be satisfied upon the occurrence of events specifically provided for by law or events subject to internal assessment by the Bank.

Positions classified as UTP are monitored by the Legal Department, which may propose their devaluation in excess of the minimum devaluation percentages defined by the Bank, also based on the technical analyses provided by the Credit Department.

Management of non-performing loans

The category of non-Performing Loans includes those credit exposures to parties that are in a state of insolvency (even if not legally ascertained) or in substantially comparable situations, regardless of any loss forecasts made by the Bank. The need for a shift in status may also arise from out-of-court events that are detrimental to the Customer and/or guarantors, from the risk of consolidation of mortgages registered by other credit institutions, or from legal actions aimed at reducing the asset guarantee provided by the Customer and/or guarantors.

The following parties are involved in identifying the positions that may need to be included in the non-performing loans segment:

- Commercial Department/Managers of the Commercial Desks responsible for the relationship, based on their first-level monitoring activities;
- Level 1 performance control desk, based on anomaly reports and as part of the systematic credit risk monitoring activity on the positions under its responsibility;
- Risk Management, based on the analyses conducted as part of the AQR or as part of the six-monthly analyses concerning the adequacy of write-downs for NPLs and positions under observation;
- Legal Department, based on the continuous analysis of UTP positions.

Once the exposure to be classified as Bad Debt has been identified, the Legal Department carries out a preliminary assessment of the appropriateness and the presence of the minimum requirements for a possible change of status. With reference to UTP positions that must be reclassified as bad debts, the Legal Department is the owner of the proposal.

3.2 Write-Offs

Write-off constitutes, as specified by IFRS9, an event of partial or total accounting cancellation of the credit exposure and may or may not involve the legal waiver of

credit recovery.

The Bank proceeds, subject to a decision by the Board of Directors, in the case of positions relating to UTPs and non-performing loans, or by the General Management, in the case of past due positions and in compliance with the materiality threshold set out in the Credit and Counterparty Risk Management Policy, the write-off of credit exposures if valid and objective elements are identified to support the assessment of the debt as unrecoverable and/or of the economic non-advisability of carrying out recovery actions. A partial write-off may be justified if there is evidence of the debtor's inability to repay the entire amount of the debt.

3.3 Impaired financial assets acquired or originated

Impaired financial assets acquired or originated are those exposures that are already impaired at the date of initial recognition.

The Bank does not include the acquisition of such exposures in its business model, while the provision of 'new finance' to impaired counterparties under restructuring agreements between the debtor and a pool of banks is permitted, subject to internal analysis.

In the latter case, the Legal Department follows the restructuring agreements, with the appropriate assistance of internal structures and, in particular, the Commercial Department/Managers of the Commercial Desks, who are responsible for the possible proposal for the provision of 'new finance', to be submitted for approval to the Board of Directors. These exposures will be classified as non-performing in accordance with the classification attributed to the debtor and will be subject to the impairment rules of the assigned impairment class.

4 Financial assets subject to commercial renegotiations and exposures subject to concessions

The Bank identifies and classifies, in accordance with the provisions of the Banca d'Italia, the forborne exposures, i.e. the cash loans (performing or impaired) subject to forbearance by the Bank. Forbearance measures consist of changes to the original contractual conditions of the credit line that the Bank grants to the client company. These forbearance provisions may concern performing clients (forborne performing exposures) or clients already classified as impaired (non-performing exposures with forbearance measures).

With reference to the time spent in and/or exiting a category:

- Forborne non-performing: the exposure must remain in this category for at least 1 year ('cure period'), at the end of which it can leave the non-performing status;

- Forborne performing: exposure coming from the previous category, from which the exposure can exit to the performing category after 2 years ('probation period').

Those agreements – reached between the debtor and a pool of creditor banks – thanks to which existing lines of credit are temporarily 'frozen' in view of a formal restructuring, are not considered concessions.

The length of time in the forborne state and the exit mechanisms are strictly regulated. For non-performing forborne cases, it takes at least 36 months (12 months for the so-called 'cure period' and 24 months for the so-called 'probation period') before the position can return to performing without reservation. In other cases of forborne performing, only the 'probation period' is relevant.

From an accounting point of view, IFRS 9 states that, if a forbearance measure is approved for a performing credit line, this credit line is allocated to stage 2.

In the process of managing and classifying problem loans to customers entrusted by a large number of banks in the presence of a request for a moratorium/**restructuring of the credit**, internal information is prepared by the competent Commercial Department/Managers of the Commercial Desks in charge of the relationship. Subsequently, the level 1 credit performance control unit will propose to the General Manager the reclassification 'under observation' and the immediate blocking of operations (the credit line is rendered non-operational), pending more in-depth analyses.

Until the formalisation of the restructuring agreements, subject to the resolution of the competent bodies, the negotiations for any moratoriums will be conducted by both the Head of the Commercial Development Area and the Legal Department. Once the relevant proposal has been presented (in the prescribed manner) and approved by the deliberating bodies, the management of the position will be the sole responsibility of the Commercial Development Area.

QUANTITATIVE INFORMATION

Credit quality

A.1 Performing and non-performing credit positions: amounts outstanding, write-downs, variations and economic distribution

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

Portfolios/quality	Impaired	Probable defaults	Matured exposures deteriorated	Matured exposures not deteriorated	Other exposures not deteriorated	Total
1. Financial assets valued at amortised cost	6,441	12,158			2,402,754	2,421,398
2. Financial assets measured at fair value with impact on total profitability		1,574			1,598	3,172
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 (31.12.2024)	6,441	13,732			2,404,352	2,424,570
Total (31.12.2023)	6,057	18,411	3,864		1,832,149	1,860,481

At 31 December 2024, exposures subject to concessionary measures (known as forbearance exposures) amounted to Euro 12,1 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	120,045	101,445	18,600		2,414,672	11,874	2,402,798	2,421,398
2. Financial assets measured at fair value with impact on total profitability	2,539	966	1,573		1,661	62	1,599	3,172
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 (31.12.2024)	122,584	102,411	20,173		2,416,333	11,936	2,404,397	2,424,570
Total (31.12.2023)	125,020	96,688	28,332		1,835,615	3,466	1,832,149	1,860,481

Portfolio/credit quality	Assets of low-quality credit		Other assets
	minus	net exposure	net exposure
1. Financial assets held for trading			499
2. Hedging derivatives			9
Total (31.12.2024)			508
Total (31.12.2023)			1,182

* Value to be displayed for information purposes

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				45				10	2,562
2. Financial assets measured at fair value with impact on total profitability									
3. Financial assets held for sale									
TOTAL (31.12.2024)				45				10	2,562
TOTAL (31.12.2023)	20,686								4,988

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
	Assets included in first stage					Assets included in second stage					Total provisions on commitments to disburse funds, and financial guarantees issued
	Assets included in first stage					Assets included in second stage					Total provisions on commitments to disburse funds, and financial guarantees issued
	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	
Initial overall adjustments Changes in increase from financial assets acquired or originated Cancellations other than write-offs Net value adjustments write-backs for credit risk (+/-) Contractual changes without cancellations Changes in the estimation methodology Write-offs not directly recognised in the income statement Other changes	(3,046)	(1)	(3,047)	(448)	(131)	(579)	(96,051)	(866)	(97,027)	(111,244)	(1,386)
	(2,388)	1	(2,387)	(6,116)	69	(6,037)	(5,742)		(5,742)		187
	(5,434)		(5,434)	(6,554)	(62)	(6,616)	(101,793)	(866)	(102,759)		(1,199)
											(991)
											(6,223)
											(2,344)
											(15,723)
Final overall adjustments Recovery on recoveries on financial assets subject to write-off Write-offs recorded directly in the income statement											(126,966)

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	33,283	40,979			500	
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	586,658	132,658		201	980	
TOTAL (31.12.2024)	619,941	173,637		201	1,480	

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

The cash exposures include all the cash financial assets held by customers, whatever their accounting allocation portfolio (trading, financial assets at amortised cost, financial assets measured at fair value with impact on overall profitability, financial assets held for sale).

Off-balance sheet exposures include all financial transactions other than cash transactions that involve the assumption of a credit risk, whatever the purpose of such transactions.

Type of exposures / values	Gross exposure				Total value adjustments and total provisions				Net exposure	Overall partial write-offs*
	First stage	Second stage	Third stage	impaired credits acquire or originated	First stage	Second stage	Third stage	impaired credits acquire or originated		
A. CREDIT EXPOSURES FOR CASH										
A.1 AT SIGHT	313,516	293,823	19,306	387	462	106	7	349	313,054	
a) Impaired	387			387	349			349	38	
b) Non-impaired	313,129	293,823	19,306		113	106	7		313,016	
A.2 OTHER	479,347	454,319	15,101	9,927	11,814	3,666	207	7,941	467,533	
a) Impaired										
- of which: exposures subject to concessions										
b) Probable defaults	9,927			9,927	7,941			7,941	1,986	
- of which: exposures subject to concessions	9,927			9,927	7,941			7,941	1,986	
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	469,420	454,319	15,101		3,873	3,666	207		465,547	
- of which: exposures subject to concessions										
TOTAL A	792,863	748,142	34,407	10,314	12,276	3,772	214	8,290	780,587	
B. OFF-BALANCE SHEET CREDIT EXPOSURES										
a) Impaired										
a) Non-impaired	4,339,272	3,532,084	807,188		1,135	920	215		4,338,137	
TOTAL B	4,339,272	3,532,084	807,188		1,135	920	215		4,338,137	
TOTAL A+B	5,132,135	4,280,226	841,595	10,314	13,411	4,692	429	8,290	5,118,724	

* Value to be displayed for information purposes

A.1.7 Cash and off-balance sheet exposures to customers: gross and net values

Type of exposures / values	Gross exposure				Total value adjustments and total provisions				Net exposure	Overall partial write-offs *
	First stage	Second stage	Third stage	impaired credits acquire or originated	First stage	Second stage	Third stage	impaired credits acquire or originated		
A. CREDIT EXPOSURES FOR CASH										
a) Impaired	81,096		81,096		74,655		74,655		6,441	
- of which: exposures subject to concessions										
b) Probable defaults	31,560		31,560		19,813		19,813		11,747	
- of which: exposures subject to concessions	24,793		24,793		14,676		14,676		10,117	
c) Overdue impaired exposures										
- of which: exposures subject to concessions	46	46			1	1			45	
d) Overdue non-impaired exposures										
- of which: exposures subject to concessions	1,946,868	254,923			8,063	6,401			1,938,805	
e) Other non-impaired exposures										
- of which: exposures subject to concessions										
TOTAL A	2,059,570	254,969	112,656		102,532	6,402	94,468		1,957,038	
OFF-BALANCE SHEET CREDIT EXPOSURES										
a) Impaired	35,422		35,422		10,567		10,567		24,855	
b) Non-impaired	976,760	165,169			456	176			976,304	
TOTAL B	1,012,182	165,169	35,422		11,023	176	10,567		1,001,159	
TOTAL A+B	3,071,752	420,138	148,078		113,555	6,578	105,035		2,958,197	

* 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 - of which: sold exposures not cancelled	364	16,799	
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	23 23		
C. Decreasing changes C.1 exits to non-impaired exposures 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		6,872 6,872	
D. Final gross exposure - of which: sold exposures not cancelled	387	9,927	

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	16,799	
B. Increasing changes 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		
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	6,873 6,873	
D. Final gross exposure of which: sold exposures not cancelled	9,926	

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 - of which: sold exposures not cancelled	77,351	24,925	5,944
B. Increasing changes	3,745	7,361	17
B.1 re-entry of non-impaired exposures		500	
B.2 re-entry of impaired financial assets acquired or originated			
B.3 transfers from other categories of impaired exposures		5,870	
B.4 contractual changes without cancellations			
B.5 other increasing changes	3,745	991	17
C. Decreasing changes		726	5,961
C.1 exit towards non-impaired exposures			
C.2 write-offs			
C.3 receipts			
C.4 income from sales			
C.5 losses from sales			
C.6 transfers to other categories of impaired exposures			5,870
C.7 contractual changes without cancellations			
C.8 other decreasing changes		726	91
D. Gross final exposure - of which: sold exposures not cancelled	81,096	31,560	

A.1.9 (bis) Cash credit exposures to customers: trends in gross exposures subject to separate credit ratings

Reasons/Quality	Exposures subject to impaired concessions	Other exposures subject to concessions
A. Gross initial exposure of which: sold exposures not cancelled	19,080	
B. Increasing changes	6,439	
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	5,939	
C. Decreasing changes	726	
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	0	
C.5 receipts		
C.6 income from sales		
C.7 losses from sales		
C.8 other decreasing changes	726	
Gross final exposure of which: sold exposures not cancelled	24,793	

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 of which: sold exposures not cancelled	328		10,190	10,190		
B. Increasing changes	21					
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	21					
C. Decreasing changes			2,249	2,249		
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			2,249			
D. Overall final adjustments of which: sold exposures not cancelled	349		7,941	7,941		

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 of which: sold exposures not cancelled	71,294		13,124	9,475	2,080	
B. Increasing changes 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 B.5 contractual changes without cancellations B.6 other increasing changes	3,361		6,923	5,435		
	3,361		4,843	5,435		
C. Decreasing changes C.1. value recovery from re-valuation C.2 value recovery from receipts 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			234	234	2,080	
D. Overall final adjustments of which: sold exposures not cancelled	74,655		19,813	14,676		

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								
First stage		70,756	1,435,679	60,428	88,543	114,184	765,127	2,534,717
Second stage		70,116	1,435,679	60,428	87,960	57,987	434,094	2,146,264
Third stage		640			583	56,197	267,185	268,408
of wich: impaired financial assets acquired or originated							63,848	120,045
B. Financial assets measured at fair value with an impact on total profitability								
First stage					1,661		2,539	2,539
Second stage					1,661			
Third stage							2,539	2,539
of wich: impaired financial assets acquired or originated								
C. Financial assets held for sale								
First stage								
Second stage								
Third stage								
of wich: impaired financial assets acquired or originated								
Total (A+B+C)		70,756	1,435,679	60,428	90,204	114,184	767,666	2,537,256
D. Commitments to disburse funds; financial guarantees issued								
First stage	259,500	577,212	1,138,684	343,395	122,513	114,514	2,795,108	5,350,926
Second stage	259,500	577,212	741,691	263,034	122,511	114,514	2,264,687	4,343,149
Third stage			396,993	80,361	2		494,999	972,355
of wich: impaired financial assets acquired or originated							35,422	35,422
Total D	259,500	577,212	1,138,684	343,395	122,513	114,514	2,795,108	5,350,926
Total (A+B+C+D)	259,500	647,968	2,574,363	403,823	212,717	228,698	3,562,774	7,888,182

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

	Personal guarantees (2)										Total (1)+(2)								
	Real guarantees (1)				Signature credits														
					Credit derivatives				Public Administrations			Other financial companies							
Gross exposure	Net exposure	Properties, mortgages		Properties, leasing financing		Securities		Other real guarantees		CLN		Other derivatives		Central counterparties	Banks	Other financial companies	Other entities	Other entities	
1. Guaranteed cash credit exposures: 1.1 totally guaranteed - of which: impaired 1.2 partially guaranteed - of which: impaired	49,245	49,245							49,245										49,245
	49,245	49,245							49,245										49,245
2. Guaranteed off-balance sheet credit exposures: 2.1 totally guaranteed - of which: impaired 2.2 partially guaranteed - of which: impaired	160,062	160,060							159,710										159,710
	159,612	159,612							159,612										159,612
	450	448							98										98

A.3.2 Cash and off-balance sheet exposures to guaranteed customers

[illegible]

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)		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	5,249	50,947,535					1,192	23,708		
- of which: exposures subject to concessions										
A.2 Probable defaults							10,377	15,127		
- of which: exposures subject to concessions										
A.3 Expired impaired exposures										
- of which: exposures subject to concessions										
A.4 Non-deteriorated exposures	1,417,844	473	119,780	651			391,321	6,879	9,904	61
- of which: exposures subject to concessions										
Total (A)	1,424,463	55,634,513	119,780	651			402,890	45,714	9,904	61
B. Off-balance-sheet credit exposures										
B.1 Impaired exposures										
B.1.1 Impaired exposures							24,855	10,567		
B.1.2 Non-deteriorated exposures	63,908		61,175	51			850,006	404	1,215	
Total (B)	63,908		61,175	51			874,861	10,971	1,215	
Total (A+B) (31.12.24)	1,488,371	55,634,513	180,955	702			1,277,751	56,685	11,119	61
Total (A+B) (31.12.23)	5,906,950	48,108,520	178,695	64			1,105,877	45,434	12,173	47

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

Exposures/Geographical Area	Italia		Other European countries		Americas		Asia		Rest of the world	
	Net exposure	total write-downs	Net exposure	total write-downs	Net exposure	total write-downs	Net exposure	total write-downs	Net exposure	total write-downs
A. Cash credit exposures										
A.1 Bad Debts	1,192	22,108		1,118			5,249	51,429		
A.2 Probable defaults	10,377	15,127							1,370	4,687
A.3 Expired impaired exposures										
A.4 other Assets / in Bonis	1,669,052	1,419	241,036	6,473	15,766	16	12,668	154	327	2
Totale (A)	1,680,621	38,654	241,036	7,591	15,766	16	17,917	51,583	1,697	4,689
B. Off-Balance Sheet exposures										
B.1 Past due positions	24,855	9,123						1,444		
B.2 No Past due positions	419,500,905	359	225,292	6	57,362		194,178	51	79,972	39
Total (B)	419,525,760	9,482	225,292	6	57,362		194,178	1,495	79,972	39
Total (A+B) (31.12.24)	421,206,381	48,136	466,328	7,597	73,128	16	212,095	53,078	81,669	4,728
Total (A+B) (31.12.23)	1,601,183	42,355	340,409	1,399	119,968	16	91,600	50,266	134,001	2,172

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

Exposures / Geographical Area	Italia		Other European countries		Americas		Asia		Rest of the world	
	Net exposure	total write-downs	Net exposure	total write-downs	Net exposure	total write-downs	Net exposure	total write-downs	Net exposure	total write-downs
A. Cash credit exposures										
A.1 Bad Debts									39	348
A.2 Probable defaults							1,985	7,941		
A.3 Expired impaired exposures										
A.4 other Assets / in Bonis	222,680	889	314,266	1,348	21,513	15	63,050	567	157,054	1,168
Totale (A)	222,680	889	314,266	1,348	21,513	15	65,035	8,508	157,093	1,516
B. Off-Balance Sheet exposures										
B.1 Past due positions										
B.2 No Past due positions	1,326,106	327	836,999	3	115,000		563,382	204	1,496,649	599,824
Total (B)	1,326,106	327	836,999	3	115,000		563,382	204	1,496,649	599,824
Total (A+B) (31.12.24)	1,548,786	1,216	1,151,265	1,351	136,513	15	628,417	8,712	1,653,742	601,340
Total (A+B) (31.12.23)	1,942,997	220	1,123,068	1,013	181,765	1	684,019	10,902	1,340,251	3,090

B.4 Large Exposures

a) Amount (balance sheet value)	1,580,858
b) Amount (weighted value)	1,040,781
c) Number of balance positions	145
d) Number of weighted positions	25

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. Securitisation and assets transfer transactions

No data to report

D. Report on unconsolidated structured entities (other than securitisation special purpose entities)

No data to report

E. Transfer transactions

No data to report

**A. Financial assets sold but not fully deleted
Information in terms of quality and quantitat**

E.1 Financial assets sold and recognised in full, and associated financial liabilities:
balance sheet values

	Financial assets sold and recognised in full				Associated financial liabilities		
	Balance sheet value	of which: subject to securitisation operations	of which: subject to repurchase agreements	of which: impaired	Balance sheet value	of which: subject to securitisation operations	of which: subject to repurchase agreements
A. Financial assets held for trading							
1. Debt securities							
2. Capital securities							
3. Financing operations							
4. Derivatives							
B. Other financial assets that are necessarily measured at fair value							
1. Debt securities							
2. Capital securities							
3. Financing operations							
C. Financial assets designated at fair value							
1. Debt securities							
2. Financing operations							
D. Financial assets measured at fair value with impact on total profitability							
1. Debt securities							
2. Capital securities							
3. Financing operations							
E. Financial assets valued at amortised cost	888,148		888,148		897,319		897,319
1. Debt securities	888,148		888,148		897,319		897,319
2. Financing operations							
Total (31.12.2024)	888,148		888,148		897,319		897,319
Total (31.12.2023)	502,601		502,601		501,455		501,455

F. Credit risk measurement models

The Bank is equipped with a tool that assigns each counterparty an internal score and a Probability of Default (PD) based on quantitative and qualitative data. According to the score provided by the Credit unit, 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 Expected Credit Loss (ECL) for IFRS9 purposes. This value is also used for management purposes as an indication when determining pricing (in addition to the

opportunity cost associated with capital provisions and Unexpected Credit Losses or UCL) from a perspective 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 initiative resulted in the definition of a policy to oversee the credit risk management process, which was approved by the Board of Directors and is subject to periodic review. The policy incorporates the EBA LOM guidelines, acknowledges the operational peculiarities that emerged during application and ensures their integration with the Bank's Recovery Plan.

Section 2 – Market Market risks

2.1 - Interest rate risk and price risk - Trading book

QUALITATIVE NATURE

A. General Aspects

The Board of Directors sets the maximum level of market risk acceptable for the trading portfolio, as corresponding to the economic capital that the Bank is willing to allocate to cover the undertaking of said risk.

The market risk management policy (foreign exchange, position and settlement) specifies the internal operating limits and the related responsibilities and monitoring procedures.

Compliance with the restrictions in force is monitored daily by the first-level organisational units and periodically by Risk Management (second-level control) based on the output provided by the ObjFin application.

Finance's transactions are recorded by the ObjFin application which is embedded into the Bank's IT-accounting system; to allow real-time monitoring by the relevant structures, the system of internal operating limits has been applied to this application. The reporting system has also been implemented within the application, allowing automatic production of reports for the various company functions, at set periodicity, on the situation regarding positions, risks and exceeding of operating limits.

The application manages the following financial instruments:

- Forex and OTC derivatives;
- Money Markets and derivatives (FRA, IRS, OIS);
- Bonds and derivatives;
- Equity and derivatives (index futures, stock futures, ETFs and options traded on regulated markets);

In particular:

- the position risk on the trading portfolio is monitored by applying a limit to the size, concentration and stop-loss for each individual position;
- the counterparty risk is calculated using the simplified standardised method for positions in OTC derivatives;
- the interest rate risk is expressed in terms of sensitivity to shifts in the rate curve with reference to both the value of the exposure and the interest margin.

B. Management processes and methods for measuring interest rate risk and price risk

The activity of brokerage between the market and the banking and corporate customers, with regard to interest rate and currency derivatives, can generate daily misalignments in the related portfolio and therefore a temporary increase in exposure to generic position risk, both for the Treasury and the Securities Desk.

Trading positions in interest rate and currency derivatives, both regulated and OTC, are recorded on the front office system, which also supports the daily pricing of instruments and the calculation of unrealised gains/losses.

The risk of each open position is subject to quantitative limits proposed by the Sustainability and Risk Management Committee, approved by the Board of Directors and periodically monitored by the Risk Management unit. As the limits approach, control procedures are activated and, if necessary, the exposure is reduced.

The Bank adheres to an internal policy that governs the market risk management process, defining the methods for identifying, assessing, measuring and monitoring risk, and assigning tasks and responsibilities across the internal functions.

In the context of capital adequacy, these risks are measured according to the standardised regulatory approach and are analysed under stress-testing conditions. Within the Risk Appetite Framework, Risk Management, quarterly, monitors compliance with risk appetite and risk tolerance for market risks; the results of the analyses conducted are periodically reported to the Sustainability and Risk Management Committee, the Audit, Risk and Sustainability 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		219,055						
3.1 With underlying security								
- Options								
+ long positions								
+ short positions								
- Other derivatives								
+ long positions								
+ short positions								
3.2 Without underlying security		219,055						
- Options								
+ long positions								
+ short positions								
- Other derivatives		219,055						
+ long positions		74,196						
+ short positions		144,859						

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								
3.1 With underlying security								
- Options		210,923		3,829				
+ long positions								
+ short positions								
- Other derivatives								
+ long positions								
+ short positions								
3.2 Without underlying security								
- Options		210,923		3,829				
+ long positions								
+ short positions								
- Other derivatives		210,923		3,829				
+ long positions		140,986		3,829				
+ short positions		69,937						

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								
3.1 With underlying security								
- Options		8,910	3,508	138				
+ long positions								
+ short positions								
- Other derivatives								
+ long positions								
+ short positions								
3.2 Without underlying security		8,910	3,508	138				
- Options								
+ long positions								
+ short positions								
- Other derivatives		8,910	3,508	138				
+ long positions		4,456						
+ short positions		4,454	3,508	138				

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	3,697			
- long-term positions	3,697			
- 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) requires the calculation of an additional capital requirement for interest rate risk on the investment portfolio and demands that banks perform ongoing monitoring of the level of this risk, through the calculation of a 'risk indicator'.

The Risk Management unit conducts quarterly stress-testing of the exposure, assuming both parallel and non-parallel shifts of the interest rate curve. Additionally, in compliance with regulatory requirements, it annually assesses the exposure to risk also in terms of potential variation of the interest margin following a parallel shift of the interest rate curve.

In line with the EBA guidance on the subject, the set of shock and stress scenarios has been further expanded. Therefore, in addition to the parallel variation of +/- 200 basis points, the estimated variations in rates reflect the following scenarios: Short rate shock up, Short rate shock down, Long rate shock up, Long rate shock down, Steepener shock (fall in short-term rates and rise in long-term rates), Flatteners shock (rise in short-term rates and fall in long-term rates). Risk exposure is monitored on a quarterly basis with reference to the risk indicator.

The value of this indicator should never exceed 15% of the Common Equity Tier 1 capital (CET1); this represents a much higher value than that recorded by Banca UBAE, which is more contained due to the high concentration of funding and loans over a 12-month time horizon and the presence of derivative instruments that mitigate the risk.

From a management point of view, the internal regulations have set an internal limit lower than the regulatory threshold and equal to 2% of own funds, as this is more representative of the Bank's real risk exposure.

The Bank adheres to an internal policy that governs the management of this risk, defining the methods for identifying, assessing, measuring and monitoring risk, and assigning tasks and responsibilities across the internal functions.

The Risk Management unit prepares a periodic report containing the results of the analyses conducted and intended for the Sustainability and Risk Management Committee, the Audit, Risk and Sustainability Committee and the Board of Directors.

Within the Risk Appetite Framework, Risk Management monitors compliance with the risk appetite 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 indicator, capital absorption and monitoring of internal operating limits are subject to quarterly reporting to the Sustainability and Risk Management Committee, the Audit, Risk and Sustainability Committee and the Board of Directors.

B. Fair value hedges

Banca UBAE does not hold in its portfolio any derivative instruments for hedging assets and liabilities at fair value.

C. Cash flow hedges

Banca UBAE holds interest rate derivatives (IRS and OIS) in its portfolio with the aim of providing macro-hedging of the interest margin implicit in the financial flows deriving from banking activities (securities, deposits and loans). The Treasury Desk of the Finance unit is responsible for hedging and trading in derivatives.

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	263,453	360,450	738,324	89,313	42,561	602,666	2,529	
1.1 Debt securities		45,683	665,978		39,280	599,066		
- with early repayment option					9,419	9,382		
- others		45,683	665,978		29,861	589,684		
1.2 Financing to banks	128,698	54,946	8,818	3,562	3,281	3,564	2,529	
1.3 Financing to customers	134,755	259,821	63,528	85,751		1,186		
- current accounts	5,706					2,378		
- other financings	129,049	259,821	63,528	85,751	3,281	2,378	2,529	
- with early repayment option	84	168	252	484	3,281	2,378	2,529	
- others	128,965	259,653	63,276	85,267				
2. Cash liabilities	1,142,896	617,118	173	327	107			
2.1 Payables to customers	995,029	78,677	173	327	107			
- current accounts	96,472	78,659		300				
- other payables	898,557	18	22	27	107			
- with early repayment option								
- others	898,557	18	22	27	107			
2.2 Payables to banks	147,867	538,441						
- current accounts	144,187							
- other payables	3,680	538,441						
2.3 Debt securities								
- with early repayment option								
- others								
2.4 Other liabilities								
- with early repayment option								
- others								
3. Financial derivatives	700,000	100,000	25,000		40,000	585,000		
3.1 With underlying security								
- Options								
+ long positions								
+ short positions								
- Other derivatives								
+ long positions								
+ short positions								
3.2 Without underlying security								
- Options								
+ long positions								
+ short positions								
- Other derivatives								
+ long positions								
+ short positions								
4. Other off-balance-sheet transactions								
+ long positions								
+ short positions								

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

Type/Residual duration	at sight	up to 3 months	over 3 months to 6 months	over 6 months to 1 year	over 1 year to 5 years	over 5 years to 10 years	over 10 years	Indeterminate duration
1. Cash assets	191,044	214,759	104,799	118,125	22,642			
1.1 Debt securities		21,906						
- with early repayment option								
- others		21,906						
1.2 Financing to banks	189,819	175,884	101,063	96,660	22,642			
1.3 Financing to customers	1,225	16,969	3,736	21,465				
- current accounts	964							
- other financings	261	16,969	3,736	21,465				
- with early repayment option								
- others	261	16,969	3,736	21,465				
2. Cash liabilities	216,813	518,378	12,692	483				
2.1 Payables to customers	47,928	36,697	2,975	483				
- current accounts	47,928	36,697	2,975	483				
- other payables								
- with early repayment option								
- others								
2.2 Payables to banks	168,885	481,681	9,717					
- current accounts	168,491							
- other payables	394	481,681	9,717					
2.3 Debt securities								
- with early repayment option								
- others								
2.4 Other liabilities								
- with early repayment option								
- others								
3. Financial derivatives	288,767	288,767						
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	16,712	118,202						
+ long positions	8,356	59,101						
+ short positions	8,356	59,101						

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
1. Cash assets	2,115		183	4,100
1.1 Debt securities				
- with early repayment option				
- others				
1.2 Financing to banks	2,113		183	4,100
1.3 Financing to customers	2			
- current accounts				
- other financings	2			
- with early repayment option				
- others	2			
2. Cash liabilities	1,529			
2.1 Payables to customers	1,240			
- current accounts	1,240			
- other payables				
- with early repayment option				
- others				
2.2 Payables to banks	289			
- current accounts	289			
- 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 - Exchange rate risk

QUALITATIVE INFORMATION

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

In the context of the banking book, the asset structure of Banca UBAE is characterised by deposits funding in dollars and euros that is almost balanced by investments denominated in the same currencies.

Brokerage on currency derivatives and forwards can determine an increase in the Bank's overall exposure to exchange rate risk, resulting from holding assets and liabilities denominated in foreign currency.

The Board of Directors approves the Bank's overall exposure limits to exchange rate risk (intraday and overnight operating limits and stop loss limits), entrusting their management to the Sustainability and Risk Management Committee and daily monitoring to the first level functions.

A. Exchange rate risk hedging

The Finance unit of Banca UBAE carries out the macro-hedging of cash flows in foreign currency through the use of currency derivatives (currency swaps), based on its market analysis.

QUANTITATIVE INFORMATION

1. Distribution by currency of denomination of assets, liabilities and derivatives

Items	Currency					
	US Dollars	Canadian Dollars	Yuan China	GB Pounds	Swiss Francs	Other currencies
A. Financial assets	648,697	177	3,927	1,047	528	762
A.1 Debt securities	27,155					
A.2 Capital securities						2
A.3 Financing for banks	578,832	177	3,927	1,047	528	758
A.4 Financing for customers	42,710					
A.5 Other financing assets						2
B. Other assets	67	2	0	3		3
C. Financial liabilities	748,288			1,030	209,009	98
C.1 Debts towards banks	660,283			12	193	84
C.2 Debts towards customers	88,005		0	1,018	208,816	14
C.3 Debt securities						
C.4 Other financial liabilities						
D. Other liabilities						
E. Financial derivatives	214,752	8,910	3,508		138	
- Options						
+ long positions						
+ short positions						
- Other derivatives	214,752	8,910	3,508		138	
+ long positions	144,815	4,456				
+ short positions	69,937	4,454	3,508		138	
Total assets	793,579	4,635	3,927	1,050	528	765
Total liabilities	818,225	4,454	3,508	1,030	209,147	98
Imbalance (+/-)	(24,646)	181	419	20	(208,619)	667

Section 3 - Derivative financial instruments and hedging policies

3.1 Derivative trading instruments

A. Financial derivatives

In the 2024 financial year, Banca UBAE did not trade in financial derivatives on behalf of third parties, limiting its own activity to instruments for hedging risks connected to the trading and the banking portfolios.

Banca UBAE mainly uses derivatives to hedge its exposure to interest rates (IRS and OIS), and in particular to exchange rates (Currency Swap), in order to mitigate the company's exposure to different risk profiles.

The mitigation of market risk is made possible through the use of derivative instruments designed to hedge the Bank's loans.

The strategy pursued by the Bank is aimed at limiting the effects of possible fluctuations in the exchange rate, interest rates and share prices by including the following derivative instruments in the portfolio: currency swaps, interest rate swaps and share derivatives (futures and options).

Currency derivatives provide a way of neutralising the exchange rate effect by fixing the economic component generated by Forex operations.

Interest rate derivatives are used by the Bank to mitigate the effect of possible and adverse fluctuations in returns with respect to the value of portfolio assets (securities and loans) and minimising the time to risk exposure.

Furthermore, similarly to what has been described for market risks, the use of derivative instruments (IRS/OIS) is intended to hedge loans and HTC securities, so mitigating the Bank's exposure to interest rate risk on the banking book. The limited exposure to this latter risk, also resulting from the levels of the risk indicator, constantly below the regulatory threshold, is also a consequence of the prudential strategic guidelines set 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		With compensation agreements	Without compensation agreements	Central counterparties	Without Central counterparties		With compensation agreements	Without compensation agreements
		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										
a) Options										
b) Swap										
c) Forward										
d) Futures										
e) Others										
4. Goods										
5. Others										
Total		3,478	63,980				1,954	4,951	1,954	4,951

A.2 Financial derivatives for trading: positive and negative gross fair value - composition by product

Types of derivatives	Total (31.12.24)				Total (31.12.23)			
	Over-the-counter		Organised markets		Over-the-counter		Organised markets	
	Central counterparties	Without central counterparties		Organised markets	Central counterparties	Without central counterparties		Organised markets
		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		23	476			163		
f) Futures								
g) Others								
Total		23	476			163		
2. Fair negative value								
a) Options								
b) Interest rate swap								
c) Cross currency swap								
d) Equity swap								
e) Forward			55				50	
f) Futures								
g) Others								
Total			55				50	

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 - notional value - fair positive value - fair negative value 4) Goods - notional value - fair positive value - fair negative value 5) Others - notional value - fair positive value - fair negative value		64,511 63,980 476 55		
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 - notional value - fair positive value - fair negative value 4) Goods - notional value - fair positive value - fair negative value 5) Others - notional value - fair positive value - fair negative value			3,501 3,478 23	

A.4 Residual life of OTC financial derivatives for trading: notional values

Underlying securities/Residual life	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total
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	67,457			67,457
A.4 Financial derivatives on goods				
A.5 Other financial derivatives				
Total (31.12.24)	67,457			67,457
Total (31.12.23)	6,905			6,905

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 (31.12.24)				Total (31.12.23)			
	Over the counter			Organized markets	Over the counter			Organized markets
	Central counterparties	Without central counterparties	With compensation agreements	Without compensation agreements	Central counterparties	Without central counterparties	With compensation agreements	Without compensation agreements
1. Debt securities and interest rates			1,013,767				723,416	
a) Options								
b) Swap								
c) Forward								
d) Futures								
e) Others								
2. Capital securities and indices of shares			1,013,767				723,416	
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			1,013,767				723,416	

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 (31.12.24)			Total (31.12.23)						
	Over the counter		Organized markets	Over the counter		Organized markets				
	Central counterparties	Without central counterparties		Central counterparties	Without central counterparties					
		with compens. agreements			without comp. agreements				with compens. agreements	without comp. agreements
Fair value positive		9			1,018					
a) Options										
b) Interest rate swap		9			1,018					
c) Cross currency swap										
d) Equity swap										
e) Forward										
f) Futures										
g) Others										
Fair value negative		(20,099)			(12,702)					
a) Options										
b) Interest rate swap		(20,099)			(12,702)					
c) Cross currency swap										
d) Equity swap										
e) Forward										
f) Futures										
g) Others										
Total		(20,090)			(11,684)					

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 - fair value positive - fair value negative 3) Currencies and gold - notional fair value - fair value positive - fair value negative 4) Goods - notional fair value - fair value positive - fair value negative 5) Others - notional fair value - fair value positive - fair value negative				
Contracts - part of compensation agreements 1) Debt securities and interest rates - notional fair value - fair value positive - fair value negative 2) Capital securities and share indices - notional fair value - fair value positive - fair value negative 3) Currencies and gold - notional fair value - fair value positive - fair value negative 4) Goods - notional fair value - fair value positive - fair value negative 5) Others - notional fair value - fair value positive - fair value negative		52,349 50,000 2,349	981,526 963,767 9 17,750	

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	388,767	40,000	585,000	1,013,767
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 (31.12.24)	388,767	40,000	585,000	1,013,767
Total (31.12.23)	403,167	76,199	244,050	723,416

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		52,349	981,526	
- notional value		50,000	963,767	
- positive fair value			9	
- negative fair value		2,349	17,750	
2) Capital securities and share indices				
- notional value				
- positive fair value				
- negative fair value				
3) Currencies and gold		64,511	3,501	
- notional value		63,980	3,478	
- positive fair value		476	23	
- negative fair value		55		
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

In the case of liquidity risk, defined as the inability to meet one's payment obligations due to sudden difficulties in raising funds on the market and/or promptly liquidating positions in financial instruments, banks eligible for simplified methods are not required to calculate an additional capital requirement (Pillar II); however, they must introduce an internal policy that establishes the system of operating limits to abide by and the procedures to follow in the event of a liquidity crisis (Contingency Funding Plan).

An ILAAP (Internal Liquidity Assessment Process) must also be implemented to assess the adequacy of the liquidity risk management system. The ILAAP entails analysing and monitoring the liquidity situation, periodic internal and external reporting and suitable stress testing, ensuring its integration with the ICAAP and the Bank's Recovery Plan. The description of this process and the management results are included in the ICAAP/ILAAP Report sent annually to the Supervisory Body.

Banca UBAE's financial sources consist of its own funds and capital raised mainly on the interbank market and the REPO market.

Given the composition of the Bank's assets, the type of activities carried out, and the strategies defined by the Board of Directors, which are mainly oriented towards short-term investments, the liquidity risk for Banca UBAE does not constitute a particularly critical element under normal financial market conditions.

Furthermore, in consideration of interbank relations, the support of the majority shareholder and the constitution of an 'eligible' bond portfolio that can be used in REPO operations with the Central Bank, Banca UBAE holds adequate financial resources to face potential liquidity crises.

The Bank is however engaged in a constant effort to diversify its sources of financing, with particular attention to their volumes and costs.

The Bank's corporate functions responsible for ensuring the correct application of the liquidity policy are Treasury, which deals with the direct liquidity management, Risk Management, which is responsible for identifying the most appropriate risk indicators and monitoring their performance in relation to the set limits, as well as supporting the activities of the Sustainability and Risk Management Committee, which is responsible for annually submitting the funding and liquidity risk management policies to the Board of Directors and suggesting any measures to ensure that activities are carried out in accordance with the approved risk policies.

Banca UBAE's policy, in addition to outlining management guidelines, defines roles and responsibilities across the internal functions involved, while the contingency

funding plan, connected to a system of early warning markers, highlights any crisis situations, establishing intervention strategies in the event of liquidity strains, and providing for extraordinary procedures to be activated to ensure the Bank's survival even under stressful conditions. In this context, it is important to consider the escalation procedure envisaged by the Reorganisation Plan for which, also with reference to the liquidity indicators, alarm thresholds and thresholds for activation of the Plan are established, with the related recovery options.

The policy also makes provision for the integration of internal processes with 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 are envisaged for liquidity risk, expressed not in terms of capital requirements but in terms of alert thresholds for the LCR indicator, in alignment with the Bank's Recovery Plan.

Risk Management, in observance of the policy on liquidity risk management, monitors the early warning indicators and liquidity ratios (LCR and NSFR) and periodically conducts stress tests. In addition, it produces the weekly liquidity report (in standard format) for Banca d'Italia, while for internal purposes it produces a report on monitoring activities for the Sustainability and Risk Management Committee, the Audit, Risk and Sustainability Committee and the Board of Directors.

In particular, Risk Management prepares the maturity ladder on a weekly basis (based on outflows and inflows distributed by expiry time band) and monitors the performance trend of the early warning indicators. Conversely, the unit calculates the ratios relating to the funding and the monitoring tools on a monthly basis in order to evaluate their temporal trend. As regards the liquidity ratios (LCR and NSFR), it carries out periodic monitoring and reporting.

Finally, in light of the current regulatory framework, the Bank monitors daily the level of the Liquidity Coverage Ratio, through a special management tool, and reports it to Banca D'Italia on a monthly basis. The monitoring of this ratio shows compliance with the current regulatory limit (100%), averaging around 220 % (based on reporting data) in 2024.

In addition, on a quarterly basis the NSFR level is reported to Banca D'Italia and the Bank monitors compliance. Monitoring of this ratio shows in 2024 compliance with the regulatory limit (100%), averaging about 165%.

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	264,143	1,888	56,416	79,854	217,337	93,934	106,931	73,304	1,221,690	9,884
A.1 Government bonds	3,850				47,787	19,052	10,612	60,000	1,205,000	
A.2 Other debt securities			200				200	10,000	10,000	1,574
A.3 O.I.C.R. portions										
A.4 Financings	260,293	1,888	56,216	79,854	169,550	74,882	96,119	3,304	6,690	8,310
- banks	129,542	813	4,043	26,558	15,615	9,070	5,246		36	8,310
- customers	130,751	1,075	52,173	53,296	153,935	65,812	90,873	3,304	6,654	
Cash liabilities	245,630	734,937	303,472	140,031	233,196	175	333	100,269		
B.1 Deposits and current accounts	244,362	101,588	40,066	140,030	233,181	152	305	100,162		
- banks	147,867	101,588		61,217	233,181		305	100,162		
- customers	96,495			78,813						
B.2 Debt securities										
B.3 Other liabilities	1,268	633,349	263,406	1	15	23	28	107		
"Off-balance-sheet" operations		176,537	29,492	4,800	9,646	3,334	2,424			
C.1 Financial derivatives with capital exchange		175,655	29,400	29,400	9,200					
- long-term positions		64,996	4,700	2,400	2,100					
- short-term positions		110,659	24,700	2,400	7,100					
C.2 Financial derivatives without capital exchange			92		446	3,334	2,424			
- long-term positions			92		244	1,952	1,667			
- short-term positions					202	1,382	757			
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	190,103	75,569	26,786	37,719	52,963	104,999	121,583	21,760		
A.1 Government bonds			73				73	2,509		
A.2 Other debt securities			359					19,251		
A.3 O.I.C.R. portions										
A.4 Financings	190,103	75,569	26,354	37,719	52,963	104,999	121,510			
- banks	189,896	75,012	25,413	32,385	41,543	100,765	97,728			
- customers	207	557	941	5,334	11,420	4,234	23,782			
Cash liabilities	216,742	95,474	39,086	65,616	16,529		499	289,152		
B.1 Deposits and current accounts	216,742	95,474	39,086	65,616	16,529		499	289,152		
- banks	168,885	58,745		65,616	16,529		499	289,152		
- customers	47,857									
B.2 Debt securities										
B.3 Other liabilities										
"Off-balance-sheet" operations		237,841	29,615		5,606		15,700			
C.1 Financial derivatives with capital exchange		176,237			5,072		3,829			
- long-term positions		111,009			5,072		3,829			
- short-term positions		65,228								
C.2 Financial derivatives without capital exchange					534		3,828			
- long-term positions					534		3,828			
- short-term positions										
C.3 Receivable deposits and financings		61,604								
- long positions		30,802								
- short positions		30,802								
C.4 Irrevocable commitments to disburse funds	8,043						8,043			
- long positions							8,043			
- 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.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	2,130					178	4,151			
A.1 Government bonds										
A.2 Other debt securities										
A.3 O.I.C.R. portions										
A.4 Financings	2,130					178	4,151			
- banks	2,128					178	4,151			
- customers	2									
Cash liabilities	1,529									
B.1 Deposits and current accounts	1,529									
- banks	289									
- customers	1,240									
B.2 Debt securities										
B.3 Other liabilities										
"Off-balance-sheet" operations										
C.1 Financial derivatives with capital exchange				4,773	4,138		3,646			
- long-term positions				4,773	4,138		3,646			
- short-term positions				2,388	2,069					
C.2 Financial derivatives without capital exchange				2,385	2,069		3,646			
- 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, management processes and measurement of operational risk*

Banca UBAE calculates the capital requirement for operational risks by applying the Basic Indicator Approach, as required by current prudential regulations.

At present, the Bank does not intend to request application of the standardised approach. Despite having opted for the basic calculation methodology, Banca UBAE is implementing an operational risk management system capable of assessing and monitoring exposure to operational risks and the extent of the losses that could derive from them over time. In this direction, 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 'cross-sectional' tool aimed at risk assessment and loss data funding activities.

When starting operations involving new products or services, Finance, in collaboration with Organisation and IT Systems, Compliance, Risk Management and Internal Audit, submit a complete analysis of the risks associated with the new operations to the General Management.

The calculation of the capital requirement for operational risk as of 31 December 2024 was determined on the basis of the indicator referred to in article no. 316 of the CRR.

Within the ICAAP, operational risks were included in the scope of stress testing through the capital impact of operational losses estimated according to the fall-back approach.

Within the Risk Appetite Framework, Risk Management, quarterly, monitors compliance with risk appetite and risk tolerance for operational risks; the results of the analyses conducted are periodically reported to the Sustainability and Risk Management Committee, the Audit, Risk and Sustainability Committee, the Board of Directors and Banca D'Italia

Risk and Sustainability Committee, the Board of Directors and Banca D'Italia

Note that the Bank's memorandum accounts include third-party funds for a contra-value of EUR 3.6 billion (EUR 3.3 billion as of 31 December 2023) 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 1.81 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.

There are pending legal actions in the US and Luxembourg, the unfavourable outcome of which is possible, but not probable.

QUANTITATIVE INFORMATION

	Total (31.12.24)	Total (31.12.23)
OPERATIONAL RISK	8,544	7,154
1 Basic method	8,544	7,154
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 activity of brokering OTC interest rate and currency derivatives generates the risk that, at upon expiry, the counterparty may not be able to fulfil the payment obligations deriving from the stipulated contracts (counterparty risk). Once this contractual deadline has passed, in the event of non-fulfilment, the counterparty risk becomes a settlement risk.

Counterparty risk is monitored, both as a whole and with reference to individual types of exposure, through the front office ObjFin system that manages the internal operational limits system.

Each counterparty, whether a bank or a corporate, authorised to trade in derivative instruments, is entrusted by the Board of Directors, the Credit Committee or another competent function of the Bank, through the granting of specific ad hoc credit lines. The limits are overseen by the first-level functions through the front office system, which recalculates all existing positions daily based on updated prices. Risk Management, relying on the results of internal analyses, manages the flow of information to the Sustainability and Risk Management Committee, the Audit, Risk and Sustainability Committee and the Board of Directors.

The internal capital against counterparty risk is measured by applying the simplified standardised method.

Within the Risk Appetite Framework, Risk Management monitors compliance with the macro-risk limit and the risk tolerance for counterparty risk (including the Credit Valuation Adjustment) on a quarterly basis; the results of the analyses carried out are periodically reported to the Sustainability and Risk Management Committee, the Audit, Risk and Sustainability Committee and the Board of Directors.

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

With the exception of operations in OTC derivatives, which generate counterparty risk, Banca UBAE trades in listed and unlisted financial instruments and currencies exclusively with a payment versus delivery clause, minimising its exposure to settlement risk.

Section 7 - Concentration Risk

QUALITATIVE INFORMATION

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

In an effort to limit the overall level of exposure concentration, the Bank operates in compliance with the regulations on large exposures, identifies and reports exposures with a weighted amount exceeding 10% of the eligible capital and monitors compliance with the lending limit, reporting any over-the-limit positions to the Supervisory Body.

In order to reduce the risk of the lending limit being exceeded, the Bank has equipped itself with an automatic calculation tool that enables the business units to carry out ongoing monitoring of the percentage of absorption of said limit.

The Prudential Regulation (Pillar II) prescribes the calculation of an additional capital requirement against 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 capital adequacy and RAF purposes.

Risk Management, in addition to conducting capital adequacy analyses, carries out quarterly stress tests simulating an increase in the portfolio concentration level, with the same corporate exposures.

Furthermore, the capital adequacy analyses are accompanied by the capital absorption expected for the risk of geo-sectorial Concentration; to this end, the quantitative methodology developed by the trade association is applied to determine a capital add-on for exposures to corporates resident in Italy.

Concentration connected with exposures to banking counterparties does not enter into the calculation of capital absorption. However, in line with regulatory provisions, the Bank has introduced a system of internal operating limits aimed at containing exposure to this risk. The limits are monitored quarterly by Risk Management and are periodically reported to the corporate bodies.

In order to limit the concentration risk towards corporate counterparties, the Bank has adopted an internal lending limit that is prudentially lower than the regulatory limit and equal to the threshold for identifying major risks, as well as an additional internal investment limit for exposures towards the same economic sector.

Additionally, Risk Management conducts quarterly portfolio composition analyses focusing on the counterparty's economic sector and geographic area. This information integrates and completes the analysis of the Bank's concentration profiles and is preliminary to the conduction of stress testing in the credit risk area.

Within the Risk Appetite Framework, Risk Management monitors compliance with the macro-risk limit and the risk tolerance for single name concentration risk and geo-sectorial concentration risk on a quarterly basis; the results of the analyses

carried out are periodically reported to the Sustainability and Risk Management Committee, the Audit, Risk and Sustainability Committee and the Board of Directors.

Finally, the Bank follows an internal policy for the management of concentration risk, large exposures and shadow banking entities (SBEs), which defines the roles and responsibilities of the various corporate bodies and functions, the process for monitoring internal and external limits, including a system of internal operating limits, as well as the alert and reporting process.

Section 8 - Country Risk

QUALITATIVE INFORMATION

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

Banca UBAE measures the capital requirement in relation to country risk applying an internal calculation method aimed at determining an additional capital absorption that is complementary to the internal analyses in terms of capital adequacy.

The purpose of this additional requirement, not required by law, is essentially due to the Bank's way of operating in certain geographical areas. Additionally, Risk Management carries out quarterly stress tests on exposure, assuming a worsening of the probability of crisis for certain countries, in line with the approach already followed for credit stress testing.

From a procedural point of view, a usage limit is granted for each country, under the responsibility of the Board of Directors, and this sets the credit limits for countries with a rating lower than BBB or that have no rating.

The internal policy, also covers the identification, evaluation, measurement and monitoring of country risk and transfer risk. This policy underwent revision in order to acknowledge 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 this risk, from a quantitative point of view, in the more global context of country risk; from a qualitative point of view, a periodic assessment of the materiality of this risk is performed by analysing the composition of the loan portfolio and determining the extent of exposure to countries belonging to the transfer risk classes provided by the trade association.

The Risk Management unit oversees the dissemination of information to the Sustainability and Risk Management Committee, the Audit, Risk and Sustainability Committee and the Board of Directors.

Within the Risk Appetite Framework, Risk Management monitors compliance with the risk appetite and the risk tolerance for country risk on a quarterly basis; the results of the analyses carried out are periodically reported to the Sustainability and Risk Management Committee, the Audit, Risk and Sustainability Committee and the Board of Directors.

Section 9 - Strategic Risk

QUALITATIVE INFORMATION

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

Banca UBAE measures the capital requirement for strategic risk applying an internal calculation method aimed at determining an additional capital absorption that is complementary to the internal analyses in terms of capital adequacy.

The purpose of this additional requirement, not prescribed by law, is to recognise the importance of the strategic planning process and the economic effects associated with future changes in the operational/regulatory context and/or failure to promptly adapt strategic guidelines to said changes.

Within the Risk Appetite Framework, Risk Management monitors compliance with the risk appetite and the risk tolerance for strategic risk on a quarterly basis; the results of the analyses carried out are periodically reported to the Sustainability and Risk Management Committee, the Audit, Risk and Sustainability Committee and the Board of Directors.

The Bank outlined a multi-year planning model, the subjects/bodies involved, as well as the internal approval procedures and the timing of the planning and subsequent monitoring tools. The finalised policy was submitted to the 293rd Board of Directors for approval at the meeting of 7 June 2022.

Section 10 - Risk of excessive leverage

QUALITATIVE INFORMATION

A. General aspects, management processes and methods for measuring the risk of excessive leverage

Current prudential regulations require banks (in line with the principle of proportionality) to guard against the risk of excessive leverage by including it among the risks to be assessed under ICAAP and by introducing a representative leverage indicator (Leverage Ratio), calculated as the ratio of Tier 1 Capital to the Bank's total exposure. This ratio is subject to a regulatory limit of 3%, as well as to the alert thresholds set as part of the Recovery Plan.

In the context of stress-testing, this risk was included in the scope of analysis by assessing the impact of adverse scenarios on the level of the Leverage Ratio.

The Bank has an internal policy governing the process of managing this risk, defining how risk is identified, assessed, measured and monitored and allocating tasks and responsibilities across internal functions.

Risk Management produces a periodic report containing the results of the analyses conducted which is intended for the Sustainability and Risk Management Committee, the Audit, Risk and Sustainability 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 (31.12.2024)	Amount (31.12.2023)
1. Capital	261,186	261,186
2. Issue surcharges	870	870
3. Reserves	(40,898)	(64,725)
- of profits	14,925	6,698
a) legal	15,343	14,151
b) statutory		
c) own actions		
d) others	(418)	(7,453)
- miscellaneous	(55,823)	(71,423)
3.5 Advances on dividends (-)		
4. Capital instruments		
5. (Own actions)		
6. Valuation reserves	862	1,162
- 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	998	1,301
- 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	(136)	(139)
- Shares of valuation reserves relating to subsidiaries valued at net equity		
- Special revaluation legislation		
7. Profit (loss) for year	22,562	23,826
Total	244,582	222,319

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

Assets/Values	Total (31.12.24)		Total (31.12.23)	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debit securities	998		1,301	
2. Capital securities				
3. Financings				
Total	998		1,301	

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

	Debt securities	Capital securities	Financings
1. Opening balance	1,301		
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	303		
3.1 Reductions in fair value	303		
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	998		

Section 2 – Own funds and prudential ratios

2.1 Scope of application of the law

Consolidated own funds, risk-weighted assets and solvency ratios at 31 December 2021 were determined based on the new harmonized framework set out in Directive 2013/36/EU (CRD IV) and Regulation (EU) 575/2013 (CRR) dated 26 June 2013, as well as Banca d'Italia Circulars no. 285 and 286 (issued during 2013) and the update to Circular no. 154.

2.1.1 Banking own funds

A. Qualitative information

1. Common equity Tier 1 Capital (CET1)

A) Common equity Tier 1 Capital (CET1)

This item includes:

- *261.2 million Euro in paid-up capital instruments;*
- *0.8 million Euro in share premium;*
- *accumulated other comprehensive income, positive to the tune of 0.8 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 million Euro in positive reserves for HTC&S;*
- *accumulated negative retained earnings/losses as at 31/12/2024: 31.4 million euros;*

D) Items to be deducted from CET1

This item includes the following main aggregates:

- *0.5 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*

B. QUANTITATIVE INFORMATION

		Total (31.12.24)	Total (31.12.23)
A	Common Equity Tier 1 (CET1) before application of prudential filters	231,394	221,158
	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)	231,394	221,158
D	Items to be deducted from CET1	(8,151)	(6,906)
E	Transitional regime - Impact on CET1 (+/-)		
F	Total Common Equity Tier 1 (CET1) (C-D+/-E)	223,243	214,252
G	Additional Tier 1 Capital (AT1) gross of items to be deducted and the effects of the transitional regime		
	of which AT1 instruments subject to transitional provisions		
H	Items to be deducted from AT1		
I	Transitional regime - Impact on AT1 (+/-),		
L	Total Additional Tier 1 Capital (AT1) (G-H+/-I)		
M	Tier 2 Capital (T2) gross of items to be deducted and the effects of the transitional regime		
	of which T2 instruments subject to transitional provisions		
N	Items to be deducted from T2		
O	Transitional regime - Impact on T2 (+/-)		
P	Total Tier 2 Capital (T2) (M-N+/-O)		
Q	Total own funds (F+L+P)	223,243	214,252

A.2 Capital adequacy

A. QUALITATIVE INFORMATION

The self-assessment process of Banca UBAE's overall capital adequacy was defined by applying the principle of proportionality (according to the approach 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	
		(31.12.24)	(31.12.23)	(31.12.24)	(31.12.23)
A	RISK ASSETS				
A1	Credit and counterparty risk				
	1 Standard methodology	3,808,974	2,728,321	1,076,479	1,048,495
	2 Methodology based on Internal ratings				
	2.1 based				
	2.2 advanced				
	3 Securitization				
B	REGULATORY CAPITAL REQUIREMENTS				
B1	CREDIT AND COUNTERPARTY RISK			86,118	83,880
B2	CVA RISK			1,673	235
B3	SETTLEMENT RISK				
B4	MARKET RISK			1,713	3,847
	1 Standard Methodology			1,713	3,847
	2 Internal Models				
	3 Credit concentration Risk				
B5	Operational risk			8,544	7,154
	1 Basic indicator approach			8,544	7,154
	2 Standardized approach				
	3 Advanced method				
B6	Other calculation factors				
B7	total prudential requirements			98,048	95,116
C	RISK ASSETS AND CAPITAL REQUIREMENT RATIOS				
C1	Risk-weighted assets				
C2	Common equity Tier 1 Capital/Risk-weighted assets (CET 1 Capital ratio)			1,225,609	1,188,952
C3	Capital /Risk-weighted assets (Tier 1 capital ratio)			18.22%	18.02%
C4	Total own funds/ Risk-weighted assets (Total capital ratio)			18.22%	18.02%
				18.22%	18.02%

<div>PART G</div> <div>MERGERS INVOLVING CORPORATE UNITS OR LINES OF BUSINESS</div>

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 and were subject to subsequent updates. 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.

In accordance with article 2359 of the Italian Civil Code, Banca UBAE is controlled by the Libyan Foreign Bank as the latter holds the majority of exercisable votes in the ordinary assembly. Although it holds the majority of the votes, it should be noted that the Libyan Foreign Bank does not influence the management decisions of the Bank, i.e. the strategic and operational decisions of a financial and commercial nature concerning corporate affairs and therefore does not exercise any management or coordination activities.

The tables below show the Bank's outstanding economic and financial positions with related parties as at 31 December 2024

1. Remuneration of Directors, Auditors and Management

Remuneration during 2024 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)		3,531
- Directors	2,380	
- Auditors	147	
- Management	1,003	
Post-severance benefits (2)		58
Other benefits (3)		412

(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

Descrizione	CORPORATE OFFICERS	RELATED PARTIES	TOTALE
Financial Assets			
Financial Liabilities	780		780

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:

- company officer;
- stakeholder;
- 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	RELATED	TOTAL
Financial Assets	833	17,595	18,428
Financial Liabilities	574,252	494,795	1,069,047
Commitment given	11,525	128,893	140,417

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	12	390	402
Comm. on Letters of Guarantees	444	597	1,041
Interest	28,363	12,257	40,620
Total	28,819	13,244	42,063

Revenues

Description	LFB	CONNECTED	TOTAL
Comm. on Letters of Credits	236	5,237	5,473
Comm. on Letters of Guarantees	1,002	1,001	2,003
Interest	0	1,833	1,834
Total	1,239	8,072	9,311

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 2024 financial statements, only collective write-downs were applied to exposures with related parties, as there were no grounds for analytical write-downs or losses.

<div>PART I</div> <div>PAYMENT AGREEMENTS BASED ON THE BANK'S OWN CAPITAL INSTRUMENTS</div>

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 (5and 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 ((**Other: motor vehicles**)

Material assets for functional use	Rights acquired by leasing 1.1.2024	Amortisation during financial year	Other changes during financial year	Impairment loss during financial year	Accounting value 31.12.2024
(a) Land					
b) Buildings	132	(56)			76
c) Furniture					
d) Electronic equipment	26	(52)			
e) other	14	(76)	93		103
Total	172	(183)	93		179

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 year ended 31 December 2024, the Board of Statutory Auditors' activities were guided by the provisions of the law and the "Rules of conduct of the Board of Statutory Auditors" issued by the National Council of Chartered Accountants and Accounting Experts. For the sake of clarity, this joint report consists of section A) relating to supervisory activities and section B) relating to the fiscal year results as well as the activities carried out: lastly, it sets out the observations and proposals regarding the financial statements and their approval.

A) Supervisory activities

The Board of Statutory Auditors has exercised, with diligence and good faith, albeit within the framework of effective knowledge of corporate affairs, the supervisory function that is its responsibility in terms of compliance with the law and the Articles of Association and compliance with the principles of proper administration, the adequacy of the organizational structure and the internal control system, taking into account the regulatory framework of reference for Banks.

The Board of Statutory Auditors:

- I. participated in the Shareholders' Meetings and Board of Directors meetings, in which, in relation to the transactions resolved, on the basis of the information provided, no violations of the law and Articles of Association were found, nor transactions that were manifestly imprudent, risky, in potential conflict of interest or such as to compromise the integrity of the company's assets;
- II. during its encounters and periodic meetings, it has obtained information from the Administrative Body, General Management and Area Divisions on the general performance of operations and foreseeable evolution, as well as on the most significant transactions, in terms of size or characteristics, carried out by the Company and can reasonably assure that the actions carried out comply with the law and the Articles of Association and are not manifestly imprudent, risky, in potential conflict of interest and in contrast with the resolutions adopted by the Shareholders' Meeting or such as to compromise the integrity of the company's assets;
- III. as part of its periodic meetings, the Board of Statutory Auditors held 23 meetings

during the fiscal year just ended during which no relevant data and information emerged that should be highlighted in this report;

- IV. the statutory audit of the accounts pursuant to Legislative Decree 39/2010 was carried out by the auditing firm "KPMG S.p.a." which, during the year just ended, was not entrusted with further tasks with reference to contractual relations with associated companies, and therefore the Board of Statutory Auditors determined the absence of activities influential or complementary to the statutory audit activity conferred. 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 company "KPMG S.p.a." the report drafted pursuant to art. 10 and 17 of Legislative Decree 39/2010 regarding the independence and/or incompatibility of the same, with particular reference to Art. 6 paragraph 2, letter A of EU Regulation 537/14 with the specification of the absence of limitation to the assignment carried out on behalf of BANCA UBAE S.p.A.;
- V. 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 made in 2024;
- VI. met with the heads of the Internal Audit, Risk Management, Anti-Money Laundering and Compliance functions, maintaining reciprocal exchanges of data and news with them, as well as examining their actions through the analysis of the audits carried out; acknowledges that the activities of these functions have not brought to light any significant critical issues;
- VII. issued the opinions requested by the Supervisory Authority and Board of Directors on the basis of the provisions of the law and Articles of Association in force;
- VIII. in the exercise of its functions as Supervisory Body, it did not identify any critical issues, with respect to the organizational model, that should be highlighted in this report;
- IX. has acquired knowledge and supervised, within the scope of its competence, the adequacy and reliability of the Bank's organizational structure, including through the collection of information from the heads of the operational and control functions and, in this regard, has no specific observations to report;

- X. has acquired knowledge and supervised, within the scope of its competence, the adequacy and functioning of the administrative-accounting system, as well as the reliability of the latter to correctly represent the Bank's operations, by obtaining information from the heads of the corporate functions concerned, examining the General Manager's periodic management report and examining the results of the systematic checks carried out by the person in charge of the statutory audit of the accounts;

It is also deemed it necessary to point out that the Board of Statutory Auditors:

- monitored compliance with anti-money laundering and financial counter-terrorism regulations and noted the related training activities aimed at staff;
- verified that the obligations regarding the protection of personal data pursuant to EU Regulation 2016/679 and subsequent amendments and additions (so-called Privacy Legislation) have been complied with.

During the fiscal year, the Board of Statutory Auditors did not receive any reports or complaints pursuant to art. 2408 of the Civil Code.

The Board of Statutory Auditors did not find any atypical and/or unusual transactions during the fiscal year.

In the course of its supervisory activity, as described above, no other significant facts emerged that would require mention in this report.

B) Financial statements

The Board of Statutory Auditors examined the draft financial statements for the year ended 31 December 2024, made available by the Directors within the terms set out in Article 2429 of the Italian Civil Code and approved by the Board of Directors on 26 March 2025, which showed a profit for the fiscal year of € 22,561,943=.

The draft financial statements for the fiscal year ended 31 December 2024 consist of the Balance Sheet, Income Statement and Notes to the Financial Statements and the Report on Operations as required by law. These documents were delivered to

the Board of Statutory Auditors in time to be filed at the company's registered office accompanied by this report, regardless of the deadline provided for by art. 2429, paragraph 1, of the Italian Civil Code.

Since the Board of Statutory Auditors is not entrusted with the statutory audit of the financial statements, it has supervised the general structure of the financial statements, their compliance with the law with regard to the drafting procedure, structure, and composition of the related documents, as well as the correctness of the valuation principles adopted and, in this regard, has no observations to report.

In this regard, the Board of Statutory Auditors would like to specify that:

- a) the periodic accounting audit and statutory audit of the financial statements are entrusted to the auditing firm KPMG S.p.A., to whose report, therefore, reference is made for the relevant professional opinion;
- b) the accounting controls and audits conducted by KPMG S.p.A. were carried out on the basis of the guidelines of the ISA Italia auditing standards and the report on the financial statements was prepared pursuant to art. 14 and 16 of Legislative Decree 39/2010 and includes the opinion of consistency and compliance of the management report provided for by art. 14, paragraph 2, letter e) of the same Decree.

Where applicable, the Board of Statutory Auditors has supervised the general layout of the financial statements, their compliance with the law with regard to the preparation procedure, the structure and composition of the related documents, as well as the correctness of the valuation 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 report on operations.

As specified by the directors, in the preparation of the financial statements, no derogations to the legal provisions were made pursuant to art. 2423, paragraph 4, of the Italian Civil Code.

As pointed out in the Notes to the Financial Statements, the financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and on the basis of the relevant interpretations of the International Financial Reporting

Interpretations Committee (IFRIC), approved by the European Commission, as established by EU Regulation 1606 of 19 July 2002, by Legislative Decree 38/2005 and in compliance with the instructions for the preparation of the of the financial statements of banking institutions issued by the Italian Accounting Body (O.I.C.) and Italian Banking Association (ABI), as referred to in the seventh update of Circular 262: "The bank balance sheet: layouts and compilation rules" issued by the Bank of Italy on 2 November 2021."

The activity was carried out through interviews with Management and the function responsible for preparing the financial statements, direct checks, as well as through the information obtained by the independent auditors in charge, which issued 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 company. Regarding these checks, there are no particular observations to report.

The Board of Statutory Auditors verified that the financial statements corresponded to the facts and information of which it became aware following the performance of its duties and there are no observations in this regard.

Conclusions

For the foregoing and also considering the results of the activities carried out by the independent auditors appointed to audit the financial statements contained in the audit report, the Board of Statutory Auditors hereby expresses its assent to the proposal made by the directors regarding the approval of the financial statements for the fiscal year ended December 31, 2024, as well as to the proposal to allocate 5% of the profit for the year amounting to EUR 1,128,097 to the legal reserve and the residual amount of EUR 21,433,846 to "retained earnings."

Rome, 14 April 2025.

BOARD OF STATUTORY AUDITORS

Dr. Ersilia Bartolomucci - Chairperson

Dr. Angelo Pappadà – Statutory Auditor

Dr. Michele Testa – Statutory Auditor

LEGAL AUDITORS' REPORT

KPMG S.p.A.
Revisione e organizzazione contabile
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PEC kpmgspa@pec.kpmg.it

(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 2024, 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 2024 and of its financial performance and cash flows for the year then ended in accordance with the IFRS Accounting Standards issued by the International Accounting Standards Board and endorsed by the European Union, as well as 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.

KPMG S.p.A.
è una società per azioni
di diritto italiano
e fa parte del network KPMG
di entità indipendenti affiliate a
KPMG International Limited,
società di diritto inglese.



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Banca UBAE S.p.A.
Independent auditors' report
31 December 2024

Classification and measurement of loans and receivables with customers and exposures to banks for letters of credit issued recognised under 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 assets 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 statement of financial position - Assets": section 4 "Financial assets at amortised cost - caption 40"

Notes to the financial statements "Part B - Information on the statement of financial position - Liabilities": section 10 "Provisions for risks and charges - caption 100"

Notes to the financial statements "Part C - Information on the income statement": section 8.1 "Net impairment losses for credit risk on financial assets at amortised cost: breakdown"

Notes to the financial statements "Part C - Information on the income statement": section 11.1 "Net accruals for credit risk on loan commitments and financial guarantees issued: breakdown"

Notes to the financial statements "Part E - Risks and related hedging policies": section 1 "Credit risk"

Key audit matter	Audit procedures addressing the key audit matter
<p>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 €2,421 million at 31 December 2024, accounting for about 86% of total assets. Financial guarantees issued amounted to €868 million.</p> <p>Net impairment losses for credit risk of financial assets at amortised cost recognised in profit or loss during the year totalled €14.3 million.</p> <p>Furthermore, given the characteristics of the bank's business, the letters of credit and guarantee issued by the bank are a potential key audit matter. The provision for credit risk relating to loan commitments and financial guarantees issued recognised under liabilities amounts to €12.2 million at 31 December 2024.</p> <p>Net impairment losses on loan commitments and financial guarantees recognised in profit or loss during the year totalled €1.5 million.</p> <p>The classification and measurement of the above financial assets in accordance with the various risk categories provided for by IFRS 9 is a significant audit matter due to their materiality to the consolidated financial statements as a whole and the directors' use of highly subjective estimates to determine impairment losses. 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.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> 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; 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 and financial guarantees issued tested collectively, checking the application of the measurement models applied and checking that the impairment rates applied complied with those provided for in such models;



Banca UBAE S.p.A.
Independent auditors' report
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Key audit matter	Audit procedures addressing the key audit matter
For the above reasons, we believe that the classification and measurement of loans and receivables with customers and exposures to banks for letters of credit issued recognised under financial assets at amortised cost, as well as the measurement of the provision for financial guarantees issued are a key audit matter.	<ul style="list-style-type: none"> • selecting a sample of exposures and financial guarantees issued 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 for non-performing exposures; • 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 IFRS Accounting Standards issued by the International Accounting Standards Board and endorsed by the European Union, as well as 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:



Banca UBAE S.p.A.
Independent auditors' report
31 December 2024

- 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 our auditors' 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.



Banca UBAE S.p.A.
Independent auditors' report
31 December 2024

Report on other legal and regulatory requirements

Opinion and statement pursuant to article 14.2.e)/e-bis)/e-ter) of Legislative decree no. 39/10

The bank's directors are responsible for the preparation of a directors' report at 31 December 2024 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 financial statements;
- express an opinion on the compliance of the directors' report with the applicable law;
- issue a statement of any material misstatements in the directors' report.

In our opinion, the directors' report is consistent with the bank's financial statements at 31 December 2024.

Moreover, in our opinion, the directors' report has been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e-ter) 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, 14 April 2025

KPMG S.p.A.

(signed on the original)

Mario Sanges
Director of Audit

RESOLUTIONS PASSED BY SHAREHOLDERS' ORDINARY GENERAL MEETING HELD ON 08/05/2025

AGENDA

1. Review and approval of the accounts for the financial year ended 31 December 2024 and of the Annual Report on operations;
2. Statutory Auditors' report;
3. Legal Auditors' report;
4. Proposal for the allocation of net profit and resolutions pertaining thereto;
5. Approval of a bonus for the members of the Board of Directors in relation to the Bank's 2024 result;
6. Appointment of the Board of Directors, after establishing the number of members, for the three-year period 2025-2027 pursuant to article 15 of the Articles of Association; subsequent related resolutions;
7. Approval of the 2025 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.

THE SHAREHOLDERS' MEETING

- having acknowledged the financial statements as at 31 December 2024, which close with a profit for the year of Euro **22,561,943**;
- 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 2024, downloading them, ratified and valid for the Board of Directors;
2. to approve the proposal to allocate 5%, equal to Euro **1,128,097** to the Legal Reserve (Article 30 letter A of the Articles of Association) and the remainder, equal to **Euro 21,433,846**, allocated to the "surplus of previous profits

Following this decision, the total assets of the Bank will amount to Euro 244,581,595 divided as follows:

- Share Capital	Euro	261,185,870
- Legal Reserve	Euro	16,470,757
- 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	861,892
- <i>Previous Years' Losses</i>	<i>Euro</i>	<i>(83,911,066)</i>
- <i>Reserves ex art 26 DL 104/2023 ("extra-profits tax")</i>	<i>Euro</i>	<i>7,034,153</i>
- <i>Profit for the year surplus</i>	<i>Euro</i>	<i>49,522,322</i>
		244,581,595

Annex A

**COUNTRY-BY-COUNTRY REPORTING
AS AT 31 DECEMBER 2024**

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 Invest Complex

Corporate capital: EUR 261,185,870 fully paid up

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

The mission is to develop industrial and economic trading relations between Italy and the countries of North Africa and sub-Saharan Africa, the Middle East, the Indian sub-continent and the countries of Southeast Europe. The main services offered to customers who work with foreign countries are: export financing, letters of credit, standby letters of credit, risk sharing, guarantees, finance, trading and financial syndications, as well as professional assistance in foreign countries through a network of local consultants. Banca UBAE currently operates in fifty countries with the support of 500 correspondent banks occupying a position of reference and reliability in the foreign trade sector. The bank does not have branches abroad.

b) Turnover⁵ = EUR 64,529,031

c) Number of employees on equivalent full-time basis⁶= 157

d) Economic Result (before tax) =EUR 22,474,158

e) Income tax on year's result= EUR 87,785

d) Public contributions received = None

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.

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 2024 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.

<i>Euro</i>		
Type of services performed	Entity that provided the services	Fees
Auditing services (1)	KPMG S.p.A.	63,574
Certification service (2)	KPMG S.p.A.	
Other services (3)	KPMG S.p.A.	

(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